



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

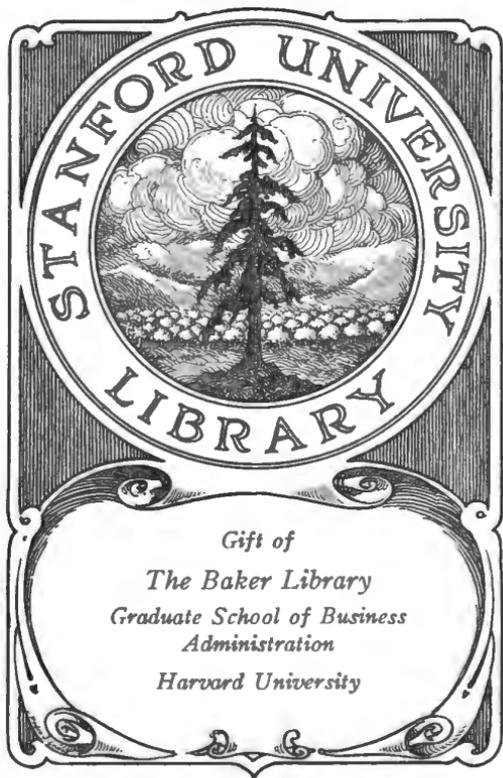
Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

Stanford University Libraries



3 6105 120 333 864





Gift of
The Baker Library
Graduate School of Business
Administration
Harvard University





A. BARTON HEPBURN
1907-1909



FRANCIS LYNDE STETSON
1909-1910



JOHN G. MILBURN
1910-1912



JAMES SPEYER
1912-

PRESIDENTS OF THE ECONOMIC CLUB OF NEW YORK

YEAR BOOK
OF
THE ECONOMIC CLUB
//
OF
NEW YORK

Volume III
Containing the Addresses
of the Season 1912-1913

EDITED BY THE SECRETARY

STANFORD LIBRARY

NEW YORK
21 West 44th Street
1913



476382

THE KNICKERBOCKER PRESS
(G. P. PUTNAM'S SONS)
NEW YORK

YSANBLI 0907MAY2

INTRODUCTION

With this, the third, issue of the Year Book of The Economic Club of New York, the addresses before the Club are brought up to date, those now published being for the year ending September 30, 1913.

The Year Book will appear regularly hereafter in September at the close of each year and will contain the addresses of that year.

This volume is intended chiefly for the members of the Club, to each of whom a copy is presented.



CONTENTS

	PAGE
INTRODUCTION	iii
TWENTY-FIRST MEETING	
<i>The Regulation of Competition versus the Regulation of Monopoly</i>	
Address by Mr. Louis D. Brandeis	7
“ “ President Charles R. Van Hise	21
“ “ Dr. Talcott Williams	39
TWENTY-SECOND MEETING	
<i>Problems of Police Administration</i>	
Address by Mr. William J. Burns	61
“ “ Mr. A. Leo Weil	66
“ “ Mr. Fred Kohler	74
“ “ Dr. Frederic C. Howe	93
TWENTY-THIRD MEETING	
<i>Efficient City Government</i>	
Address by His Excellency Count Johann von Bernstorff	107
“ “ Hon. William J. Gaynor	117
“ “ Hon. Rudolph Blankenburg	124
“ “ Hon. Henry T. Hunt	135

	PAGE
TWENTY-FOURTH MEETING	
<i>Are Our Railroads Fairly Treated?</i>	
Address by Mr. William C. Brown	160
" " Mr. Frederic A. Delano	166
" " Mr. A. B. Garretson	181
" " Mr. Benjamin F. Bush	192
" " Prof. William Z. Ripley	208
PROGRAMS OF THE FIRST TWENTY MEETINGS	221
OFFICERS, 1912-1913	241
CONSTITUTION	242
NATIONAL ECONOMIC LEAGUE	247



TWENTY-FIRST MEETING

Friday Evening, November 1, 1912

HOTEL ASTOR

SUBJECT

THE REGULATION OF COMPETITION

VERSUS

THE REGULATION OF MONOPOLY

SPEAKERS

LOUIS D. BRANDEIS
Of the Boston Bar

CHARLES R. VAN HISE
President of the University of Wisconsin
Author of *Concentration and Control*

TALCOTT WILLIAMS
Dean of the School of Journalism, Columbia University;
formerly Editor of *The Philadelphia Press*

JAMES SPEYER, *Presiding*
President of the Club

ADDRESSES

INTRODUCTORY REMARKS BY THE CHAIRMAN

MR. SPEYER: Gentlemen of the Economic Club, before we begin the regular business of the evening, I want to ask you all to perform a solemn duty. As you know, Mr. Sherman, the late Vice-President of the United States, has just been taken away. This news has come as a great shock to most of us, but Mr. Sherman himself had months ago been warned by his physician and by his intimate friends about the state of his health. They had urged him not to allow his name to be used on the national ticket as a candidate for the Vice-Presidency, but although he knew his dangerous condition, he would not hear of it. He told his friends he owed it to Mr. Taft and his party to become a candidate again if they wanted him. This is characteristic of the man, who was loyal to what he believed to be right, and who did his duty until the end. Mr. Sherman was a citizen of our state, and an honest public servant of the American people.

Members and Guests of the Economic Club: Out of respect for Mr. Sherman, late Vice-President of the United States, I ask you all to rise in your seats.

First of all, I wish to thank you, my fellow-members of the Economic Club, for having elected me your President for this year. I want to assure you that I appreciate the honor very much indeed. Please bear in mind that I have little experience for such a position, and please forgive my shortcomings. I shall follow the example of my genial predecessor, Mr. Milburn. I will do my best to satisfy you.

In order to secure my nomination and election as President, I have had to make no campaign pledges or promises of any kind as to the offices which it is my privilege as President to fill. I have, therefore, concluded not to change the members of the various committees, whose names you have before you.

These gentlemen, especially Mr. Ely, have done their share of the work in the past, and we are all indebted to them. I wish to say, however, that it is the sense of your Executive Committee that changes should be made next year in all committees, so that other members of the Club may have a chance to take a more active part in the direction of its affairs.

Our Club, which is now in its sixth year, has been extremely successful. The limit of membership, 1200, has been reached, and we have a waiting list. Our Economic Club has been the second of its kind in this country, the first one having been established in Boston. Similar organizations have since been formed in fourteen cities, as far as San Francisco, but ours is by far the largest and most important.

We have a surplus in our treasury, but I will not state how much, for fear that one or all political parties may want a campaign contribution.

Our Constitution says, "The object of the Club shall be to aid in the creation and expression of an enlightened public opinion on the important economic and social questions of the day," and this Constitution is also our platform, which is more than any of the political parties, I think, can say at the present time.

Your Committee on Meetings will continue to select interesting subjects of national importance for discussion, and our Club will endeavor to lead rather than to follow other similar organizations. Suggestions and advice from members are not only welcome, but desired. To receive proper attention they should be addressed in writing to the Secretary of the Club. You will, as heretofore, hear both or the three sides of a question with that love of fair play which is so characteristic of the American people.

One of the most difficult problems our Committee on Seating (which is Mr. Ely) has to face is this: How to give the entire membership front seats at all meetings of the Club. This problem is further complicated by the fact that there appears to be an alarming increase in deafness among our members, as indicated by the number of those who wish special consideration in being seated in front on account of defective hearing. This affliction seems to be constantly increasing, whilst we cannot find any larger hall or make the front row any longer; but, seriously speaking, the Secretary wishes me to state that he is trying his very best to give each member in turn a seat in the front or in the central part of the room, and we hope through this

systematic and fair arrangement that every one will be satisfied in turn.

One word about the length of our meetings. We realize that it is difficult for a speaker interested in his subject to keep within his allotted time, and on the other hand the presiding officer dislikes to interrupt him. Nevertheless, I wish to give fair warning now to the distinguished gentlemen present to-night and to all future speakers, that I shall hold them strictly to their time limit. We will arrange our dinners and meetings so that the Club may adjourn not later than eleven o'clock, and that program will be carried out.

I want to say to the ladies in the gallery who show such a keen interest in "Regulation of Competition," or is it "Regulation of Monopoly"?—if the wives of any of the Club members are present, I wish to say to each of you that if your husband comes home very much after eleven o'clock, the nights of the Club meetings, do not believe him when he tells you that the meeting lasted so much longer, and do not lay the blame on me.

Ladies and gentlemen, this is our twenty-first dinner, and this large and very representative gathering of over nine hundred, a few days before election, to hear the serious subject which is to be seriously discussed to-night, is certainly in itself an encouraging sign of this epoch, and proves that the leading and busy men of New York are willing to give time and thought, after their day's work is done, to their duties as citizens. We here in New York realize just as much as Americans in other parts of our common country, the importance of forming our own individual opinions in regard to

these economic questions which are of such vital importance to the welfare of the nation.

I am fortunate in being allowed to introduce as the first speaker of the evening one of the leading lawyers of Boston, who has given to the subject which we are to discuss to-night a great deal of thought. Mr. Brandeis has been called the "people's advocate," because on many occasions he has stood as the legal champion of what seemed to him the people's cause in some of the most conspicuous litigations involving public questions, and I am told that Mr. Brandeis and Governor Wilson think alike in many ways on the trust question. Mr. Brandeis was one of the first to call attention to more scientific business management, and I am sure he will be himself scientific as well as efficient in presenting his views. Mr. Louis D. Brandeis.

ADDRESS BY MR. LOUIS D. BRANDEIS

Of the Boston Bar

Ladies and Gentlemen: It is less than eighteen months since the decisions in the Standard Oil and Tobacco cases made Americans realize the importance and the urgency of the trust problem. Since that time there has been more intensive thought and serious discussion of the subject than during all the preceding twenty-one years which elapsed between the passage of the Sherman Act and the rendering of these decisions. And that thought, with general discussion, has been fruitful of results. It has not ripened into legislation; but it has done more. It has enlightened the American people, and has brought the deliberations upon the subject to that stage where wise legislation is possible.

The discussion has removed many misapprehensions which clouded the consideration of measures before the country. It has removed misconceptions also, and has thus narrowed the field of controversy. A large part of the American people realize to-day that competition is in no sense inconsistent with large-scale production and distribution. They realize that the maintenance of competition does not necessarily involve destructive and unrestricted competition, any more than the maintenance of liberty implies license or anarchy. We learned long ago that liberty could be preserved only by limiting in some way the freedom of action of individuals; that otherwise liberty would necessarily yield to absolutism; and in the same way we have learned that unless there be regulation of competition, its excesses will lead to the destruction of competition, and monopoly will take its place.

A large part of our people have also learned that efficiency in business does not grow indefinitely with the size of business. Very often, a business grows in efficiency as it grows from a small business to a large business; but there is a unit of greatest efficiency in every business, at any time, and a business may be too large to be efficient, as well as too small. Our people have also learned to understand the true reason for a large part of those huge profits which have made certain trusts conspicuous. They have learned that these profits are not due in the main to efficiency, but are due to control of the market, to the exercise by a small body of men of the sovereign taxing power. Nothing has helped so much to make this clear to our people as an incident in the life of the tobacco trust. When the Spanish War came on and we needed addi-

tional revenue, Congress properly increased the tax on tobacco products; and then the trust very promptly raised the price of tobacco products. Three years later, when our country no longer needed that additional revenue, Congress sought to remove the burden which it had placed upon the people; but Congress found itself powerless to remove the burden it had imposed. And when Congress reduced the tax, the effect was merely to transfer, from the Treasury of the United States to the treasury of the trust, the several millions of dollars a year which represented the reduction in the tax; because the tobacco-products market was controlled by the trust, which held the selling price practically unchanged.

The history of the tobacco trust also showed in its detailed operations how control made for profit, for the degree of control exercised by that great trust was very different in the various departments of its business. And, as the Commissioner of Corporations found, the ratio of profit ordinarily was in direct relation to the ratio of control. Where the trust had a high degree of control, the profits were great; where they had a small degree of control, the profits were small. In the cigar business, in which the trust had no control of the market, in which it was merely a large concern, doing perhaps one-eighth of the cigar business of the country, the trust's profits were not only small, but they were very much smaller than would be satisfactory to the ordinary manufacturer. In the same year in which some of the subsidiary corporations of the trust were earning fifty, sixty, eighty, or one hundred per cent. upon the tangible assets, the trust was earning in its cigar department only four to six per cent., although

the ultimate management of all departments of the trust's business rested with the same able men, and was supplied with the same great resources. Such facts as these have made men realize that while trusts are sometimes efficient, just as independent concerns are sometimes efficient, it is not their efficiency, but the fact that they control the market, that accounts for the huge profits of trusts.

And people have learned also another fact of perhaps even greater importance. They have come to realize the effect of monopoly in arresting progress, arresting that advance in industry without which a great industrial future is unattainable.

Thirteen years ago, before combinations in the steel industry began, there was almost a panic in Europe at what they called "the American invasion." We had been making steel cheaper than any nation. Germany, Belgium, and England looked with alarm upon American competition. In 1911, twelve years after the era of combination in the steel industry began, the *Engineering News*, a high American authority, declared:

"We are to-day something like five years behind Germany in iron and steel metallurgy, and such innovations as are being introduced by our iron and steel manufacturers are most of them merely following the lead set by foreigners years ago. We do not believe that this is because American engineers are any less ingenious or original than those of Europe. . . . We believe the main cause is the wholesale consolidations which have taken place in American industry. A huge organization is too clumsy to take up the development of an original idea. With the market closely controlled, and profits certain by following standard methods, those who control our trusts do not want the bother

of developing anything new. We instance metallurgy only by way of illustration. There are plenty of other fields of industry where exactly the same conditions exist. We are building the same machines and using the same methods as a dozen years ago, and the real advances in the arts are being made by European inventors and manufacturers."

That statement of the *Engineering News* was confirmed in a striking way in a memorial presented by the Inventors' Guild to the President last year. The memorial related specifically to the patent law, but it began with the recital of some facts, and this is one of the recitals:

"It is a well-known fact that modern trade combinations tend strongly toward constancy of prices and of products, and by their very nature are opposed to new processes and new products originated by independent inventors, and hence tend to restrain competition in the development and sale of patents and patent rights."

There you have it, the tendency of monopoly to arrest progress, the tendency of monopoly to standardize prices and products. We hear much of standardizing prices and products, but there is only one justification for standardization, and that is to set a new level. When you standardize prices and products, in order to retain that standard, you arrest progress in the art, and such progress is the most important element in efficiency in industry. (Applause.)

Now, what these experts have said in regard to the course of industry in America during the last twelve years is illustrated by the steel rail controversy of which you have read much during the last year. Of

course, the demand upon a steel rail to-day is much greater than it was thirteen years ago. The weight of trains is greater, as well as the speed. But you have this remarkable fact that, despite all of the possibilities that inhere in American steel rail manufacture, the steel rail industry, for some reason, did not keep pace with the demand for more efficient rails; and you have that continuing condition during the period when, as the reports of the Corporation Commissioner and of the Stanley Committee show, the steel trust was making steel rails at a cost which left the trust an operating profit of nearly \$13. a ton out of the \$28. paid for the rail. Now, making full allowance for the increase in the demand upon the steel rail, the deficiency in these rails shows what comes from that standardizing of processes, which it is said is the avenue by which a monopoly may conceivably reduce costs.

These facts, to which I have called attention, have made our people appreciate better than they did before, the great economic truth which was embodied in the Sherman Law,—have made them appreciate the value of competition. But discussion has done far more than that. While it has made us understand better the value of competition, it has made us also understand defects in the Sherman Law.

These defects are in its application and in the machinery for its enforcement. The law has grave defects. It has, among other things, the defect of uncertainty of application. Since the Supreme Court has declared that only those combinations are illegal which are unreasonable, there is the lack of certainty as to what is or is not unreasonable. Here is a wide field for legal improvement for which legal invention is demanded.

These twenty-two years under the Sherman Law have supplied us with experiences which can be utilized to good purpose. We have learned to lay down the rules deducible from that experience, in order to determine, in large measure, what is unreasonable. A practice is unreasonable which tends to destroy competition. And we know now what the main practices are which have been pursued by those trusts to secure the monopoly-control of our industry. They are cut-throat competition, espionage, doing business as fake independents, the making of exclusive contracts, as well as many other methods and practices of unfair trade which have been pursued not for the purpose of conducting a business in competition with others, but for the purpose of killing competitors.

Again, we have found grave defects in our legal machinery. The results of the alleged disintegration of the tobacco trust and of the Standard Oil trust have made these defects obvious; and the La Follette-Stanley bills proposed to remedy these defects through the exercise of legal invention, just as they undertake also to remove uncertainty in the application of the Sherman Law. Take this instance: When the Court undertook to divide the tobacco trust with a view to restoring competition, the principal properties were distributed among three corporations, which, it was supposed, would compete diligently with one another; and yet the Court seemed to consider itself powerless to prevent such a disposition of the properties as left each of these three corporations to be owned by the same persons in the same proportion! That result was treated as if it were the necessary result of existing rules of law. If such was law, obviously the law ought

to be changed. It ought to be not only a possible but a necessary provision in disintegrating trusts, that the several fragments into which the trust is ordered to be divided, should, for a limited period at least, be owned by different groups of stockholders instead of being owned by the same persons.

The La Follette-Stanley bills, which I have not time now to discuss in detail, contain many provisions which have for their purpose to do for trust legislation what has been done by mechanical inventors for thousands of machines in our factories,—to make perfect the machine that a good principle may work.

But besides making the Sherman Law certain, and providing legal machinery, we need administrative machinery. We need in industry, as in our cities, in addition to the prosecuting attorney, the inspector and the police. You hear much said of correcting most abuses by publicity. We need publicity; but as a pre-requisite to publicity we need knowledge. We must know, and know contemporaneously, what business—what big business—is doing. When we know that through an authoritative source, we shall have gone very far toward the prevention of the evils which attend the conduct of business.

We need also ample power in a government board to aid the small man as against his mighty opponent. Some of the finest patriotism which this country has known in the last ten years has been exhibited by small men who, at the risk of destruction, have been willing to aid the government in its effort to secure enforcement of the Sherman Law. We need a board which will protect these men, and in protecting their interests it will protect the interest of the whole community.

For that we need an administrative board or commission of some kind.

But we need more than that. I said we need knowledge; I should say over and over again, we need knowledge—comprehensive, accurate, complete knowledge of what is being done in business. And the striking fact to-day is the absence of such knowledge. We know reasonably well the practices of great and conspicuous trusts which have secured monopoly. We do not know of the agreements and relations of the businesses which are competitive, of those trade agreements, those mutual relations between competitive businesses. In other words, we know the facts in regard to monopolistic combinations; but we do not know the facts in regard to combinations of competitive concerns. I say we do not know the facts. Of course, we have sporadic, unofficial, and, to a large extent, inaccurate knowledge of those combinations. But before we can legislate or act in any way, wisely, upon that great subject—the extent to which competitive businesses may have relations with one another—we need that comprehensive and accurate knowledge, and only a commission can secure such knowledge for us.

Now, the investigations and the discussions of recent years have, as I say, brought before us much that is clear, much that men agree upon, and the field of controversy has thus been narrowed. But there is also much as to which men disagree, and the title of the subject of discussion this evening suggests the great and fundamental difference of opinion.

“Shall we regulate competition, or shall we regulate monopoly?” That means, of course, shall we legalize monopoly, and I take it that the position which is

clearly drawn between the views of the new party and of others—and particularly the Democratic Party—is this: The new party claims that private monopoly in industry is in some branches desirable, or at all events is inevitable, and that the effort of the government should be confined to limiting the field of monopoly and preventing the abuses which ordinarily attend monopolies.

The Democratic position, on the other hand, is that private monopoly in industry is never permissible; it is never desirable, and is not inevitable; competition can be reserved, and where it is suppressed, can be restored.

Now there had been some denial that the new party proposes to legalize monopoly. That denial has been based, as I believe, upon the assertion that the new party is endeavoring to preserve competition. So it is. But as I should put it, it is in favor of *competition and monopoly*, and I read, as bearing upon that position, this statement, a very recent one, of its great leader:

“Understand, I am not for monopoly when we can help it. We intend to restore competition. We intend to do away with the conditions that make for monopoly. But there are certain monopolies which we cannot prevent. I understand that the steel trust is not an absolute monopoly, but if it were, what would be the use of splitting up the steel trust into companies controlled by Morgan, Carnegie, and Rockefeller, say? Would it ameliorate conditions at all? Would it make prices lower to the consumer?—the wages and the conditions higher to the worker? Don't you suppose that these three fellows would agree on prices and methods unofficially?”

Now, gentlemen, see what that implies. It implies

that there are at least some fields of industry in which we are to accept private monopoly, and it indicates something which, to my mind, is far more important even than being divided on the great question whether we shall have monopoly or competition. It implies that there is a power in this country of a few men so great as to be supreme over the law; that the will of the American people as expressed in the Sherman Law—which the American people have steadfastly refused to alter in spite of many efforts—cannot be carried out because of the power of certain individuals; that, whether we like it or not, we must have private monopoly in industry to some extent because of the power held by a few of our fellow-citizens. Realize, gentlemen, what that means. It means that we must state solemnly that the power of the American people to enforce law is not absolute; that there are a few individuals who stand superior to the American people.

This same new party platform pledges its members to work unceasingly to restore an increased respect for law. What will be the respect for law when the people come and declare: "We cannot carry out the will of the American people. We cannot prevent individual men unofficially joining together to do that which the law prohibits"?

This very day, but for the engrossing demands of a political campaign and the interest which centers in it, our thoughts would be upon two great prosecutions which are going on, great criminal proceedings going on in this country, more important in many ways than the questions which we and others are discussing: First, the proceedings at Indianapolis involving the great

dynamite plot incident to the Los Angeles and other outrages which occupied our attention a year ago; secondly, the proceedings at Salem, in my own state, where great questions arising out of the Lawrence strike are being investigated. What do these prosecutions signify? They mean that a large part of the American people, desirous of securing the social and industrial progress which this new party in its platform declares to be the end to which political effort should be directed, had concluded that social and industrial justice was not to be obtained by law in America; that there is no longer in America equality before the law; that the rich man has such control over affairs in America that the poor and less able worker cannot secure his rights according to the American Constitution, and they have, therefore, resorted to violence. You yourselves in New York, in the recent proceedings, have seen what lack of respect for the law means; not only our property and our institutions, but life itself, are at stake. And yet, with this great demand staring us in the face, calling upon us to do everything we can to bring the American back to a respect for law, we are told that a few rich and powerful men can defy the law; that their power is so great that there will be private monopoly and we cannot prevent it; and that, therefore, we must content ourselves with seeking to mitigate the evil. Respect for law—supremacy of law—is the great question involved—a question more fundamental, almost, than any other.

But that same interview with the great leader of the new party contains another proposition perhaps equally fundamental in our government. The interview ends with these words:

“Back of all this talk about monopoly and competition is the great question, ‘What are you going to do with the women and men?’ ”

Now, I take it in America that what we are going to do is this: Not to *do* something for the women and the men, but to give the women and the men of America an opportunity to do for themselves. (Applause.) If this opportunity is not what America stands for, then our whole scheme of government is naught. What does democracy involve? What does liberty involve? Not merely political and civil and religious liberty, but industrial liberty also. Is not business to-day the greatest part of life, not only for men, but also to a large extent in the life of women? There are seven million women who have invaded industry. What America needs is not that we do for these, our fellow-citizens, but that we keep open the path of opportunity to enable them to do for themselves. (Applause.) When these Americans come to do for themselves they find this situation: The trust is not merely a capitalistic control of men. It is the worst form of capitalistic control. It is absentee capitalistic control. One hundred and fifty thousand persons are said to be interested as stockholders in the steel trust. What have these one hundred and fifty thousand persons to do with controlling the steel trust? The steel trust is a conspicuous instance of ownership separated from responsibility. The steel trust presents a condition similar to that which led to the demoralization of Ireland,—the condition of absentee landlordism. The managers may be good men, and true, but the permanent separation of ownership from control must prove

fatal to the public interest. The responsibility of ownership is lacking. If there had been responsibility of ownership in the steel trust it would have been impossible that, with the huge profits of the corporation, which the Commissioner of Corporations found to be \$650,000,000. in ten years, in excess of a fair return upon the capital originally invested in that concern, men would have been compelled to work twelve hours a day, seven days in a week, and at such low wages that even if they worked three hundred and sixty-five days in a year, seven days in a week, their year's earnings would have been less than was necessary; as the minimum amount necessary, in the city of Pittsburgh for the support of a man, his wife, and three children with the minimum of decency. Alas! (Applause.)

MR. SPEYER: After listening to the interesting and progressive speech of Mr. Brandeis of Boston, it seems difficult to remember the time when we here in New York, and in the East generally, looked upon suggestions as to legislation, etc., that came to us from the West, with astonishment and distrust; but happily this has changed during recent years. We here realize now that people out there are practically facing the same problems that are before us, and that they are trying to solve them honestly and perhaps with a little more courage than we have. We understand now that the men out West who propose these measures are just as patriotic and good Americans as we are here. No state has been more active and aggressive in tackling these new problems than has the great state of Wisconsin, and in the front rank have been men connected with the University of Wisconsin. They have fur-

nished correct information, given expert advice, and drafted new laws on various subjects, under the leadership of their President, Dr. Van Hise. His recent book entitled *Concentration and Control* has won immediate recognition, and the views therein expressed have been incorporated in the Progressive platform. We are very glad that he is spending some time in New York as Chairman of the Board of Arbitration to adjust wages of railway engineers, and we are particularly glad that Dr. Van Hise can be with us tonight.

ADDRESS BY DR. CHARLES R. VAN HISE,
President of the University of Wisconsin

Ladies and Gentlemen: It is with great pleasure that I find myself able to agree with much that Mr. Brandeis has said. Indeed, with his fundamental thesis that there should not be monopoly in this country, I coincide fully. The question before us, as stated in the program, is "Regulation of Competition *versus* Regulation of Monopoly." So far as I know, Mr. Brandeis was the one to whom this phrase is due. The phrase was indeed a stroke of genius, in that it struck popular fancy and was accepted as a correct statement of the trust problem. The alternative presented naturally led the people to turn toward regulated competition. However, I hold that no such necessary alternative is before us at the present time. There are other solutions of the question of the trusts than regulated competition or regulated monopoly. The scientific mind demands not simply that two of the various possible solutions be considered, but that all be taken into

account, and the best one among them selected. (Applause.)

Thus far in the discussion this evening, magnitude and monopoly in industry have been treated as synonymous terms. They are not synonymous terms. Monopoly has a well-defined meaning in law, as we know, and it is that meaning which should be assigned to this term in a discussion before an economic club. There may be a great magnitude in a business, and not monopoly. Indeed, it is believed that by far the greater number of large organizations fall short of monopoly; but it has been tacitly assumed that all are monopolies. That is a thing to be proved with regard to any one of them of which it is asserted. Only if we assume that all of the great concentrations of industry are monopolies, does the statement of the question as "regulated competition *versus* regulated monopoly" correspond with the problem?

It is generally agreed that concentration of industry up to a certain point is necessary in order to give efficiency. It would not be held by anyone, I imagine, that we should return to the situation of fifty or sixty years ago, in which industry was minutely subdivided, in which there were few organizations of large size, and very numerous minor organizations scattered all over the country. Do any here believe that we shall ever return from the great flour mill to the cross-roads grist mill? It is impossible. This illustration and many others which could be mentioned show that some degree of concentration is allowable. The practical question is, what degree of concentration is permissible and advantageous, not only for economy in production, but for the advantage of the people at

large. It is, therefore, clear that it does not meet the question which confronts us in regard to the so-called trusts to assume that all of the concentrations of industry are monopolies. If we can make that assumption and place it as the foundation stone of our argument, it is easy to win approval of the idea of regulated competition.

Monopoly has never been recognized in this country by common law, nor by statute law; neither has it ever been so recognized in England. Co-operation in industry, both by combinations and by contracts, has been recognized by the laws of both countries. The distinction is fundamental. In England, in the middle ages, both common and statute laws were very stringent against combinations and contracts in restraint of trade. But Parliament more than sixty years ago wiped out all the statutes against such combinations and contracts, provided they were not monopolies, contrary to public policy, or immoral; and, of course, *immoral* refers to those practices which have been mentioned as objectionable by Mr. Brandeis, and which we all agree should be prohibited.

Also in this country in colonial days the laws were very strict against combinations and contracts in restraint of trade. But here again there was a gradual amelioration of the laws, until co-operation was permitted along many lines, including division of territory, limitation of output, and even fixing of prices; provided always that, as a result of the co-operation, the combinations or contracts did not result in monopoly, were not general, were not immoral, and were not contrary to public policy.

Thus we see that the law in regard to combinations

and contracts in restraint of trade went through a similar evolution in this country and in England, and that the laws finally became very liberal. In other countries than England and America the laws in regard to co-operation are also liberal. By gradual development the principle has been reached for most civilized nations that freedom in trade means freedom to combine as well as freedom to compete. This was the situation in this country also when in 1890 the Sherman Law was enacted, and immediately the wheels, so far as combination was concerned, were turned back to the conditions of the middle ages. All combinations and contracts in restraint of trade were prohibited, and this applied to the latter even if limited in extent or confined in time. This national legislation led to an influenza of similar legislation in the states, and within a few years more than thirty states had passed statutes against combinations and contracts in restraint of trade, many of them even more drastic than the Sherman Law.

The question now arises, what were the results of these statutes? The Sherman Act contains two fundamental provisions, one of which prohibits every contract and combination in the form of trust or otherwise in restraint of trade and the other makes monopoly or attempt to monopolize illegal.

By the public it was supposed that "every contract and combination in restraint of trade" meant what the words said, and that Congress in using these words meant to pass a new and drastic law to replace the common law; indeed the earlier decisions of the Supreme Court supported this point of view and held that the reasonableness or unreasonableness of a contract or

combination was immaterial. However, in the Standard Oil and tobacco cases the Court took an entirely new attitude and stated that only restraint of trade which was undue was meant to be covered by the law (although the word "undue" is nowhere in the act); that the restraint meant was that which was not permitted under the common law; and therefore that only combinations were prohibited by the law which were unreasonably in restraint of trade.

Why was this change in front made? Well, of course, I do not know; but it is a fair conclusion that the investigations of the Supreme Court led them to the view that if the Sherman Act were enforced in accordance with its terms prohibiting all contracts and combinations in restraint of trade, this would create an impossible situation. Therefore they inserted the words "undue" or "unreasonable" into the law, so as to make it as nearly as practicable in accordance with common law; and thus started a second cycle of development by judicial decision in order to make the law approach as nearly as possible to the common law which existed before the act was passed. (Applause.) One cycle of evolution in regard to this matter had been sufficient in Germany; sufficient in England and other countries. America is the only civilized nation which must go through this development twice.

While these recent decisions of the Court do not go far enough, they clearly point the way to a ground intermediate between the two proposed for discussion this evening, "Regulation of Monopoly or Regulation of Competition," and this is: Freedom of competition, prohibition of monopoly, permission to co-operate, and regulation of co-operation. (Applause.) As already

noted, if it can be assumed that the question as stated contains all of the possible alternatives, it is easy to reach a conclusion. We must not have monopoly and therefore we are driven to the other conclusion—regulation of competition; but since the assumption is fallacious, the conclusion has no foundation.

What is the situation which confronts us at the present time? The Sherman Law and the state anti-trust laws are upon the statute books. We have gone through one stage of development, have made the first step in the second stage, and now it is proposed to neutralize the decisions of the Court by defining "reasonable" so that it shall mean prohibition of all contracts and combinations in restraint of trade, and thus succeed in getting statute law back to where Senator Sherman and the people thought they had gotten it thirty years ago through the enactment by Congress of the Sherman Act, and thus compel again the beginning of a third cycle of development.

This solution of the problem of combination makes me think of the philosopher, Harold Udgardin by name, an Esquimau who lives up on Hudson Bay. "Harold has one trap now set in the same place where it has been for twenty years; he has not yet caught a fox in it, but will not consider changing its location, as it is a good place, he reasons, and ought to catch a fox." (Laughter.) "It preys on his mind if he does n't visit and trim this fox trap regularly, and he has been known to get up and go out in the night to bait it when he was especially negligent." (Laughter.)

Notwithstanding that the trap of the Sherman Act has never caught a fox for twenty years, and only smells in one or two places of a tail or a leg (laughter),

it is proposed to strengthen its "springs" and sharpen its "teeth" with the expectation that it will then catch a sufficient number of foxes to become the solution of the great fundamental problem of concentration of industry! (Applause.)

In regard to the Sherman Act, it has been assumed that its only violators are the great combinations. This assumption is made in practically all discussions of the question. The steel trust, the tobacco trust, and a few other large combinations are mentioned; and it is supposed that the small business men and the small producers are not acting in violation of the law. But the principle of co-operation which the Sherman Act tries to suppress extends from the great industrial centers, like New York, to the country cross-roads. Does it make any difference here in New York whether you buy anthracite of one company or another? It does n't make any difference at the country town either. The price is the same from all the dealers in the same locality. The same is true of ice, the antithesis of anthracite, and is also true of all standard articles. The principle of co-operation has extended from the great manufacturers and the great dealers of the large cities to the small manufacturers and small dealers of the small cities and even villages. All are co-operating in exactly the same way; the principle is the same for the large and the small man, one is violating the law just as certainly as is the other. (Applause.) I am willing to stand for enforcement of law when the law is enforced alike for all; but when somebody is picked out because he is in the front seat, or because it is good politics to attack him; and ninety-nine, or nine hundred and ninety-nine are allowed to escape,

I say that it is a profoundly immoral situation. (Applause.) And that is exactly the existing situation in this country. The politician who says, "Break up these trusts; destroy them," says with the very same breath, "We must have co-operation among the farmers." (Laughter.)

Why, gentlemen, the cranberry growers of Cape Cod, New Jersey and Wisconsin sell about ninety per cent. of their product through an agency down here in Hudson Street. Have we heard of the attorney-general prosecuting these farmers? (Laughter.) There would be a great and shrill cry if that were done, and there would be many lacking votes when it came to election.

In this country we have not a special situation which concerns a few men, but a general, irresistible impulse. It is all very well to ask, "Has the time come when a few rich men shall defy the law?"; but Edmund Burke said more than a century ago, "I do not know the method of drawing up an indictment against a whole people." And that is the situation which we have in this nation as regards combination. There is just as copper-riveted an arrangement between the three ice-men in the country town as there is in steel; and any solution of the problem of combination, if it is a just solution, must be applied not only to steel and tobacco, but to the small tradesmen and the farmer. Just as certainly as many of the great combinations are violating the Sherman Act, so are the small aggregations of wealth violating state anti-trust statutes. This general violation of the trust laws, national and state, is the problem that we have before us.

The attorney-general of the United States says, if

we can only break up each of the great combinations into six, or eight, or ten parts, these different parts will compete; that the tendency to competition under such circumstances is irresistible. But I tell you, gentlemen, the tendency for co-operation in this twentieth century is so much stronger than the tendency for competition, that you will never restore the latter in the old sense. There will be competition between different classes of goods; there will be competition between the great mail-order house and the village grocer; there will be competition in service. I am just as anxious as Mr. Brandeis can be, to have trade regulated by competition as far as possible; but as a matter of fact, competition has broken down hopelessly in this country to adequately control prices, to adequately control quality, and we all know it. Why, it is the theory regarding competition that it will regulate prices and quality; that it will give us reasonable prices and superior quality. That is a beautiful theory. (Laughter.) But if this theory has ever corresponded to the facts in the past (and this I doubt) we may be sure that in the future it will never again do so.

We have recognized the failure of competition to secure quality, by the establishment of the pure-food laws. Why should we have pure-food laws if competition will give us good quality? If articles were fraudulently sold, so important to the general welfare as foods, there was a remedy in the courts. If I am sold a thing as pure strained honey that is wholly innocent of having any relation whatever with a bee (laughter), I have a remedy in law; I have been fraudulently dealt with. Why don't I take my case to the courts? You know why. The loss is so small that it is impracticable

for the individual thus to obtain redress. Finally, the people recognized that competition was wholly inadequate to secure pure food and national and state pure food laws were enacted and special officers were designated upon whom was imposed the duty of protecting the public. When we confessed that competition did not regulate quality, and imposed the duty of protecting the public upon administrative officers, we succeeded in getting pure food, or a reasonable proportion of pure food at least (laughter), and never until then.

The situation is further illustrated by clothing. Shoddy is frequently sold as woolen. To do so is fraud, and the aggrieved party may get redress in court under the theory of the law; but of course he never does, for the loss is too small for the individual to go to the trouble and expense of redress which would be far greater than the loss. But if we had administrative officers whose duty it was to protect the individual at public expense for textiles, shoddy would not be sold as woolen very long, because the risk would be too great.

Now, why is it that competition to regulate prices has broken down? Because of the simply enormous advantages which come with co-operation. One of these has been mentioned—the economic gains of magnitude. In this matter there is no difference between Mr. Brandeis and myself up to a certain magnitude. We agree that the nation will not return to the country grist mill; but this does not settle the question regarding the magnitude that is permissible. Mr. Brandeis asserts that a great many of the large industrial organizations have exceeded the magnitude which

gives the highest efficiency. I may assert, upon the other hand, that very few of them have gone beyond the stage which gives increased efficiency. Neither of us can prove our case. We have n't the facts to do so. (Laughter and applause.)

I have looked through the books, and I have had experts examine the literature of concentration, to find if investigations had been made which would give us facts upon which to base a judgment regarding the relation of efficiency and magnitude. The only such investigation of which I find record of is that of Herbert Knox Smith in regard to the steel industry. The Commissioner of Corporations, as the result of an elaborate inquiry, reached the conclusion that the large concentrations in the manufacture of steel are very much more efficient than the small ones, and for certain products he gives the amount per ton. He states that the five great combinations,—United States Steel, Lackawanna, Cambria, Jones-Laughlin and Republic—have an advantage for pig-iron and steel billets from \$2.50 to over \$5. per ton as compared with the smaller organizations.

Thus for iron and steel it has been proved that a hundred-million-dollar combination is economically more efficient than a ten-million-dollar combination. It has not been proved that a thousand-million-dollar combination is more efficient than a hundred-million-dollar combination; no investigation has been made to determine this point. It may be asserted that the United States Steel Corporation is not more efficient than its four strong competitors; on the contrary; and we are exactly where we were before, because we don't know the facts. The question is one for

scientific investigation, and it is to be hoped that the national bureau of corporations will do the work. Similar investigations should be made for other lines of industry than steel, so that we may have a scientific foundation upon which to decide how far we shall permit magnitude.

I shall turn aside for a moment to consider one point which has been presented. It has been argued that the lack of efficiency of the large steel corporations explains the more frequent failure of rails in this country than in Europe. But there is no other country in the world in which the speed and weight of the train and engine, in freight and passenger service, approach those in this country. We all know that the striking force of the blow of a train increases directly as the load and as the square of the speed; consequently rails in this country are subject to stresses far beyond those in any other country. Also it should be remembered that the very rails manufactured in Germany and England, which are alleged to be so excellent, are produced by great trusts in the sense in which the term has been used here to-night. The German steel combine has control of a larger percentage of the iron product of Germany than the United States Steel Corporation has for the United States. However, it may be said that the German steel combine gives greater freedom to the individual plant, that it is a federation rather than a consolidation. The same thing would have been true in this country had it not been for the Sherman Act. Men who build up a business dislike to surrender its management to some one else. Affiliation of the different companies in the same business was developing in this country in the same way

as in England and Germany, on the principle of co-operation. Then the trust was declared to be unlawful, and so arose the holding corporation; and now again, driven by law, the holding corporation is passing to complete merger. Each step was to escape the last decision of the court, because of the irresistible tendency for co-operation. Germany and England are vastly more fortunate than we are in this respect, in that, permitting reasonable co-operation, they have allowed firms to co-operate without driving them to consolidation. The units of the various kartels and combinations in these countries have therefore surrendered their autonomy to a less extent than the elements of the combinations in this country.

I should be glad to present several of the other forces which have led to general co-operation in industry, but I have not time to do so. I shall merely mention one of them; this is the waste of competition in its relations to our natural resources. The many wastes of the competitive system you are all doubtless more or less familiar with, but the waste of natural resources through this system is often neglected. We have some five thousand bituminous coal operators who could produce perhaps 200,000,000 tons of coal per annum, more than the present market demands. In consequence, these men, unable to co-operate except in violation of law, are competing with the inevitable result of very wasteful mining. Indeed, more wasteful mining of coal is going on in this country than in any other civilized nation. It is appalling, the amount of the coal that is left under ground through existing methods of exploitation. If these five thousand operators were allowed to agree upon limitation of output

and division of the market, it would be possible to reduce these frightful wastes which will be disastrous to the industry of this nation a few centuries hence. With regard to the natural resources which it took the building of the world to make, we should consider not only our own generation, but future generations. Under the competitive system, we are recklessly skimming the cream of a continent with no regard to the rights of our children or our children's children.

But I must proceed to the constructive side of the question before us, in the few minutes that remain to me. My proposal, gentlemen, is neither regulated competition, nor regulated monopoly, but freedom in competition, prohibition of monopoly, permission for co-operation, and regulation of the latter.

It has been proposed that the concentrations in industry should be so divided that no one corporation shall have more than fifty per cent. of any business. That is Mr. Bryan's suggestion. In the case of the Stanley bill the presumption of the violation of the Sherman Law is against a corporation having more than thirty per cent.; this is understood to be Mr. Brandeis's suggestion; at least, it agrees with the percentage he has mentioned in this connection.

Now, it makes no difference, whether the great combinations are broken up so that no one has more than fifty per cent. or thirty per cent. of a line of business, or so that there are ten with ten per cent., or twenty with five per cent. The demonstration of this lies in the fact already cited, that thousands of farmers may co-operate in marketing their products, just as perfectly as do the five great manufacturers of steel. This they do in various parts of the country for fruit,

for cotton, and for other products. Some of the smarter state legislatures appreciated this situation, and in order to prevent the farmers from being hit by their anti-trust laws exempted the products of the lands so long as in the hands of the producers. This was true for Texas, Louisiana, Illinois, and South Dakota. You see the farmers have so many votes that they have to be dealt with gently when they form a trust. (Laughter.)

But naturally the United States courts declared these features unconstitutional, as being special legislation, and not giving equal protection under the laws. I venture to predict that it will not be so popular a political game to shout, "Bust the trusts" when the farmers understand that their trusts are also to be "busted."

Therefore, I believe, we shall ultimately permit co-operation. If we, however, retain freedom of competition, permit concentration sufficient to give efficiency, allow reasonable co-operation, and prevent monopoly, this will require regulation just as it has been necessary to regulate the railroads. This done, the Sherman Law will be forgotten.

Has there been any prosecution of the railroads for violations of the Sherman Act because of collusion in fixing rates? And yet everyone of us here knows that they are just as flagrant violators of the Sherman Act as any other class of corporations in the United States. Are the freight rates the same for different roads between any two points? Are the passenger rates between New York and Chicago identical on all roads? Can you do better in price by traveling over the Pennsylvania than over the New York Central, or

any other road? The rate is the same, provided the speed is the same. How does it happen that the roads all got together? Just by Providence, I suppose. It was doubtless by a providential act that these rates were fixed identically upon all the roads, under the same conditions, all over the country. (Laughter.)

Why is it that nobody proposes to indict the railroads for collusion? Simply for the reason that the rates which they can charge are controlled by commissions, national and state. Nobody has any longer any wish to make them any further trouble, because the public is protected by its commissions. That is the sum of the whole matter. The railroads are just as much amenable to attack under the Sherman Act as any other combination in the United States, but when the railroads are giving reasonable rates, and are competing in giving reasonable service, even if the law is on the statute book and is the hallowed thing that has been described, the sense of official justice (laughter) is such that they are not attacked in the courts. Will the attorney-general of the United States or the attorney-general of this or any other state, bring suit against the railroads for conspiracy in fixing rates when the public is properly protected? I have not heard the proposal made anywhere.

However, it is a wrong condition when we have on the statute books a law of a kind which requires the officers of justice to close one eye, whenever they pass by the men in control of one great group of industry, and at the same moment see and prosecute other men not one whit more guilty. We ought to remedy the condition so that honorable business men shall not be in the position, the unfortunate position, of being

technically violators of statutes which it is not advantageous from the public point of view to enforce. (Applause.)

I have not time to more than touch upon the necessary modification of the law; but the substance of my remedied proposal is that there be an interstate trade commission and state trade commissions, which shall have substantially the same powers to regulate co-operation in industry that the Interstate Commerce Commission and the state commerce commissions have in regard to the public utilities. (Applause.) It seems to me that the interstate and state commerce commissions and the administrative bodies for the pure-food laws point the way for the next constructive step in the development of the laws regulating industry. It would perhaps be chimerical, with public opinion as at present, to propose the repeal of the Sherman Act; but by amendments to this act the situation may be met. The Sherman Act can be left to apply, as defined by the Supreme Court, to monopoly. Unreasonable restraint of trade may be defined as monopolistic restraint of trade, and it is rather generally agreed that monopoly should be prohibited. To make the matter perfectly clear, another amendment should allow reasonable co-operation, but such co-operation should be under the watchful eyes of administrative commissions in order to protect the public.

In the moments that remain to me I cannot define all of the powers which these commissions should have. My idea is that they should exercise powers under broad, simple rules of law, and that detailed regulations should be formulated by the commissions. For instance, Mr. Brandeis and I would both agree that unfair

practices should be prohibited, and by unfair practices we mean what was meant by immoral practices in the common law. But the most vital point of the law should be this—that when the individual is wronged, through unreasonable prices or rebates or other discrimination, it should be the duty of a public commission to handle his case. The aggrieved individual should not be obliged to carry his case through the machinery of the courts; he should make complaint to an administrative commission, and it should become the duty of that commission, representing the public, and him as a part of the public, to secure redress. This, while the greatest, is but one of the many advantages which may be gained through the establishment of trade commissions, national and state. (Applause.)

MR. SPEYER: The next speaker is one who is not on a visit to New York, but who has come here to live, and I think this is his first appearance before such a large and distinguished audience. Dr. Talcott Williams is now the Director of the new School of Journalism at Columbia University, and comes to us from the city of brotherly love, and I hope that, together with other things, he will be able to teach the rising generation of journalists a fair amount of brotherly love, which has been so conspicuously missing from some newspapers during the present campaign. There are few men in the United States who are so well equipped and have such knowledge to speak on almost any subject as he has; and on whatever subject he speaks, he speaks as an expert. The Republican party is fortunate in having such a staunch supporter as Dr. Williams.

ADDRESS BY DR. TALCOTT WILLIAMS,

*Dean of the School of Journalism, Columbia University;
Formerly Editor of The Philadelphia Press*

Mr. President, Ladies and Gentlemen: I accept, less for myself than for the School of which I have the honor to be the head, what has already been said. I have not felt that as representing that School I should take a polemic share in any political contest. But I am glad of what has been said, because, while I speak in no sense from a political or polemic standpoint, in what I say this evening I express what I believe to be the settled policy of the great party, one of whose candidates has suddenly been removed whose memory you have for an instant honored, and whose going reminds us all that "the glories of our blood and state are shadows, and not substantial things." And to-night, with this loss fresh in our minds, with the august spectacle of this great nation drawing near to the valley of decision next Tuesday, we have met to consider the one issue which, beyond any other, is to decide by its solution whether opportunity—free, full opportunity for every man—shall continue to be the code of American life, or whether instead our industrial life is to be so constituted that the privilege of capital shall replace here, and play the part which has been played in other lands by, the privilege of birth. (Applause.) On the open surface of things we are all agreed in our answer; but the question of questions which confronts us is whether, in the solution we give, we succeed in keeping all opportunity open for the individual man, or, instead, make the path easy for organization and combination.

Now, in our discussion this evening, I do not understand that we seek to get back to destructive competition; neither do I understand that on the other side we propose to close the doors. But the decision on this point rests, let me remind you, on an authority which has been scarcely mentioned this evening, and that is the American people. (Applause.)

The decision will not be by capital; it will not be by labor,—organized labor; it will not be by the organized farmer, but by the American people as a whole this decision will be made, and the American people has never believed in monopoly. Alone, alone of all the nations of the earth, it refused to give any branch of its government a monopoly of sovereignty; and divided it. It gave its government co-ordinate powers, and refused to give any man, or any office, supreme power. It cries with the prophet, "Woe to the man who adds field to field, and lays house to house, that he may sit alone in the midst of the earth." The American people has never been willing that any man, though he were Washington or Jackson or Grant, should sit alone in the midst of the earth, and when history has completed its record, it will not end with those three names! (Applause.)

Now, I have been asked by each of the speakers, in a sense, as to what we wanted to restrain, and especially have we been asked this by the distinguished speaker, public man and university president alike, honored in both positions by holding them. I will tell you what the American people propose to restrain.

The tobacco trust was in the habit of finding a tobacco shop on an eligible corner, of either buying the lease of the man who owned that house, that shop, and

turning the man out, or, if the man owned his own shop and supposed in the shop or trade that he had as settled and solid a property as could exist, of buying the opposite corner and putting in some man there who under-sold, under the orders of the trust, and in time ruined the man who had his own store. Now, I do not care whether every step in that act is the product of the precedents of the common law; I do not care whether every step was legal. Acts like that are wrong and they are going to stop, and they must stop. (Applause.) The American people has determined that they shall stop, and in order to stop them the Sherman Act was enacted. (Applause.)

Before an audience like this, the Sherman Act, as your applause has proved, is unpopular. But I know also as a journalist what the opinion of the American people is. They may be wrong or they may be right, but they have their opinion, and, what is more important for the present discussion, they have the power to enforce it. (Laughter.)

In 1908 an attempt was made to amend the Sherman Act. It was made under a measure which was first drawn by the National Civic Federation. It went to Washington, and it had some changes in the office of the Commissioner of Corporations, and at last it reached Congress, giving a wide power to the President of the United States, at his own will, through the Bureau of Corporations, to decide what could be done and what could not be done; and in addition, it proposed precisely what we have been told was sure to be done,—it proposed to exempt organized labor and the organized farmer, and there came instantly such a rain of protests from all over the United States, that that

measure was killed, excellent as it was in some of its parts as originally drawn,—every measure since this has shown the effects of the bill drawn by the Conference on Trusts of the National Civil Federation in the Fall of 1907. The instant that measure reached Congress a million and a half small shopkeepers and manufacturers over the country, and the other millions who depend upon a free market for their products and for their labor, so besieged their representatives with protests that the measure never even left the committee. It never reached a vote. Never since that time has it been possible even to bring to a vote, in either House of Congress, a definite proposal to amend the Sherman Act. It is unamended, and I believe that to-day, in the present temper of the American people, it is unamendable.

The only thing which remained to be done under those conditions was to enforce the act, and it has been enforced. I wholly deny that the decisions in the tobacco trust and the Standard Oil trust read the word "reasonable" in the old sense of the common law into that act. Instead, and when all the decisions were handed down, and the different phases of the view of the minority came to be collated together, I do not think that any man felt that the word "reasonable," in its old technical, common-law sense, had been read into that act. What was said, instead, was that any corporation or any combination which went to work and did things which impaired the potentiality of competition, the potential power of competition, could be dissolved and any steps could be taken to destroy it, and that any step in that direction was to be considered,—and the Court through that whole decision from

beginning to end carefully avoided the use of the word "reasonable," because it had been defined by countless decisions, that the act was to be considered in "the light of reason," a very different thing in common law from "reasonable," a term that has been defined over and over again.

Now, when the power of the central government was fully established,—and when history comes to write the record of the last three years and looks upon the services of a man whose good has been evil spoken of, it will be recorded that the work of enforcing the Sherman Law, which was first defined by Judge Taft in the Addystone cases, was carried to its full extent by President Taft; and to-day we know that there is no limit to the power which the central government can exert in preventing such practices as I have just described. (Applause.)

The next step was towards regulation. What do you propose to regulate? Do you propose to regulate the evils of monopoly, or do you propose to regulate monopoly out of existence? That is the great issue, and the parting of the ways. Do you propose on one hand to accept monopoly in any one of the forms, in the extreme form, in which it is advocated by one of the three parties before the country, in the form in which it is urged by the President of the University of Wisconsin, in all the various forms which permit a great combination to exert despotic powers, or do you propose instead to end monopoly? On that great issue in the next decade this country will divide. I have no question as to the result. The American people have never believed in regulating evils. They believe in removing the cause of the evils. They found a trust composed

of North American Indians possessing the land of this country. (Laughter.) They might have regulated the evils of Indian occupation (laughter), but they did n't. They removed the Indian. (Laughter.) They found themselves facing a trust in taxation at Westminster Hall, in Parliament, and they were begged by our English friends to regulate that evil, but to permit the monopoly. They concluded they would remove the monopoly. (Laughter.) They faced for nearly half a century one promise after another to remove the evils of slavery, and they decided instead to remove slavery itself. They will in this matter decide to remove and prevent monopoly. They will not be satisfied with any half-way regulation which seeks to make monopoly at all presentable, or to remove simply the evils of its association.

Now, in the solution of this great question, as in every other great question in American history, you will find that one guiding principle carries a great nation of English-speaking people from decade to decade, from generation to generation, from century to century, perpetually passing on from power to power, from justice to justice, from freedom to more freedom, in the light and the path of the common law. What was the contest against slavery but the application of the broad principles of the common law that all men are equal in their rights? What is the principle by which we have dealt with the railroads but the application to a great railroad system of decisions which under the first Henry and under the first Edward dealt with the common carrier when he was a man that owned a mule, or a ferryman charging a farthing for ferrying a man across some narrow river? These great principles have solved the railroad question.

What we need in this great matter, as we face great combinations with the power to do evil, is the old principles of the law,—and the American people are firmly resolved to trust in nothing but the law, and to give no man discretion, or to put confidence in any man's ability, if he has the authority to do evil and there is no legal way to stop him. There are various suggestions made. Gov. Woodrow Wilson wants to indict directors. Directors have been indicted. Is there any lawyer here who has the slightest doubt, if you begin the business of indicting directors, but that some way will be discovered by which somebody else than the director is responsible for a particular breach of law? (Laughter.) President Roosevelt—Colonel Roosevelt as President Roosevelt—tried his best to get the amendment to the Sherman Act which he is now urging on the American people, and as President, at the zenith of his power, having settled a great war, having put himself in a position which has been held by no other American, was wholly unable to secure legislation along the lines which he is urging to-day.

Some twenty years ago, in the Addystone Pipe cases, President Taft, then judge, laid down the broad principle that whenever you manipulate prices, either by raising the price because you have monopoly, or by depressing prices because you propose to end a competitor, you were violating the Sherman Act, and an indictment would lie and the corporation could be broken up and the individual could be convicted. After eddying to and fro for twenty years, after having moved as far as the cable length that anchor—the Sherman Law—would allow in the direction of accepting interpretation of the word “reasonable,” after moving

in the other direction, the Supreme Court of the United States has at last established the doctrine that you have a right to step into the business of any corporation and require of it a complete publicity, and that you have also a right to take each of its acts and ask of them, "Was this act intended to impair competition?" and if it was, it is a crime. Now, that broad principle, established principally, let me remind you, through the litigation of the present administration,—upon that principle it is possible to impose any prohibition and prevent any interference with competition.

Now we are asked to have a commission. I believe in such a commission. I have shared more than once in aiding others more learned in the law than myself, speaking solely as a journalist familiar with the eddies and currents of public opinion, in drafting measures which proposed industrial commissions. But the great need—the great need—is not an industrial commission. The great need is a principle under which the commission will act, so broad, so long-trying, so well understood, that it can be applied alike to the largest corporation and the smallest trader; for the American people, in its majesty, has never feared anything, however great it was, if it was subject to the law; and it never proposes to have anything, great or small, which is not subject to the law of the people. (Applause.)

The law of the common carrier, which has grown in the common law of the English-speaking folk for four centuries, establishes the broad principle on which this problem can be solved. For what is it which has enabled trusts and combinations to work the injustice of which I have spoken? In the first place, under contracts which were honestly made,—we constantly for-

get that,—which were honestly made by railroads, advised by their legal advisers that they had the right to make them, one trust and another was given special privilege in the carriage of its freight, and that alone was sufficient to thwart competition. That has disappeared; it has disappeared with the Interstate Commerce Commission, after twenty years of agitation, ending with the act of 1910, the first act which really gave efficiency to the will of the people, the act passed two years ago. But it also remains true that while there is power to go through the accounts of a railroad, there is not the drastic power to go through the accounts of a combination, which would enable one to know whether, in any possible way, there have been expenditures, rebates, or the various jugglings by which special rates are secured, and it is for that reason and for others that publicity is required.

In addition to rebates, what is the next great factor by which a trust gets its power? By underselling in one quarter and destroying competition there; by underselling then in another quarter and destroying competition there, and gradually gaining a market out of which competition has been weeded by the hand of violence and the violation of law. Apply the law of the common carrier. What is the law of the common carrier? Let me remind you that it has been applied not only to the common carrier. There is the hotel keeper, who has a public duty to discharge. The common law has insisted in a true democracy that all should be treated alike. Require of every trust that it shall always sell everywhere at the price at which it sells anywhere; that it can not reduce in one place without being reduced in all; that if it sells goods at a higher price in

one place than in another, every man who has bought at that higher price shall have a right to action to recover—as he can in the common law—the difference between what he paid and what other men paid for transport by a common carrier, and you have instantly struck from the hands of power the sword of injustice, and you have brought equality into trade. (Applause.)

What is the next principle of the common carrier? Not only that you cannot reduce for one, but that there must be equality in the rate at which the service is charged; that you cannot charge an unreasonable price. Now, does any man who knows the iron trade imagine for an instant that, taking the price of steel billets as they generally range, you could make a fair argument before any jury of twelve men, that it was fair to charge \$28. a ton for steel rails? If there is, he is either unacquainted with the process of manufacture in which he is interested, or his mind has as many convolutions as a seashell. (Laughter.) Throughout the whole range of organized industry to-day there are established, definite cost marks. It is possible to say with certainty and accuracy what it ought to cost at any given month—taking cotton at so much a pound—to spin—for instance, cotton prints, 64 x 64. Those are things understood of the trade. They form a suitable basis of fact on which the three principles of the common carrier could be applied, not to fix prices, not to decide what one man shall charge, or another man; not to bring that desert of unity in which competition ceases, but to prevent the unreasonable exaction by any one great manufacturer or the suppression of competition by a combination of such manufacturers.

If these principles, which are simple and direct,

be applied; if no combination has any rights different from those which the smaller shopkeeper has; if every combination finds itself facing suits for recovery with punitive damages, when it endeavors to reduce in one quarter in order to destroy competition; if it is to sell at an even price to all; if its prices are subject, not to a commission which fixes prices,—that is a boneyard into which the world has wandered from the edict of Diocletian, and which has always failed,—but to give such publicity as will make it impossible to charge a price which gives an undue profit, you will have brought about a condition in which each trade is laid open to competition. Competition exists constantly, as Mr. Brandeis, who preceded me, has luminously shown. There is scarcely a single trust—except the Standard Oil Company—which is able to hold together the trade with which it starts. It may be organized with ninety or ninety-five per cent. of a given industry, but as years pass, the rains of competition beat upon it, and the winds of competition blow upon it, and it gradually diminishes, and its share of the trade gradually dwindles, as the sugar trust, which began with ninety or ninety-five per cent., and has to-day not over fifty or fifty-five per cent. of the sugar trade in the United States. That is the history of all trusts. Deprive the trusts of the illegal power, illegal under the common law, illegal under the Sherman Act now capable of being enforced; deprive them of that power and competition can be trusted to do the rest.

Now I wholly deny that this movement in favor of competition and against monopoly is represented by men who use dynamite at Los Angeles or men who march in Lawrence with a banner saying “Without

God or Country." I wholly deny that these represent the American people. They represent an insignificant share of those who are in the rear rank of the procession and are unwilling to accept the conditions of American life, which are that thrift and industry shall be the keys by which the door of opportunity is opened. (Applause.) Our position has been made because we believed that the way to advance industry was not to reduce hours, but to increase efficiency; that it was better to stimulate men to seek the maximum wage than to teach them to fall supinely on the support of a minimum wage. (Applause.)

We go to the polls seventeen millions strong next Tuesday, and the voters there—eight millions of them—will represent families who own the houses in which they live. We believe that it is better than a system of state pensions to make it possible for half our voters to live in their houses, than to tax and re-tax, in order that late in life some largess may be given to a man. (Applause.) We believe that it is more desirable to premiate thrift than to premiate strikes. We believe it is more desirable to make property and keep competition open, than to see any combination of organized capital on the one side, and agitators and criminals on the other side, who do what has been suggested this evening,—and I believe it must have been an inadvertence upon the part of a gifted advocate to represent the "unrest of the American people." The American people—gentlemen, you have seen in caricatures the "common people," with goggles and slender-waisted, with eyes like a rabbit and courage like a hare. Do you suppose that that insignificant little figure represents the common people of America?

Do you suppose the man in these goggles stood in the battle line at Lexington and ended despotism for all time? Do you suppose men with goggles like those lay in the windrows of the dead, with equal honor to both sides of the question, on both sides of the stone wall at Gettysburg? Do you suppose it is seventeen million thin-waisted voters with goggles, and scared, who are going to the polls on next Tuesday? The American people marches with its embattled might. It has righted every wrong it has known, and it will right every other wrong as far as it knows it.

The solution I am proposing, of applying the right and the law of the principle of the common carrier to great industries, moves directly in the line of the march of the English-speaking folk. It brings tortuous acts under the dominion of law; it insists upon a democratic equality for all; it refuses to allow any privilege, any opportunity, which is denied to any capital, however small. Let me remind you that that principle will ever lie deep, not only in the hearts of the American people, but in their actions. A few may be mystified for a day as they sometimes see this procession of trusts walking back and forth, this little army of four hundred men which a congressional committee has marshalled as the "Money Trust," with the expectation that it would scare the American people into thinking this trust owned the land. The American people has seen lots of things like that in its day, and has seen them disappear, and has remained in its puissant might, guiding its destiny as it chose.

What is needed is courage; courage to accept the law of the past; courage to accept a democratic equality;

courage to enforce the law which is the will of the people, as the Sherman Act is, in the same broad principle without changing it; to impose, as I have said, that law and the principle of the common carrier upon those great combinations. It will be done. It will be done; and what will come if that policy is carried out is that you will see great combinations moving, doing their work, extending their trade, and around them a perpetual and pitiless competition.

Competition is just as good for the big corporation, the big organization, as for the little one, and in the end they will make more money and do better work under it than they could under any other way. Justice is good for all, and liberty and opportunity are best for all, and no principle, no law, no policy, which endeavors by mere punitive acts, by mere indictment, to carry out the policy of a great people, will ever succeed. No policy which places power in the hands of a president to decide for himself what are or are not good trusts will ever succeed. Why, it is conceivable, gentlemen, under certain conditions, that if a president had that power, he might possibly take the biggest trust in the country and add to its powers, and its control of the ore supply of the United States! (Applause.)

Neither is it possible by any network of law, such as has been devised by Senator La Follette, a man for whom I have a profound respect for his sincerity and for his conviction, for everything about him (except that I once heard him speak for an hour and forty-five minutes). (Laughter.) That law endeavors to decide what fraction of a trade a particular trust may have. It makes no difference how large or how small a fraction

it is, that fraction will grow steadily smaller if you open the door to opportunity—to competition. Whatever statutes are made which seek to apply some cunningly-devised invention, they are sure to fail unless based upon the great principle of the common law, of equality of opportunity in all the relations of life, on which our Constitution is founded, by which the fathers lived, which the sons believe in, and which the American people are certain to require, to enact, and to enforce. (Applause.)

MR. BRANDEIS: There is so much in what Dr. Williams has said with which I agree, that it would seem ungracious to point out the points of disagreement. But I want to correct one statement of fact which he made, and which President Van Hise made.

Neither the La Follette bill nor the Stanley bill undertakes to say how much per cent. of any trade may be owned by any combination. It does say that where there is a combination in restraint of trade, a certain percentage, thirty or forty, shall be deemed to create an unreasonable restraint, in the absence of evidence to the contrary. But it leaves it absolutely open to evidence and the disclosure upon facts—upon facts only do these bills purport to deal.

I think we have special grounds for congratulation that Dr. Van Hise has disproved the statement of your Chairman, that his views on this subject are the views of the new party, because he has told you all that he is opposed to monopoly, and I suppose he means by that to tell you that he considers the monopoly repressive and preventable as well.

However, as he describes very briefly the power of

this commission, I fear that he may have failed to convey to your minds clearly what the power may be. The Prime Minister of the new party, Mr. George W. Perkins, has done that for us (laughter), and I want you to hear how he described it to the Senate committee, and doubtless would describe it to you if he were here:

“The rapid changes which have taken place in methods, and which I believe are going to be just as rapid in the next twenty-five years, make me feel that you cannot lay down any very specific rules, but that we have got to have here in Washington a controlling commission, composed largely of business men, to which a business enterprise would go and say: ‘Now, we want to do thus and so. Here is the manner in which we propose to treat labor. Here is the manner in which we are going to treat our competitors, and here is the method of treating our customers. Is this in keeping with good public policy?’ And then find out whether or not they can do it.”

Now I ask you, gentlemen, is that the way that the business of America should be carried on? Is that the way in which industry and the commerce of America are apt to move forward and conquer the earth?

Now, President Van Hise says it is all the same—the combination, as he speaks of it, the co-operation of the farmer—are the same as the combination of great business. To my mind, co-operation and combination are in exact antithesis. They are not the same; they are very opposite. Co-operation is the effort to preserve competition. Combination is the effort to destroy competition. Co-operation represents the condition where men hire capital. Combination represents the

condition where capital hires men (applause), and if we are to attain in America that for which we stand above all,—the development of the individual man, making of each individual American the most that can be made of him—that individual must stand free, with equal opportunity, with the opportunity to hire capital, with the opportunity to stand in industry as he stands politically, free not only before the law, but free in business and in fact. (Applause.)

DR. VAN HISE: In anything I have said to-night I have alluded to no party. I am not here as the representative of any party or the defender of any party. I am here advocating certain principles which I believe to be economically sound, and while Mr. Perkins may possibly be the voice of the new party,—I do not express any opinion upon that matter,—he is not authorized to speak for me regarding the powers which I would give to the proposed interstate and state trade commissions. (Applause.)

At first, we should be conservative in giving additional powers to these commissions. The powers given should be based upon the same principles that have been applied in the pure-food laws, and in the control of the public utilities. The American people always move slowly in these matters, and step by step. I should not expect that these trade commissions, if created, would at once be granted all the powers which they would finally exercise. In this matter I should expect the same slow development to take place that has occurred regarding the commissions which control the public utilities.

More than forty years have elapsed since the creation

of the first state commerce commissions, and more than twenty years since the creation of the Interstate Commerce Commission. These early commissions had the powers of recommendation, of requiring publicity, etc. Finally the commissions of Illinois and Iowa were given the power to control rates, but comparatively little came of this authority. It was not until 1905 that in Wisconsin a comprehensive law was enacted to control the railroads. The passage of the law was strongly resisted by the companies, because of the fear that the proposed commission would treat them unfairly, but the act was passed despite their opposition. Under the law, there was appointed in that state by Senator R. M. La Follette, then Governor, a scientific commission composed of three men, one a well-known lawyer, the other a keen statistician, and the third an eminent professor of transportation. I have heard from many of the railroad men, including a railroad president and some of the ablest railroad lawyers, that the Wisconsin commission has been fair and reasonable both to the railroads and to the public. Neither side would go back to the previous situation—upon one side hold-up bills to be defeated by questionable methods at each session of the legislature, upon the other side numerous rebates and discriminations. Before we had a railroad commission in Wisconsin, there was continuous war between the people and the railroads. Since that commission has been created, and especially since its authority has been extended over all the public utilities of the state, including power to adjust rates, we have had peace.

Similarly, the Interstate Commerce Commission had small powers at first, merely those of recommenda-

tion; and it was but six years ago that this Commission finally gained the power to fix maximum rates; and at the present time the Commission has not the power to initiate rates. The initiative rests with the railroads. It is only two years since that the Commission gained the power to suspend advances of rates pending investigations regarding their reasonableness. Thus, stage by stage, conservatively, the development of the control of public utilities by administrative commissions was worked out.

Substantially the same history applies to the pure-food laws. Doubtless the extension of laws of this class will go on until fabrics are included, until fraud will be practically eliminated through the use of false names for any commodity.

I would have the proposed trade commissions pass through a similar history. They should be given the power to prevent immoral practices, and in order to do this it would be necessary to give them initiative in investigation. Thus, precisely as with the commerce commissions, by slow development, industry, where co-operation has so extended as to become affected with a public interest, would be controlled by trade commissions under the same lawful methods that have been applied to the public utilities. Concentration, co-operation, and control are presented as the keyword to the solution of our great industrial problems. (Applause.)

TWENTY-SECOND MEETING

Tuesday Evening, January 21, 1913

HOTEL ASTOR

GUEST OF HONOR

HON. WILLIAM TRAVERS JEROME

Formerly District Attorney of New York County

SUBJECT

PROBLEMS OF POLICE ADMINISTRATION

SPEAKERS

WILLIAM J. BURNS

Detective; formerly of the United States Secret Service

A. LEO WEIL

President of the Voters' League of Pittsburgh

FRED KOHLER

Chief of Police of the City of Cleveland

HON. FREDERIC C. HOWE

Director of the People's Institute; formerly Member of
the Ohio Senate

Author of *The City the Hope of Democracy*

JAMES SPEYER, *Presiding*

President of the Club

ADDRESSES

INTRODUCTORY REMARKS BY THE CHAIRMAN

MR. SPEYER: Ladies and Gentlemen: Your Committee has selected for the subject of discussion this evening "Problems of Police Administration." The first result is that I have been sitting between a detective of police and the chief of police of Cleveland. Of course the members of this Club, at all times, both up-town and down-town, are so orderly that they have no opportunity to know much about police. They never come in personal contact with policemen, except perhaps at Christmas time, when it is the natural instinct of every good American to see everybody else happy. But we are all interested as citizens, not only in having modern, sensible, and practical laws, even if they do have to be labelled "Made in Albany" or "For Export Only," but also to see our laws obeyed by everyone and enforced; and the two are closely connected.

Recent happenings and disclosures, here and elsewhere, have attracted the attention of many thoughtful men and women to these problems. It sometimes

seems that we are too apt to try to seek a superficial and temporary remedy in a change of person and in criticisms and attacks on city employees. Although this may be "the easiest way" in talking, in reality it is not the easiest remedy. The problem, surely, is more serious and goes much deeper. It calls for much serious consideration and treatment. It has been for this reason, gentlemen, that your Committee has selected as speakers this evening no one who is, or has been, actively connected with the police administration of our city. You will hear the views of men who have had practical experience with law-breakers and police administrations in other important towns of our common country. We desire to have this discussion, as far as possible, free from any attack on our officials and free from personal recriminations which would not be in accordance with the dignity of our meetings. I am sure that we will receive from the gentlemen who are going to speak to-night some useful hints as to improving conditions here. You and I know that, although we have such a mixed population and, comparatively speaking, a small police force, conditions are not as bad as some people say and print; but there always is room for improvement in the government of a big and fast growing city like New York. (Applause.)

The first speaker of this evening is a man who has been one of the most efficient and trusted officers of the United States Secret Service. His record in serving the people of the United States has earned him an enviable reputation over the whole country. He has played a prominent part in promoting good government by the investigation and exposure of municipal corruption in San Francisco and in other cities. His

perseverance and admirable personal courage enabled him to fasten the guilt for the Los Angeles dynamiting upon the McNamaras. He is now head of his own detective agency, and employs about thirteen hundred men all over this country; but we admire him not only for what he has achieved, but also for his personal qualities as a man. William J. Burns, the great detective of the United States and the terror of law-breakers! (Applause.)

ADDRESS BY MR. WILLIAM J. BURNS,

Detective; formerly of the United States Secret Service

Mr. Chairman, Ladies and Gentlemen: Before taking up the subject of discussion this evening, I want to express my opinion on this one fact—that I would like to congratulate the officers and the members of this organization, because I feel that it is through just such organizations as this that you can expect to bring about the discussions that will eventually bring about the conditions that we hope for in this country. The problem that we shall speak of this evening is one that has been giving the entire country and the thinking people much concern,—rather the thinking people are giving it a great deal of careful consideration; but I don't know whether or not to-day we have a city that has applied the suggestions made by these men, but I have hopes that eventually we will reach a solution of this important problem. If I were asked to suggest a method that would, in my opinion, give the best results in the administration of a police system, it would be as follows:

I would appoint the police commissioner for life. I

would, as far as possible, eliminate politics from the police department; and I feel that if the commissioner were appointed for life it would then relieve him of having at the beginning of his term to arrange to succeed himself four years hence. I would arrange for the recall, of course, perhaps by the mayor or perhaps by the judges of our courts; but he could be recalled only by filing specific charges against him and publishing them at least fifteen days before action would be taken, thus giving the people themselves an opportunity to discuss and to understand the situation. I would also give the commissioner full authority to make and break every man under him. (Applause.) I would have the department under strict civil-service regulation, but the civil-service commission to pass upon the educational test, and the commissioner to pass upon the physical test. I would insist that the commissioner treat every man under him with absolute fairness; nor would he be permitted to dismiss a man without proper charges, but once he dismissed him the discharged man could never, never again come back to the police department (applause), even though he were unfairly or unjustly dismissed; he would then have the permission, or the right to appeal to the courts for whatever adjustment could be made in the way of a monetary consideration, but even then he could never come back to the department. The men would thus understand that their dismissal was a very serious matter to them, and it would probably prompt them always to remember that their position depended upon a strict compliance with the rules and regulations of the department and the laws of their country.

The present system in New York has two features

which I think should be commended by every person: The first, the traffic squad as worked out by Commissioner McAdoo, and the fixed post by Commissioner Waldo.

In the organization of the police department I should also have a chief of detectives at headquarters, with a corps of competent assistants who would be real detectives, doing real detective work, and not flashing their badges and looking for rewards. (Applause.)

I would send the captain with his entire command into a given district, there to remain permanently. I have been criticised for that suggestion, but I insist and maintain that my reasons justify me in making that suggestion; for if you place the captain in a given district with his entire command, you can then hold him responsible for what happens in that district. Not only that, a thief or any violators of the law could not go on in that district without the captain being responsible.

I would give the commissioner authority to employ confidential inspectors whose duty it would be to investigate the conduct of the department throughout the city, reporting to the commissioner, who could then determine how the men were carrying out their orders, or whether any vice or crimes were being protected, and in a moment he would be able to determine the responsibility for such a condition.

I think the men should be taught—that is, the ordinary policeman should be taught and educated to understand that he is a servant of the people and should be courteous to those who ask him questions on the street, and in every possible way show that he appreciated the fact that he was a guardian of the people

and their servant also. (Applause.) And I want to say in that connection that we are too much given in this country to sneering at the ordinary policeman, calling them all grafters and thieves; and I want to say to you—and I speak advisedly when I say this—that I have made important criminal investigations in every city of the United States within the past twenty-seven years, and many of these investigations extended into municipal affairs and gave me an excellent opportunity for observing the defects in the police system, and I have found that the rank and file of all the police departments in this country are absolutely honest. (Applause.) Therefore, I feel that the policeman should be made to understand that he has the respect and confidence of the community. In London they give the ordinary policeman the respect that is due him, and so it should be in this country. Of course, where we find the head of a department bad, we find, consequently, that the entire department becomes disrupted; but when you have the honest head, the rest follow, if a man knows his business, and will see to it that vice and crime are eliminated in his community. However, in order to do that, he must have the right to employ someone to ascertain for him what the facts are, because it is impossible for any individual to sit in his office and determine what is going on, for instance, in a great city like New York.

In conclusion, let me say that when you succeed in getting the police departments of this country properly organized, you will be surprised how easy it will be to eliminate the graft and corruption and vice all over the country, because then the individual who has charge

will see to it that he perpetuates himself, and it will depend entirely upon himself whether or not he continues to hold his position. (Applause.)

MR. SPEYER: I am sure we are all very much obliged to Mr. Burns, particularly for what he said as to the rank and file of the police,—that they are honest. I think it is very important that the men in the rank and file should know that the public of New York has confidence in them. (Applause.) You cannot expect that they will stand up straight if we do not stand behind them. (Applause.)

It is a great compliment to our Club that Mr. A. Leo Weil, one of the foremost and busiest lawyers of Pittsburgh, has come here and consented to address us tonight, and it is also a great compliment that he has brought his family with him. (Applause.) You will notice that on the menu Mr. Weil is described as the "Ex-President of the Voters' League of Pittsburgh." There must have been somebody from Pittsburgh who put that "Ex" in. Mr. Weil is still President of the Voters' League. He has been President for six years, and he has not been only a nominal President; he has been the guiding spirit in this work in that town, which has brought about the most startling graft exposures, and has resulted in the conviction of some of the most prominent citizens of Pittsburgh. (Laughter.)

Gentlemen, it is a particular pleasure for me, who am a business man, to see that business men and professional men in other towns have done some of the work which is generally regarded as professional reform work. It gives me great pleasure to introduce Mr. Weil. (Applause.)

ADDRESS BY MR. A. LEO WEIL,
President of the Voters' League of Pittsburgh

Mr. Chairman and Gentlemen of the Economic Club: In the introductory remarks of your Chairman, he has endeavored to correct the announcement on your program, in which I am put down as *Ex*-President of the Voters' League of Pittsburgh, by stating that I was still President. This statement contains one element of error. While I am President, they say in Pittsburgh I am not "still." (Laughter.)

I have been given many suggestions by my learned and distinguished friends of your Club on the subject of my address—more than I can possibly follow. I have been advised to make constructive suggestions, which will point to the requisite legislation, and do this in thirty minutes, on a subject that has engrossed the minds of the thoughtful from a time whereof the memory of man runneth not to the contrary. I have been advised to tell you the story of Pittsburgh. Evidently New York wants company. (Laughter.) Now, adopting a middle course, I will tell you something of Pittsburgh, and perhaps something on constructive lines,—suggestions which have projected themselves upon my mind in the course of the work in which I have been engaged,—suggestions merely, but they may lead those who are better qualified than I, and those who are more able, to work out some solution of the perplexing problems with which civilized communities are at the moment confronted. I cannot hope to say anything new upon a subject upon which libraries have been written, and upon which thousands of committees have reported. Nevertheless, developments of the last

few years, in our various municipalities, have brought to our attention conditions, situations, and data of which much profitable study can be made.

The people to-day are taking an inventory of their institutions. They are critically examining all of them. They are trying them, chiefly by the touchstone of "efficiency." The question is: Is it efficient? Is it producing results? Is it accomplishing the desired ends? Yet it is impossible to apply this test to the problems of police administration. The preventive work of the police is the most important. How much crime, how much disorder, have they prevented? How many lives, how much property preserved? How can you compute this, or measure it by the standard of efficiency? Yet preventing crime and disorder, protecting life and property, we look upon as one of the principal functions of the police. It is a lesser duty, and one only corollary to the first, that when crime is committed, the police are to assist in the apprehension of the criminal. I must, therefore, pass over, with this cursory mention, these usual activities of the police and come to another phase, to which I desire to call your attention to-night, and which perhaps is most prominent in the minds of the thinking men of to-day, viz., the police administration of vice. This is the great problem in the police administration of the municipalities of this country to-day. Prostitution is not a new problem. It is one upon which libraries have been written. It was a problem, we are told, when history was first recorded. It is a problem the solution of which has been sought, but never found. Whole races of people have become extinct on its account. Whole nations have perished by reason

thereof. What nation in the world, even in these modern times, has undertaken by its legislative body to calmly consider, fully legislate upon, and by enactment determine the handling of this question? Despotic Russia has not ventured, imperial Germany has refused, and daring France has avoided, the adoption by their parliaments of a comprehensive code of rules and regulations upon this subject. Those vested with the power to legislate, entrusted with the duty and obligation to so legislate, have failed in this duty and obligation, but have cast this burden upon that body which should be purely administrative, viz., the police.

It is true to-day, as in the past, in Russia, in Germany, in France, in every country of the world, that the police, who should be entrusted with the administration of the laws upon the subject of the social evil, are called upon to legislate upon this subject. They are called upon, not to enforce enactments, but to frame them. And when they fail to satisfy the public, they are visited with the contumely of the public, because, forsooth, they have not been able to cope with and properly solve a problem which should never have been entrusted to their hands, and which has defied the wisest of all ages. (Applause.)

The police are a body of men selected primarily for fitness for other functions, viz., administrative, and are not selected with reference to their capacity and ability, their study and knowledge, for determining and passing upon those momentous questions of morals and of policy that have agitated the thoughtful of all ages, and have been considered by those interested in social conditions, these many centuries. The police are not qualified for this legislative work, however able

they may be in other respects. What right have we to call upon the police of these cities of the United States to establish a code of regulations for the government in our cities of the social evil, when those whose duty it is, and to whom, under our form of government, has been entrusted that obligation, have shirked it, have shrunk from it, and have not dared attempt it? And yet, while we blame the legislators, let us blame ourselves as well; blame ourselves because we have never created that public sentiment necessary to sustain any legislature which should have undertaken to solve this question, in the manner in which we pretend we desire to have it solved, when we discuss it in public. (Applause.)

About twelve years ago, in the city of New York, (Mr. Chairman, you will pardon me if I am a little personal,) a very worthy committee followed the usual custom of dodging this question. It had made some valuable studies. It was a committee of fifteen appointed to solve this question,—at least to make recommendations looking to the final solution. It was a splendid committee, composed of excellent men. They did excellent work. They prepared a report that was illuminating, instructive, valuable, and ought to be in the hands of every citizen in the city of New York to-day. Nevertheless, such a committee, doing such excellent work, after making an examination covering, possibly, every great city in the world, said, in the introduction:

“The overthrow of the control of the municipal administration by Tammany Hall and the successful reform movement in the campaign of 1901, a campaign in which

the information supplied by the Committee of Fifteen constituted a very important factor, rendered it possible *for the Committee to abandon any further work of a police nature, or having to do with the supervision of public morals.*"

And the committee quit!

Every time there is the opportunity to unload this question upon someone else, we unload. (Applause.) And yet that "prophetic" suggestion in that report, I believe, if I am correctly informed by some of my distinguished friends here in the city, has not been verified by history, and, notwithstanding "*the successful reform movement,*" the question of the social evil is still with you, just as virulent, just as bad, as it ever was.

If I have succeeded in conveying to your minds an impression of what is in my own, I believe you will see that if desired results are to be obtained, if something definite is to be accomplished, we must have a body of men, somehow selected, to whom this question can be specifically and authoritatively allotted, who will be called upon, whose duty it will be, to study this question, determine the rules and regulations, the code, which is to be applied to the social evil, which to-day is one of the greatest questions, politically, socially, and morally, which confronts every country. It is the cause of causes which has brought into disrepute our municipal governments. It is the most fruitful source of graft. It is the source of the power of the machine in politics. It puts the control of a municipal administration into the hands of those who are willing to use it against the better citizenship of the community. It recruits an army of voters. It furnishes the munitions of war. It keeps out of mu-

nicipal office, more largely than any one cause, those decent, timid citizens who might otherwise be induced to accept office and serve in municipal positions.

We have recently investigated this question in Pittsburgh. We have found something of its workings. Having become impressed with the fact that there was an alliance between the social evil and the city administration, that it was fostered and protected, the Voters' League preferred charges against the director of the department of public safety, who corresponds to your commissioner of police. The evidence introduced showed how the evil had been allowed to spread, how the number of houses had more than doubled, how the methods of repression of previous administrations had been removed. We showed how these houses were tolerated in those districts inhabited by the poorer classes, some in juxtaposition to schools, settlements, and so forth, and we showed conditions resulting too horrible to picture here.

We had the active opposition, of course, of the entire administration. We convicted the director of the department of public safety of mismanagement of his official duties. A Morals Efficiency Commission had been appointed by the administration—driven to this action by our agitation. When the public sentiment was developed by this trial and this conviction; when we had reached the heart of the city, this same administration which had brought about these conditions, found it absolutely necessary to act under the direction and orders of this Morals Efficiency Commission (a commission of five or six gentlemen and ladies of the highest character), a commission absolutely without power, a mere advisory body, and as a result in the city

of Pittsburgh to-day, within a very few months, they have closed over three-fourths of the houses of prostitution. They have eliminated entirely the sale of liquor, and all kinds of entertainment, musical shows, and so forth. They have closed every place in those districts which are inhabited by the poorer classes, or which were close to the schools and the settlements. And they are still moving along on the same lines, to close up a larger number. This administration that was hostile has done this—the very administration that brought about these conditions—simply by the development of the public sentiment on the subject.

Of the houses closed, one-fourth of the inmates have left the city. One-fourth are, perhaps, plying their trade surreptitiously. One-fourth have gone to the houses that are still open, and of the other one-fourth, about one-half have married or gone into honorable pursuits. (Laughter and applause.) Taking into consideration the character of those just described, I don't know if that is as big a bull as it seems.

One other fact has developed, more significant than all the rest, and that is, of the places remaining open the patronage has not been appreciably increased, except a few patronized by the lowest classes.

I believe as a constructive measure by which this question could be solved, that our legislators should pass a law empowering every city to select a body of men, a commission, small in number, to whom shall be entrusted the power and authority to adopt such laws and such regulations upon this subject as from their study, knowledge, and investigation they may deem proper, such as the public sentiment of their respective communities demands and will support, with power to

change these laws from time to time, the commission to be permanent, with power to enforce these rules and regulations. They would make mistakes, mistake after mistake; they will adopt course after course which they will find to be unwise or undesirable. You can expect nothing else—but they must persist. You can get men to serve upon such a commission; men of ability and public spirit; men devoted to the public interest; men who study and investigate; men who are willing to take the criticism—severe it will be—upon whatever course they may pursue; men who must be of blameless lives, who will work out gradually this problem of civilization. They should have their own corps of officials or employees, at least in the beginning, through whom to put into force their rules and regulations. Ultimately, perhaps, they can use the regular police, but still controlling whomsoever they use with their own officials, thus taking away from the police this duty of legislation, and putting it into the hands of a body of men qualified and fitted for the purpose.

You cannot expect the police administration, so long as it remains as it is to-day, with this question saddled upon it, for which they are not fitted and with which they ought not to be expected to contend, to be anything different from what it is to-day, in most of our cities, justly criticised by every one, and entitled to the opprobrium that is usually bestowed. If you take this question away from the police, put it into the hands of a competent commission with power, as I have suggested. I believe there will go upon the police force, and in the higher positions on the force, men of the character that we want upon the police force of our cities, men who will command the respect of the com-

munity. (Applause.) And I believe further, that you will have started this perplexing important problem of civilization, for the first time in history, upon the road of ultimate solution. (Applause.)

MR. SPEYER: I am sure we are all very much obliged to Mr. Weil for his very interesting address. If he continues to clean up Pittsburgh, the city will soon lose its name of the "Smoky City." You have made the chief point very clear to the audience, Mr. Weil, and a great many things that you have said surely apply to New York.

The next speaker, ladies and gentlemen, is the chief of police of Cleveland, who is quite well-known in that town as the "Golden-Rule Chief of Police," but he himself prefers to call his policies the "Common-Sense Policy." He has come up from the ranks. He has been chief of police for over ten years. He has been remarkably successful in instilling a new spirit and laying out a new plan for the police administration of that important town. He will tell you himself how he has made the policeman in some degree a moral guardian. He is a man of action, and he tells me, ladies and gentlemen, that this is his maiden speech. Mr. Fred Kohler, you may be sure of a kind reception. (Applause.)

ADDRESS BY MR. FRED KOHLER,
Chief of Police, Cleveland, Ohio

Mr. President, Ladies and Gentlemen: Can you imagine a policeman being three or four hundred miles away from home and having spent two or three days

in New York, making his maiden speech to an audience of this kind? I wish some of you were up here and some of us down. But I will try to tell you something about what we have done, not what I would do were I to be chief of police or were I to be commissioner of police, or director of public safety, but something that we have accomplished. Those of you who may have heard anything about what we may have accomplished, know it without hearing it; but there are present here in this audience to-night people who I know formerly lived in Cleveland, while this policy was being pursued, and people who still live in Cleveland. In fact, my immediate superior officer is present in the audience, much to my chagrin; but I am glad he is here, and if I say anything to you, especially when the ladies are present, that may seem out of order, I know you will forgive me. I am going to speak about facts, and I shall not try to hide them; nor am I going to dodge anything, and I will try to keep within the things that we are doing. (Applause.) If there is anybody here who does not think he can stand what I am going to say,—because I am going to speak about men and women, and policemen,—I will pause a while so you can leave the room. (Applause.)

Your Chairman has very kindly told you that I have come up from the ranks, and I might first recite some of my experiences along police lines as to vice, crime, graft, efficiency, and our way of making or not making arrests in the city of Cleveland. I want to say to you that I was born and raised in the city of Cleveland about forty-eight years ago; never lived outside of the city, and about twenty-four years ago I was appointed a patrolman on the Cleveland police force under the

political system. I served in that capacity for six years on the street, and since that time I have filled every position in the Cleveland police department, from patrolman to chief of police; and anything that I tell you to-night I got in connection with that service. It is experience that came to me through that service, whatever my personal habits might have been. (Laughter.) I might have got some experience through that.

They have allotted me a half hour to talk. If I can stand and talk that long I will be mighty glad, but I don't believe I can do it; but I will try, and try to be brief, and if I wished to use any flowery language I could n't do it; so you won't expect that of me, but will understand every word I say, I hope.

About ten years ago the mayor of the city of Cleveland at that time sent for me one morning. I was then chief of detectives. He sent for me to come to his house and said, "Kohler, I want to make you chief of police." I said, "I don't want the job!" "Well," he said, "if I thought you did I would n't give it to you." (Applause.) Well, that kind of set me back a little, did n't it? When I found I could n't get out of it that way, I thought I had better begin something or the people would give me something without wanting it. I told him, "You can't make me chief of police; there is n't any vacancy." He said, "There is going to be, though." I did n't know anything about it. I put up another argument. We had at that time a director of police. I said: "The director of police would n't give me the job. He is a politician; he does n't like my way of doing things; he transferred me from downtown where vice and crime existed, out into the woods and

anchored me down. I was glad of it." The mayor said, "I will make you chief of police at the price of his job." Well, it was pretty soft for me. I was getting about \$1500 a year, and I saw about \$3500 in sight.

Well, that was n't all. We were going through a change of form of administration. There was a bill before the House at Columbus to legislate our form of government out and put another form in, and while they were doing that, they enjoined the mayor and the City Council from performing any of the functions of their office, except those they might have to perform. Of course, they still had control of the police and fire departments. We used to go out and grab a "drunk" when we had to and bring him in. In the fire department they went out and squirted water on the fire; that was all they could do. The chief of police was against all the things we wanted to accomplish. He got his appointment from one of the crowd; so, of course, there was nothing doing. Everybody would squirt water on a fire when it was burning, and everybody would praise the fire department for doing it. But there was something to be accomplished by the police department if we could get somebody to do the work. We were like all other police departments then. I might add that I knew the conditions in regard to the police department, in regard to vice and crime and graft in my own city as well as other cities that I have been to and visited and studied. But I don't want to get away from the point.

I said, "Now, what do you want to make me chief of police for?" Well, he told me what he wanted accomplished. "Briefly," he said, "I want to rid the city of gamblers, reduce vice, the alleged houses of

prostitution, and the social evil to a minimum. I want to re-educate the men from having anything to do with it. I want to do away with opium-joints, pool-rooms and faro-tables. I want to build a police force instead of having a rag baby." That looked pretty good to me. I thought I would help him out. I said, "I will consent to do it." There was n't any vacancy. Anyway, in a kind of second-handed way, if that is the proper word, he ignored the chief of police and let me do some things as captain of police. I was between two fires. I was between the chief of police and the department trying to accomplish certain things in the line I am trying to tell you, to make Cleveland a better city to live in, as the mayor put it to me at that time.

It was n't long before we had the department rather against us; politics were against us, and as I told you, they went before the Supreme Court and enjoined the mayor and Council from exercising their functions. Immediately the newspapers and public generally, who did n't know that he promised to make me chief of police, began to roast him good, and he announced, "If I get rid of the present chief of police, I am going to make Kohler chief in his place." I want to tell you why that took at that time very good with the public, because about several months before that—six months—the mayor at that time had been mayor for a year and a half—we were doing some things which pleased him and pleased the public, and the people took very kindly to me being made chief of police, and after that the trouble stopped, and in the following May—this was somewhere along in November—I was made chief of police, and from the time that my appointment was made and I was con-

firmed, I had every gambler, every prostitute, every pimp, every pool-room keeper, every politician both high and low, all the shyster lawyers, all the black-mailing bondsmen, against me; but not only them against me, I had the majority of the policemen who had been used to the old game, the game of doing nothing, and those who could n't get in through merit getting in through politics, working politics all the time. But the fight was on from that minute.

We decided, because the mayor had said that he wanted to rid the city of gamblers,—we were still decided that we were going to make Cleveland a place fit to live in. We did n't think we could eliminate all kinds of vice and crime. I want you to know that we have crime of all kinds in our city, and crime and vice will be with us like sunshine and fragrance as long as we live, and don't ever think you are going to get rid of it.

But we had been trying for years, once by a former mayor and through some reformers—who are sometimes worse than the politician—to close the saloons on Sunday, and we thought we had them closed. A lot of those reformers thought we had them closed, but every Sunday we would arrest from twenty to fifty. They were doing business right along, but we were doing business all the time too. No use arresting saloon-keepers. Each day between fifteen and twenty would go over, and finally we had seven hundred and fifty cases on the docket.

As I said, the first thing we decided to tackle was the gambler. So we thought we would play the thief and gambler's game. Every policeman, or any policeman, who travels any district in any city,—I don't care where his city is,—knows where every gambling-house is and

knows where every house of prostitution, every pool-room, and every opium-den is, and I don't care what they say. They know. (Applause.) Or they should not have the job. We knew. We had about seventy-five of them. A few days after I was appointed, I sent for every gambler in town to come in and see me, and they came in. I told them: "Now, when you go back, you start and take that gambling paraphernalia out of your place and out of this city, and you don't store it in any place in the city." Some of them did as I said; others did n't. Then, as I say, we played the thief and gambler's game. We got our squad together, fellows I thought I could trust, got a few sledges and crow-bars, went up to their places, knocked down their doors and grabbed their stuff, some of which we smashed right there, some of which we took to the station-house, took the gambler along, and after taking his name we sent him home; but we destroyed his property. We kept doing that for about a month. We were sued once or twice. This was n't like the old crusades—come in once or twice a year, make us pay so much, come around election day and get the big price for political purposes. The gamblers were up against it for fair and we kept right on smashing up. We were sued once or twice, as I said, and enjoined several times, but they never got a dollar out of us yet, and, to make it short, we have n't got a gambling-room in the city of Cleveland of any kind or description, and I defy anybody here, newspaper men or others who have worked in Cleveland, who know, to contradict me,—not a gambling-room of any kind. (Applause.)

We smashed thousands of slot machines, five- and ten- and twenty-five- and fifty-cent slot machines, and

they are expensive in themselves. We finally got so they moved them out of the city, except a few of the shop fellows. Fellows who kept stores there generally had them in different places, but the last resort was the saloon. And we gave the saloon-keeper quite some privileges in our city, if it was a decent place and there was no complaint about it. We did n't mind if you or somebody else went in there and got a drink. We did n't know. The place was apparently closed. We did n't think it was any worse to drink on Sunday than it was on Monday, and we knew we could n't stop it, and we were n't going up against anything we could n't stop. We tackled things we knew we could stop.

We found perhaps out of two thousand saloon-keepers one hundred who still kept slot machines, and were slipping them in their closets or in their wives' bedrooms, because she generally slept alone and they were up all night. On Sunday they would bring in the slot machines and operate them. It did n't take us long to find that out, and it would not take anybody who is trying to be a policeman long to find it out. We used to go around on Sunday. As a kind of special reward to the saloon-keeper we would arrest him for keeping a saloon open on Sunday; the others who did n't have slot machines we would not arrest. We would also grab his slot machine, take it to the police-station in the patrol-wagon or any other conveyance we could get, smash the slot machine, keep the money that was in it (laughter), and turn it into the pension fund. Generally the slot machine did n't belong to the saloon-keeper. There were two companies there that had the slot machine privilege, paid some fifteen or twenty thousand dollars a year for the privilege to somebody, and

so the saloon-keeper did n't care very much about the slot machine anyway, but wanted the money that was in it, and as he was always a friend of our political judge,—the saloon-keeper was; always, never failed,—so, of course, he used to go to the judge before and after the hearing and say, "Judge, I would like to get my machines back." The reply was: "Of course, you are not charged with gambling; I can't give you an order there." They finally got one of our judges to pass upon it. He issued an order in court, and printed in the newspapers that if I destroyed any more gambling paraphernalia without bringing the owner thereof or person in charge in court, he would have me in for contempt. That was Saturday; the day after, on Sunday, we went out and got a few more; smashed them up. He did n't make good with his bluff. I sent him word if he did it would be just as easy for me to shove my desk across the hall and do business from the prison,—just as easy. (Applause.)

Now, I am not telling you anything I am going to do. We did these things. But I want to say to you while we are on the subject of gambling that we have n't a gambling-room of any kind in the city, a slot machine, pool-room, or anything that pertains to gambling. Nothing; absolutely nothing. Our gamblers all left to where they could live and enjoy privileges. Many of them came to New York. I saw one here on the street to-day. One of them died here not long ago, one of the most notorious gamblers we had. He used to stand around Forty-Second Street and Broadway. Every time I was here I met him. I inquired about him to-day and they said he was dead. God love him!

In a general way I want to say to you that the other policies I talked to you about we were trying to carry out as we went along with the gamblers; but what I neglected to tell you, and what counts for the most, we did n't do these things unbeknown to the public or the people who were supposed to be the offenders. We took the public into our confidence; everybody knew what we were going to do; everybody knew what they could do; everybody that had the privilege in Cleveland that made it possible for them to live, and possible for you and me to enjoy ourselves, if you belonged there, knew what we were going to do. There was n't any chance to blackmail or graft, because we told them what they could do, and we knew what they were doing. A little later I will tell you how we knew.

Next we decided to tackle the unfortunate woman, —and I want to say with emphasis I am her friend (applause), officially and personally. I don't want to have any man or woman in this audience think that we jumped on her because she was an unfortunate woman. Theirs is like any business, like an ice-cream shop that everyone of you knows about; if there is no demand for them they will soon close up; and if you and I stayed away from them they would n't exist. (Applause.)

Now, first we decided that we would not have a house of that kind, or a man who was in any way possible connected with it, unless perhaps he was the owner of the real estate in a legitimate way. Neither would we have a married woman in the house, whether she was divorced, or living with her husband, or not; neither, as I said, would we have a man in any way connected with it. Neither would we let the inmates have a lover or pimp, for these were the fellows the

politicians favored. These are the fellows that make the rainy days; they make the politician live, the ward leader, the alderman and the councilman; and so they have many friends. The fellow who handles the police judge and police prosecutor, that is the fellow we eliminated; not the other fellow who went down and paid his money; we did n't pay any attention to him at all. (Applause.)

Not only did we eliminate all these features but we would not allow liquor to be sold in any one of these places; no fancy lights or curtains; no numbers different from their street numbers. I will defy any one of this audience to go ten blocks where we have these unfortunates living, and pick out the section they are living in, unless they guess at it. Sometimes they guess at some other block. The houses look just like any other poor man's home. Some of the houses have been in that district before I was born, but nobody would know there was a house of prostitution there; neither can you find it unless you are looking for it. Nobody ever gets in there by mistake. There is no chance. Nobody has any excuse that he was pulled in or kidnaped. He can't do it. You have to go up and rap and tell them what you want, or they won't let you in. (Applause.)

"Well," you will say, "how do you do this?" I want to say to you that the most of these unfortunate women generally do not practice that thing in their home town; they generally go to other cities. They are ashamed of it themselves. But you make it possible,—you and I make it possible. They found they could n't have the privileges there, could n't have lovers there, could n't sell drink there, could n't

have music there. Many of them left of their own accord.

Now, we don't arrest any of them. What we have tried to do for ten years is to keep people out of jail, and for five years we have done it,—kept them out of it. I heard somebody say here to-night they wanted to get a lot of people in jail. Nothing to that at all. Look at the way you have been arresting them for years, and all the time you have been building jails and penitentiaries. Have you done any good? You have n't done a bit of good. Sometimes we would go down with the patrol-wagon, load in the landlady and ten or fifteen girls, put them into jail, and they would get the professional bondsman, who is worse than any highwayman ever born. He connives with the policeman who is crooked to get them into jail, and then gets money to get them out. Somebody gets part of it. We stopped all that. Of course, when you arrest them they will plead guilty. They never plead not guilty to a charge of that kind. They always have the money. In many cases when they did n't have it, the judge would trust them thirty days until they went out and made it. We just sent for these women and we told them: "Now, you get out of business. You have so many days. You close that house. If you don't we will send a uniformed policeman." And you and I don't go when he is there. We may take the address. And we have never had to keep one of these uniformed policemen in front of these houses more than two days. The inmates would pack their trunks so quick that they would be out in the first hour. They would immediately move, and I want to say that we never let them sell out; and some people ask, "How do you do that?" They

are segregated. We tell them where they *can't* live. We crowd them into a pretty small section where we tell them they *can* live.

When we started that crusade, we had more than five hundred houses of prostitution and more than five thousand public women and street solicitors. To-day, I say without fear of contradiction, that we have less than forty-five houses and less than two hundred and sixty of these women. And I can put those forty-five houses out of business in two hours if you will take the women or give them something to do. I can't drive them into the lake. I can't drive them away, and if they go to jail they come out again. We don't want to drown them. It is the only thing they have to take advantage of, for many of them have n't any education. They can't work. They are not like us men. We can go out and beg enough to eat, ride around on bumpers and in box-cars. The women can't do that. The resort is the last thing they have. That is why I am for them all the time, and those we have to-day are really an auxiliary to the police department. Not one of these women would harbor a crook or suspicious person, a man, or politician (laughter), or policeman for one minute. Neither would one of these women give a policeman as much as a drink of water, unless it was on the street where some other honest and decent person can see them, because they know if I knew—and I would know—that they entertained a policeman or politician who makes his money that way, I would put them out of business. We can put them out of business because we don't let the politicians in on it. We don't go into court. Why? (Applause.) I see you are politicians. The chances are you are of one kind or

another. There are two or three kinds, you know. (Laughter.)

Now, we call that scheme "police repression." That name, to my judgment, was coined by the mayor of Cleveland at that time; and we do repress and hold them back, and try to keep them good, instead of having them bad and making them worse, shoving them into court and out again. What Mr. Weil said is true. Many of these women have gone into honorable professions; many of them married and have decent husbands and children. I want to say in regard to the street solicitor and I can say it without fear of contradiction that we have entirely eliminated—remember now—the *public* women; but we have women who will take a chance and go downtown and solicit a man,—married women, our own women. Less than a year ago we had a policeman's wife. One of our policemen followed her to a house of assignation. We followed her and put her out and brought her to a police station. Of course, we always make them tell the truth when we get them there. They have to tell the truth to get out. We don't do anything to them. That policeman never knew that his wife was downtown, and he never found out. They are both getting along well, and we are glad of it; that is why we let them go along. That is all I am going to say about the social evil at the present time.

I have been asked to say a little about graft. All I know about graft is the sort the police have anything to do with. I am also advised, and I have some knowledge, that there is graft worse than that. I don't think that the pure law violator is the only one that has anything to do with graft, but in our line of business, graft is usually levied upon the one who is in some

illegal or unlawful business. In our line they can't touch anything else; they can't touch anybody else; so consequently it must be the gambler, the house of prostitution, the assignation house, the pool-room, opium-den, and the slums, which violate the law. I told you we eliminated the gambling. We got the social evil positively and absolutely under control, and I don't care what Mr. Weil thinks or guesses,—there is n't a man in this room who is not a policeman that has any better conception of prostitution than I have, and you can't be in the vice commission any better than I am. You are as susceptible as I am. You are men. Perhaps it is n't your work, but you made it our work. We did n't ask to be given that work, but we got it. You are afraid to do it. You employ vice commissions and reform committees. What have you done? You resolve and you resolve and resolve. Maybe you have done something, but we have n't heard of it. (Applause.)

We have n't any police graft in the city. But we did have it, and the worst was the bondsman, the politician, and next the police. Of course, the reformer got it too. They sent out their little book and asked us and somebody else to put down five and five. It is all graft in a sense, unless you see where it goes, and that it goes for a legitimate purpose.

I have been asked to say a little about police efficiency. Well, the only way to obtain and maintain an efficient police force is to do it on merit. We had an inefficient police force, and we have to a certain degree yet; and so is every other police force inefficient, and so is every other line of business. You always see where you can make improvements, and you spend

money to make improvements, to find out where the leakage or shortage is and why. We don't have that opportunity. But we are trying to have an efficient police force, and if a policeman wants anything in our city he has to make that request in writing over his own signature. If you or any other politician or religious person comes to us to intercede for him, it hurts him. I want to say that religion is worse than politics in a police department. The only politics you should have in a police department is no politics. (Applause.)

How are you going to get an efficient police department? Here is my experience: You have got to have a policeman. Where are you going to get a policeman? You are not going to take a fireman or a cook, nor an engineer, nor a lawyer. When you wanted to build the Panama Canal, you did n't take anybody but an engineer, and when you want to run a hotel you don't take one of your business men or lawyers; you take a pot-washer, laborer, and cook,—and make a success of it. And so I say if you want a chief of police you go and take a policeman, and if he has n't got brains enough to get at the clerical side of his orders, hire brains and make them subordinate to the policeman, and don't have four or five men over him. If he is chief of police he must know something if he can hold that job twenty years. Why should you put four or five men over him who don't know anything about the business? Where do they get their advice? You make the responsibilities; they carry them out. You have not the nerve to say "We did it." You stand for it, and you don't know the burden.

I say, take a policeman and hire him a corps of good secretaries at ten thousand a year, and they can get up

all the fine work you want. But you want a man who knows the game, a man who knows what a policeman does in every circumstance and knows what he would do,—and there is n't any organization in the country more closely allied, that has more schemes, more secrets, in the world, than the policeman, not barring the crook. And how are you going to know, Mr. Howe, what your policemen do? You don't, and nobody else knows. So I say get a policeman. In every big city the question arises, "Where can we get policemen with experience enough and free enough from the taint of graft?" I know a man who has been a member of this department for years, who bears the reputation for honesty and efficiency the world over, a man who has stood between the department and grafters and politicians for years, and, I am satisfied, a man who has led the department in all its legitimate work.

I will mention the name of the man I have in mind who has that reputation, if you want to know, and on that man you may pass the rest of the judgment. (Calls for name from audience.) I have in mind the name of one man who is chief inspector here, by the name of Moses Cortright. He bears a reputation for honesty and efficiency the world over,—and I believe he has the brains; but the job of being police head is too crooked for him; I guess he would n't take it if it were offered.

Let me say a word or two as regards our policy of making, or rather not making, arrests. In going through these fifteen or eighteen years of experience in a police department, from patrolman to chief at police headquarters, we saw many a heartrending scene. Many a poor man, woman, and child, especially women

with babies on their breast, sometimes more than one, and with baby buggies, who would come down there at eight o'clock in the morning and stay all day. Perhaps the case would be adjourned and they would have to come again the next day, and then walk home, three, four, or five miles,—and what had the fellow done? Generally drunk or insulted the dignity of a policeman, maybe. (Laughter.) And that is a pretty tough thing to do; don't you forget it,—or it was in the old days. But you can insult all the policemen now that you want, unless you do it maliciously. We will stand back of our policemen all the time, but he can't come in and put a charge against you for this, because our officers won't arrest you. He won't let you in. You can't get in. He will take your number and name and send you home. So far as drunks are concerned, we sent home—I can't tell you how many thousand,—but in 1906 and 1907 when we were working under the old custom of making arrests, we made in round numbers 31,000 arrests. We decided to cut down the arrests January 1, 1908, and that year we reduced the number of arrests in round numbers to 10,000, and the following year to 8,000 and the following year to 6,000, and the next year about 9,000, and last year 7,700,—from 31,000. In 1907 we arrested for intoxication alone 17,000 people; last year 700. (Applause.) Nobody was hurt; not quite as much drunkenness. But we aim to eliminate arrests where the arrest in itself would do more harm than good; where it would do more harm than the offense against the law or ordinance which was alleged to have been committed. We are trying to divert the first and minor offenders who are now headed toward the jail or the penitentiary. I daresay most of

you men have committed some offense at some time or another in your life and you were not arrested for it, and it did n't do you any hurt; it did n't hurt society, and you have been going straight ever since. What do you want to arrest them for? What do you accomplish by it?

Now, the newspaper men gave the name of "Golden Rule" to that policy. They wished that on us. As soon as we had that wished on us you know the reform jealousy that sprang up on the part of some of the fellows who ought to have been with us all the time,—and those are the fellows who preach the Gospel; but we had a lot of these fellows afterwards. That has all been done away with. But they could n't eliminate our way of making arrests. (Prolonged applause.)

MR. SPEYER: I am sure, Mr. Kohler, we all feel very sorry that we could not let you go on and tell us more and more about your interesting experience, but I want to assure you that your maiden speech has been such a success that you are going to be in great demand as an after-dinner speaker in New York. (Applause.)

The next gentleman who is going to address you also comes from Cleveland; in fact, Cleveland seems to have all the virtues that we lack. He came to us some years ago. He was a member of the City Council in Cleveland and at the head of the Sinking Fund Commission. He was State Senator of Ohio, went abroad as Federal Commissioner to investigate municipal affairs in Great Britain, and has travelled on the continent, and after studying municipal affairs in Europe, he published a book called *The City the Hope of Democracy*, which I have read through, knowing that Dr.

Howe was going to speak to-night. I suppose there are very few here who have read that book; we are so busy that we don't find much time, but I think it is very remarkable how many of the policies which you advocated in 1906, Dr. Howe, are already on the road to fulfilment. Dr. Howe, in his book, has recommended many measures, not of the professional reformer, but practical measures, and his solution of the social question has been very helpful. I am glad to say that Dr. Howe is now a New Yorker. He holds a position of great influence as Director of the People's Institute, and we would like to hear from him what he has to say. (Applause.)

ADDRESS BY DR. FREDERIC C. HOWE,

Director of the People's Institute, New York City

Mr. President, Ladies and Gentlemen: I am glad to follow Chief Kohler this evening, because I want to corroborate what he has said about the city of Cleveland. It was my home for about fifteen years, and during my residence in Cleveland most of the policies that he referred to were inaugurated by him, and as a citizen of Cleveland I think I can speak for most of the six hundred thousand people there and assure you that it is true that the police department of Cleveland is efficient. (Applause.) The police department of that city is honest. It is free from the suspicion of dishonesty and graft, but more important still, I think, the policemen of Cleveland have a pride in their job (applause), and they have the respect of the community, just as the firemen and any other honest officials enjoy the respect of the community, and self-respect and the

honor of the community are essential to efficiency in any walk of life.

The social evil has been reduced possibly to a minimum. Gambling has been stamped out, and all through the community, in face of the fact that the ministers, the good people, and the press protested against the humane or Golden-Rule policy of Chief Kohler, in the face of the fact that they distrusted humanity who most should have trusted humanity, to-day the voice of that city is a unit in favor of the humane and generous treatment of women, in favor of the generous treatment of drunk and disorderly persons. Cleveland has been elevated by its own approval, against its own partisan and individual wishes, into a belief in Christianity; and whether by accident or by design, Mr. Kohler is responsible for that conversion. (Applause.)

I think it is somewhat of an achievement to make a half-million people believe in people. (Applause.) And that, to my mind, is his biggest achievement. I think it is a great achievement to make a half-million Christians believe in Christianity, and act on that conviction, and for fifteen years the unfortunate women of Cleveland have not been prosecuted by an administration while the voice of that administration and the public opinion of the city said: "Oh, the social evil is as old as time. It cannot be eradicated. It has been with us always and will probably be with us always."

In Cleveland the popular voice does not say the social evil is a perennial evil and at the same time insist that the women, the women only, shall be stamped and branded with the brand of crime, because they participate in what the community says is a social necessity.

And I think we ought to be honest; I think we ought to be just. Bigger than this police question in its bigness, bigger than the social gangrene that runs through our city, is the brutal way we pick out the women and brand them. That, to my mind, is one of the cruelest things of modern civilization, the way we pick them from the streets, take them to the criminal courts, send them to the Island, and brand them forever, while with the other voice we say in effect, though not in these exact words,—we say in effect, “The woman we brand is performing a necessary social service.” That, I think, is a cruel indictment of all of us. Let us kill prostitution if necessary; let us stamp it out if necessary, but don't pick out those that suffer the most and destroy them utterly for it.

There is one thing Mr. Kohler neglected to say about his experience in Cleveland, one thing he would have said had he thought about it, for I don't need to tell you that he is frank and honest to the limit, and that anomaly is this: In order to destroy gambling, in order to extirpate graft in the police department, in order to control the social evil better than any city I know in this country, it was necessary for him, for the mayor of the city, for the director of public safety, to be *law-breakers*. That is the anomaly of city administration. In order to control this graft problem the city administration had to be a law-breaker, and Mayor Johnson, of whom he spoke, Mayor Baker, the present mayor, the director of public safety, Mr. Stage, have to be confessed and almost professed law-breakers in order to get a decent moral condition in the community. That, I think, is not only true of Cleveland, it is true of every other city. When last I was in

Cleveland, I met an ex-gambler, a saloon-keeper, and I asked him about the Golden-Rule policy of Kohler, and he said: "Golden Rule! Hem! Kohler, he is an anarchist; the mayor, he is an anarchist. He ain't got no right to break into my establishment and destroy my property. He has a right to arrest me and take me to court and try me. I will pay my fifty dollars' fine, but he ain't got no right to destroy my property. Golden Rule! He is an anarchist!" And in order to stamp out gambling, Mr. Kohler thought—I think he was right—that it was necessary to violate the law and equally so in order to eliminate graft in the police department, it was necessary to avow publicly, not privately—to avow publicly to the whole community—that to certain degrees you may violate the law, but you must live up to an administrative standard of morality. For Mayor Johnson said, his successors have said, Kohler has said: "It is better that our police department be honored and free from graft than that we spend all our time in closing the saloons on Sunday, and we can't do both." And to me this problem, the police problem, is not a personal problem. It is not personal to the mayor of a city or the commissioner of police. It is an institutional and legal problem. Until we clean up the sources, just as we clean up the sources of infection to get rid of disease; until we get rid of the inflexible state laws that make proper administration impossible, we can't hope effectively or permanently to deal with this problem. (Applause.)

Who makes the morals—the legal morals of this city so far as they affect the thirty to fifty thousand men who are engaged in vicious pursuits? Who makes the morals which we command the mayor to enforce?

Thirty or forty years ago our ideas of saloons, about vice, about gambling, were embalmed in state laws up at Albany, by men for the most part who did n't give a moment's thought to the laws they were enacting or to the unseen cost of their legislation, and for thirty years the laws have said, "The saloon must be closed on Sunday." For thirty years, or thereabouts, it declared, "Prostitution is a crime" and any connection with it in any possible way is a crime, like murder, arson, or burglary. Our grandfathers and fathers, influenced largely by the life they led, by the religious training, by the sparsely settled communities in which they lived, said to us, "All these things are crime," and then enacted these simple laws, laws, by the way, which have been enacted by no other civilized country in the world, for other countries don't treat the excise problem, the sumptuary-legislation problem as a matter for criminal legislation; they treat it as a nuisance, as a social nuisance, and they control it as such. And our fathers and grandfathers who made the legal moral standard for all the cities of the state, having passed these laws, decreed in addition that every mayor, every chief of police, must take an oath that he will enforce all these laws, and having taken these oaths and taken these oaths for twenty-five years, as our mayors and officials have done, still the saloon remains open on Sunday; gambling continues to flourish; prostitution exists, while the police force is honeycombed with graft, and the whole community is rendered hypocritical.

Thirty or forty years ago, there were a large number of men who traced the unseen cost of legislation, who were not content with merely the seen results. To-day

it seems that that type of literary man is almost non-existent, for we enact sumptuary legislation without tracing its ultimate significance.

Let me take an example—the Raines Law. It decreed that no liquor should be sold on Sunday in a saloon, but it said that liquor may be sold in any saloon which has ten or more rooms in connection with it. What were the unseen costs of that law? Sunday selling was too valuable a privilege to be abandoned. The erstwhile saloon became a Raines Law hotel. Its rooms, as we know, are not used for hotel purposes, yet because of that law to prohibit Sunday liquor selling, there are now from four to ten thousand rooms created in Greater New York that are used as places of assignation, and in addition Sunday selling goes on just as it did before. This is one of the unseen costs of state legislation on this question.

And I think it is the state laws, the inflexible, unbending, unyielding state laws that make it almost impossible for any city of any size to control the police situation or to eliminate graft, corruption, and the evils with which we are so familiar.

What happens to the patrolman, no matter how honest he may be when appointed? It is so much easier to connive at what exists than to enforce the law; sergeants, lieutenants, policemen for years have been in the habit of getting a rake-off; they want to know what is the matter with the new patrolman. If he does not come through he is "sent to the woods," or some charge is trumped up against him.

In the second place, by these inflexible state laws, the patrolman is given the right to sell a privilege that is not his and to receive in return a money payment

that he has no right to take. And so all over this city, all over every city I know, policemen are bartering in the privilege of permitting others to violate the law. They permit the saloon to be open, gambling to be carried on, houses of prostitution to be continued, because the state law says one thing and public opinion says another thing.

But these are not the only costs which flow from state laws upon sumptuary questions. Possibly they are not the most costly prices we have to pay for the lack of freedom in these regards. The excise question is drawn like a red herring across every municipal election. It is infused into municipal politics. We nominate a candidate for mayor, not on the question of whether he is efficient or business-like, but as to whether he will draw from the liberal vote or the other vote. In addition to that, every mayor we have had in this town, I think, has been broken on the excise question; not because of incompetency to handle it, not because of the essential difficulty of the problem, but because they have taken an oath to enforce a state law, whose enforcement leads to the breaking of any official who attempts to carry that policy through. (Applause.)

In addition to that and possibly more costly than any other price we pay, is the fact that all of us become cynical. We become distrustful of public officials. For the last four months, as you went around the city, you heard the inquiry, "How far up does the graft go?" One hundred thousand times a day on Sunday we know the law is being violated, and in consequence of that our psychology is poisoned, our civic sense is impaired, and the whole community suffers because the laws

which govern us say one thing while many—possibly most—of us say the law cannot be enforced.

And these are some of the costs, the unseen costs of legislative morals; of attempting to impose upon the cities of the state the opinion of an assemblyman from St. Lawrence County as to what we should do or as to what we should think; and it seems to me that, irrespective of the problem involved, we should throw this burden down on the communities themselves. The legislature should say: "This is not a state problem; this is a city problem. It is for you to solve in your own way, to work out by experimentation, by consultation, by public opinion; it is a question of moral sanitation, and it is your problem which you must deal with in your own local wisdom."

Further than that I think the excise problem, the social evil, the gambling problem, and the saloon problem cannot be handled by legislation at all. Mr. Weil suggested that fact. It is a thing to be handled, not by inflexible laws, but by orders and decrees; by orders, for instance, issued by the Board of Estimate and Apportionment, by orders so flexible that one order can be applied to the Bronx and another to Manhattan; by orders so flexible that if one does not work it can be changed next week; by orders or decrees directing the mayor, as chief executive official of the city, to carry them into effect. Then, when our policy-making power and our executive power are the same, we can hold a mayor, the chief of police, and other policemen responsible; for we ourselves make the policy and execute it, while to-day the mayor and his subordinates hide behind—and we justify their hiding behind—the fact

that they are called upon to enforce the state laws. (Applause.)

Finally I am clear in my mind that while it is possible for a commissioner of police to secure efficiency, it is possible for him to tone up the administration; it is possible for women to be cleaned off the street and the social evil to be given a better front; while efficiency in the details of the administration are, I think, possible, still this problem is a problem which goes to the bottom of our moral life, cannot be cured until we treat it as our problem, until we are free to work it out in our way, or until every city in this state is free to experiment, to try one thing after another, rather than to follow after a law enacted thirty years ago by men who knew nothing of city conditions.

I think it is necessary for us to take off our coats, to bend our backs, and assume the burden of our local conditions; and I think the first thing a mayor would do, confronted with that problem, would be to call in a committee of men and say to them: "This excise problem is the most serious problem I have to face. I realize that as it is, it has killed and broken other administrations. I realize that it affects the morals of this whole community, and I want your aid and assistance in working out a program that squares with the facts and squares with public opinion as well"; and I am satisfied that the intelligence of this community free,—free to act on that problem, with the aid of the press, with the aid of the multitude of voluntary agencies in this city,—that that public opinion in a relatively short time would work out a policy for the control of the saloon, the social evil, and of gambling that almost immediately would be far in advance of

anything that could be achieved under the inflexible laws which now control that situation. (Applause.)

MR. SPEYER: On behalf of the Club, I want to thank the gentlemen who have addressed us to-night. I want to thank them very much. That it has been a most instructive evening, I am sure everyone agrees. And now, gentlemen, I wish you all good-night. The meeting is adjourned.

TWENTY-THIRD MEETING

Monday Evening, February 24, 1913

HOTEL ASTOR

GUESTS OF HONOR

HIS EXCELLENCY COUNT JOHANN VON BERNSTORFF
Ambassador of Germany to the United States

HON. CHARLES M. DICKINSON
Consul-General of the United States to Turkey,
1897-1908
Consul-General-at-Large, 1906-1908

SUBJECT

EFFICIENT CITY GOVERNMENT

SPEAKERS

HON. WILLIAM J. GAYNOR
Mayor of the City of New York

HON. RUDOLPH BLANKENBURG
Mayor of the City of Philadelphia

HON. HENRY T. HUNT
Mayor of the City of Cincinnati

JAMES SPEYER, *Presiding*
President of the Club

ADDRESSES

INTRODUCTORY REMARKS BY THE CHAIRMAN

MR. SPEYER: Ladies, Gentlemen, and Members of the Economic Club: As a rule, the financial and commercial center of a country is also the political capital of that country. New York is unique in that it is the metropolis financially, but not the seat of our national government. I sometimes think that it would be advantageous if some of our legislators would live in New York and come in contact with the business people of this town for whom they love to make laws, most of them disagreeable ones. (Applause.) However that may be, we know that it is a disadvantage for us that we do not see more of the men who occupy the prominent places in our national government and particularly of those men who represent the great foreign countries in Washington. To-night we have with us a representative of one of the greatest countries of Eu-

rope. (Applause.) We are particularly pleased and honored to have Count von Bernstorff, the German Ambassador, here. Count von Bernstorff is a scion of an old aristocratic Prussian family which has served its king and country for generations and with distinction. (Applause.) His career has taken him from his own country to Constantinople, St. Petersburg, Cairo, and London; and, finally, his Emperor sent him here when he was nearly fifty years old,—he is not fifty years old yet! Even if Count von Bernstorff had not married an American lady; even if his better half were not an American; even if he had not received almost a dozen honorary degrees from American universities, we would like to call him half an American; but I prefer to look at him as a good representative of the German people in sympathy with this country.

Count von Bernstorff is one of the foreigners who realizes the high ideals of the American people, and one who is in sympathy with their aspirations. He has made the trip from Washington to New York to-day on purpose to be with us to-night. (Applause.) He is going to return on the midnight train, but he has been kind enough to agree to say a few words to us about the method they have evolved in Germany for efficient city government. I know that you who have been in Germany have been surprised to see how they govern their towns, and those who have studied the subject are astonished at the small cost of efficient city government in Germany.

Now I am going to ask you to listen to Count von Bernstorff explain to us how they have done it. His Excellency Count Johann von Bernstorff, Ambassador of Germany to the United States. (Applause.)

ADDRESS BY HIS EXCELLENCY COUNT JOHANN VON
BERNSTORFF*Ambassador of Germany to the United States*

Mr. President of the Economic Club, Ladies and Gentlemen: I wish to thank you most sincerely for the privilege of appearing before you this evening and for the friendly and cordial reception which you have just given me. I wish also to thank your Chairman for the kind words which he addressed to me, and all the pleasant things he said about me. I naturally cannot endorse all he said about myself because it was too kind, but one thing he said I should like to endorse very heartily, viz., that I was in sympathy with the American people. (Applause.)

I must confess that I feel rather shy about speaking on city government to you to-night because the Secretary of your Club wrote to me that I was to speak of my experience in city government. Now, I have absolutely no experience in city government at all, and we ambassadors are not generally allowed to speak about those things we do have experience in. So you will have to listen to what I have learned myself about city government in Germany; and of one thing I feel perfectly sure, that is, that my experience would not allow me to run this beautiful city as well as my friend Mayor Gaynor, who is present here this evening (applause),—this beautiful city where the wonders of civilization evoke the admiration of the whole world. As to the other distinguished mayor, my friend Mr. Blankenburg, who is going to speak after me (applause),—he is like myself “made in Germany” (applause), so

I suppose that he knows more about German cities than I do myself.

The old historical self-government of our cities of which we are very proud, was re-instated on modern principles by one of our greatest statesmen, Baron Stein, after the collapse of old Prussia in the year 1806. City reform, therefore, was peculiarly Stein's own idea, and the practical measure of carrying it into effect was his work alone. Its corner-stone was the right of the people to act upon their own local interests. The reform, which has been fruitful in blessings ever since Stein's time, began at the base, giving self-government to the cities, schooling them in managing their own affairs, in checking their own functionaries, in taking their own responsibility. While keeping the central monarchy strong, his great exertion was to restore fitness for public life in the country at large. He, therefore, sought to exercise the city populations in public affairs. Since the days of Stein, time has, of course, brought about some changes in city government. It has largely been developed to meet new needs, but the system is still the same. It has been well said that this system has been shaped by the convictions that the work of governing a city is important and so difficult that it requires the whole working time and all the powers and thought of able men who have acquired special knowledge of the problems of city administration by a long experience of the work, and who know that if they are guilty of neglect of duty or act dishonestly, they will be ruined for life by losing their position, the salaries on which they live, and the confidence of the public, without which they cannot obtain further appointment.

While a considerable number of persons of the city council are permanent officials, the majority of members are elected by the ratepayers, and it is the elected members who appoint the chief burgomaster, who has to assist him two or three burgomasters and other permanent officials, invariably men of high educational standing and great experience. The first burgomaster holds his office practically for life, but he is subject to re-election for long terms of office. The members of the city councils are elected by sections, so that the composition of a municipal body is never completely changed.

One other feature of the system may be of special interest to Americans, as it differs wholly from the system employed here. To be a burgher of a city in Germany, one must have a definite and tangible interest in the community. In the theory and practice of city government in Europe, a city has always been regarded as a corporation, which has business to conduct and property to administer. According to this theory a distinction is made between the civil and political rights on one side, and on the other what may be called municipal rights,—the right to take active part in administering city property and determining city policy. As to the latter right, it is felt in Germany that the people exercising it should have some evident stake in the corporation, whose affairs they were called upon to control and administer.

The first thing that will strike a foreigner in German cities is the number and variety of the functions with which, for the benefit of the citizens, the public authority charges itself. Most city councils not only supply water, gas, electric lighting and power, and make a

good profit in relief of local expenditure, but also finance the hospitals, treatment of phthisis, and all the schools, including colleges for advanced technical instruction. In most places the municipalities own and work the tramways with very low fares and very high profits. They maintain fire stations, with the most advanced apparatus. They have abattoirs, regulated by veterinary science, for the slaughter of animals for human food. In such cities as Cologne, Frankfort, and Mannheim they manage enormous docks for the accommodation of fresh-water navigation. They maintain, for the recreation of the citizens, museums, picture galleries, parks, playgrounds, baths, bands of music, and even theatres. In the modern German city, new streets are not the creation of private enterprise. It is not the owner of the land who makes the plans for a new street according to his own interest, but the city council plans the streets in accordance with the interests and the needs of the whole population. There are no restrictions as to the width of the streets or as to their construction, so that the city council has full liberty to consider the requirements of different districts. The city council decides in what streets front gardens are to be permitted, how large they must be, what streets are to be planted with trees, and where public squares, playgrounds, etc., are to be situated. In this way a distribution of open spaces and playgrounds all over the city is secured. It is all the more necessary to provide plenty of open space, because in many parts of Germany people cannot afford to have houses of their own. The working classes, and even the middle classes, are compelled to live in apartments, because the price of land, and in consequence the rent of the houses, is

very high. The cities, therefore, are devoting ever-increasing attention to the housing of the workmen employed by them, and of the less prosperous inhabitants of their districts in general. On the one hand, they construct cheap buildings of a small size for the municipal workmen, or they stipulate by statute that such dwellings constructed by them may be let or sold only to workmen and subaltern officials, and, on the other hand, they encourage private builders or building societies to construct such dwellings by granting them certain favors and subventions in money, or by conceding municipal ground to build on. Besides, they endeavor to improve the dwellings in existence and help the requirements of offer and demand to be met with by emitting police rules for the conditions of dwellings by appointing inspectors of dwellings and opening dwellings register-offices.

In their treatment of this problem the German municipalities have an advantage in their favor in the landed estate, which commonly forms an important part of a city's assets. It is for the most part land unbuilt upon and not always within the present municipal area, yet its eligibility for public and for residential purposes increases every year as the means of locomotion are improved. Berlin, Cologne, Munich, Dresden, and Frankfort, among the larger German cities, are especially rich in this respect, thanks largely to the foresight and intelligence of their local officers in the matter, and few places of any consequence are entirely without such common property. There are also few which do not entrust to their statistical bureau, which forms so important and so instructive a department of municipal government, the duty of enumerating houses

with details as to character, proportions, number of rooms and of inhabitants, rents, and so forth, so full and exact as to give to the reports a high social value. Leipzig is one of the cities—and there are many of them—which have devoted a portion of their real estate to the housing of the working classes.

The imperial workmen's insurance laws have had a great influence on the German cities in giving a strong impetus to the creation of very many useful municipal institutions. The cities maintain workmen's insurance partly in their quality as administrative authorities, having to perform a certain quantity of work for the execution of the three branches of insurance; partly as the responsible executors of the communal sick insurance, which often requires subvention out of communal funds, and partly as employers in the municipal public works, such as gas-works, water-works, electric works, and tramways. Considering that the workman is only entitled to claim the benefits of the insurance laws in case of sickness, accident, invalidity, and old age, if his position is that of a workman from a legal or statutory point of view, many cities have taken measures to the effect that every healthy workingman gets occupation if possible, and remains insured. For that purpose labor registry offices have been instituted, which under responsible direction form central offices for the labor market, and assist the workman in looking for employment. They supply to the unemployed workman quick and gratuitous information about vacancies, and so reduce the time of involuntary idleness and enable him to earn his living, and at the same time to found his legal claim for further assistance. Hardly any German city of any industrial importance can be

named which has not in regular operation an efficient labor registry.

The cities are further endeavoring to reduce involuntary idleness by providing work; namely, having so-called distress work executed. This kind of work has been undertaken by the cities to a great extent during former years of economic depression. The municipalities are recognizing the opportunity, if not so readily the duty, of offering a helping hand to the laboring class in time of need. In most of the large cities the undertaking of distress work in times of exceptional unemployment is now a part of a well-devised scheme and is regulated in every detail by elaborate municipal statutes or by-laws. As a rule, such works are carried out during the winter months only, from the beginning of December to the end of February or the middle of March. Yet the fact should be emphasized that the municipalities are averse to any formal recognition of the public responsibility for the employment of the workless among their citizens. Even in the cities where the provision of distress works is systematic and recurs unerringly with the revolution of the year, the authorities in self-protection generally take care to disown any direct social obligation. They act of grace, and not of moral compulsion.

Sound reasons point to the desirability of such a policy of prudence. The concession of the principle of a right to work involves a responsibility which, whether justifiable or not, is one of immense significance. Moreover, if a municipality is morally bound to provide its members with employment, it is obvious that such a responsibility cannot be extended to outsiders whom roaming ways, encouraged by an adventurous spirit, or

even genuine desire for work, may have brought to the city. If a universal right to work be admitted, the question becomes a national one, and the state must, in that event, intervene. At the same time, it is recognized that it is a wise policy to keep deserving people off the poor law, so helping them to retain the spirit of independence and self-reliance and not less to protect them from idleness, which is so fruitful a cause of demoralization in every class of society. It is the recognition of this fact more than any other consideration that has led so many municipalities in Germany to override objections and difficulties and under proper safeguards to create facilities for work in times of special scarcity.

The cities are further endeavoring to satisfy the requirements of the working classes for education, for these requirements are steadily increasing with the improvement of the workman's material position. For that reason, a number of communities have instituted compulsory industrial schools for youths, public libraries, reading-rooms, lectures, housekeeping schools for the inhabitants, especially the workmen; for the true ambition of the masses of the German nation is for education,—less for economic amelioration and material advantages, than for education. It is, of course, difficult to say how far education is followed for the sake of the material benefits which it is able to bestow, and therefore is an indirect object of pursuit. Yet everyone who has followed the movement of the German working classes and is acquainted with the intellectual life of the German masses will be ready to testify to the widespread popular desire for education, for knowledge, for a greater share in the spiritual treasures of the time.

The masses see in education endless perspectives; their thirst for knowledge, like their ambition, impels them to one aim,—to be educated. More or less all acknowledge that this more than anything else determines a man's rank in modern society; that personality is won by force of education. All the means of extending and perfecting education are seized with zeal and often with passion.

What I have mentioned will be sufficient to show that the German cities feel their social responsibility and consider it a duty to assist the weaker classes in their struggle for existence and to help them to attain a higher social, moral and intellectual standard. (Applause.)

MR. SPEYER: I am sure I am echoing all your thoughts when I thank His Excellency most heartily for his admirable, very interesting, and illuminating address. As you see, in Germany city government is a business. With us it is not always a pleasure. (Laughter.) I am not sufficiently familiar with the local newspapers of Philadelphia and Cincinnati to tell you whether the two mayors that are here are getting more abuse, if possible, than our own mayor; but I do know that Mayor Blankenburg, Mayor Hunt, and the German Ambassador are sufficiently familiar with American conditions not to believe everything they read. (Applause and laughter.)

No doubt the mayors of other cities have their troubles, but the government of New York presents a more difficult problem than those of any city in the world. I do not mean to brag, I just state a fact. (Laughter and applause.) Not only is New York by

far the largest city of the United States, having in itself more inhabitants than almost every state in the Union except three or four, but it is also the most important seaport. It is the home of a number of the very wealthiest people of our country and the home of some of the poorest, that come here with scarcely enough money to land. It is composed of a great foreign population, foreign when they come to our shores, foreign in manners, in customs, in language, and with a variety of religious beliefs. It is impossible for any mayor of New York to please all those divergent and sometimes hostile elements. Count von Bernstorff has told me that when the German Emperor reads in a newspaper that he or any one of his ambassadors to foreign countries has been attacked for a speech, or for something that his minister has done, he immediately sends him a cable, or writes him, and says "You must be quite a fellow." (Applause and laughter.)

Now, gentlemen, in spite of the disagreeable exposures in the police department, which we all deplore and which I believe are very much exaggerated, I think you will agree with me that we never have had a more honest and efficient administration than we have to-day. (Applause.) We never have had men in important places in our city administration who were more earnestly working for the public good and who were more willing to co-operate with citizens in all movements making for the betterment of living conditions. Conditions to-day in New York are vastly superior to what they were twenty or twenty-five years ago. Things are not worse; they are better, and they are getting better all the time. (Applause.) I firmly believe that when the history of New York comes to be written,

Mayor Gaynor's honest and independent administration, surrounded as he is by the men whom he has chosen as heads of the different bureaus and the heads of departments,—that this administration will stand out conspicuously as marking an important step in the right direction. (Applause.)

Now I am going to ask Mayor Gaynor to say a few words to you himself, and so far as I am concerned, he can go for the newspapers all he likes. (Applause.)

ADDRESS BY HON. WILLIAM J. GAYNOR,
Mayor of the City of New York

Mr. Chairman, and Gentlemen of the Economic Club: Mr. Speyer says that he does n't know whether the two mayors here, one from Philadelphia and the other from the West, are abused quite as much by the newspapers as the mayor here is. He says he hopes not. (Laughter.) I hope not also. (Laughter.) I do not know anything about it, but I hope not; that is as much as I will say. (Laughter.) And yet we stand it pretty well here after all. I look pretty well, don't I? I think I can stand it nearly as well as they do, if not a great deal better.

The topic of the evening, "Efficient City Government," is one interesting to us all, but we have really come here not to hear locally on the subject, but to hear from the two distinguished mayors who are to address you, and I shall not occupy your time. You can hear me almost any hour in the day. (Laughter.) And when you cannot hear me, I will write you a letter (laughter and applause), which is the better way, after all.

I came into the city government from my own profession, and after having been a judge for sixteen years, I think. That was a profession in which we had to be exact, in which we had to be efficient, in which we had to know what we were doing, and measure our words. But I am going to say to you to-night, for the benefit of my associates in the government, that the revelation of efficiency and exactness in the government of this city, which I have witnessed since I have been mayor, is equal to anything which I saw while a Justice of the Supreme Court. (Applause.) Of course, there are other people who do not happen to be in the government who can do all these things much better than we are doing them. (Laughter.) I doubt, however, if you will ever elect any of these people to try it. I don't think you will take them at their word. Heretofore, in city government, as in other things, every man in this country thought he knew how to do everything. He was jack-of-all-trades. He had contempt for the fellow, as he called him, who learned how. In his opinion it was not necessary to learn. He knew it all. But the day of the self-sufficient, all-sufficient, insufficient fellow has gone by in this country, and especially in city government. (Applause.) There are many here who could do it much better than we do.

During my term as mayor it has so happened that we have had many important things to do. The subways, a gigantic piece of work, the largest afoot anywhere in the world to-day; the great west side improvement, including the re-location of the New York Central Railroad; the docks, and other things which I will not stop to enumerate to you. I wish I had here to hold up before you the two contracts for the subways;

two volumes in themselves. We have editorial writers here who could do that all over-night, as easily as any of you could eat a cookie, and much quicker. (Laughter.) They are impatient at the delay, and then when it is done they are impatient that it is done at all. (Laughter.) Whenever I read what these people say, or hear what some of them have to say, I always say to myself of him, "Here is a man of vast and varied misinformation (laughter); of brilliant mental incapacity," and sometimes I add, "and of prodigious moral requirements." (Laughter and applause.) They know it all. But the engineering work, the legal work, the days and the months and the years of such continuous work which has brought out the subway contract is beyond their comprehension entirely. They would not know what it was if they read it. (Laughter.) I advise every one of you here, intelligent men, to get the subway contracts and read them yourselves and know what is in them, and not to be fooled by the scamps and scoundrels who say what is in them, but which is not in them at all.

One of their greatest grievances, now that the thing is over, is that we went to bankers to get the money. (Laughter.) How is that, Speyer? We should have gone to cobblers. Three hundred and sixteen millions of dollars have to be advanced. These railroad companies cannot sign these contracts until they have the money bargained for. They cannot pick it up in the street. They have been working on their problem while we have been working on ours, and the chief grievance now is that they have a contract with bankers to produce the money. Hearst and the Pulitzers, I suppose, thought they would pick it up on the street as

they went along (laughter), but that is not a feasible thing. These things all require efficiency.

I wish I had the time and did not have to give way to the two gentlemen who are here to enlighten us, so that I could tell you the time that the comptroller of this city has spent on that work and in these conferences (applause); the time that the committee of the Board of Estimate and Apportionment, which I appointed, have spent on them; the long discussions, the days when we thought everything was settled, only to have to see something else pop up to-morrow to make us almost begin all over again. All I wish to impress upon you, gentlemen, is that to do these things, —and I leave myself out of the consideration entirely, —you have to have efficient men. The old notion that anybody is fit to be mayor or governor or hold public office must go by the board if you want efficient government. (Applause.) The engineering problem, the legal problem, the political problem have to be met by persons who are capable of meeting them. They have to be met by persons who have some experience. I do not suppose there is anybody here who, if he had to have his leg cut off, would send for a cobbler to cut it off. I admit that the cobbler would cut it off, but, dear me, what a mess he would make of it! (Laughter.) And yet the notion has been that anybody is fit for these great problems of government, far more intricate, far more difficult, requiring a far higher order of intelligence than is required to cut your leg off, though that is quite a job too.

So that, in order to have efficient government in our cities, we have to look to it that competent men come in. In the past the great obstacle to efficient govern-

ment has been that those put in office were under the control of somebody on the outside. I hope that day is gone in the city of New York forever. (Applause.) Those elected to office here should be subservient to nobody but you. If they are in the service of a political organization which dictates their appointments to them, tells them what to do, bad government is inevitable from the first day to the last.

I suppose I may properly say that when I came in, I summoned up all the fortitude that I had in the midst of all sorts of obstacles. I had to begin with my dock commissioner, my water commissioner, and to go through them all, and to appoint a man to every one of them who was absolutely under no obligation to anybody on earth except the government of this city (applause); and if we are to have efficiency, we have to get it in that way.

Your borough presidents are efficient—all your officials, excepting, of course, your mayor, who is deficient in everything, certainly make up an efficient government in this city in this day.

I was glad to hear what Count von Bernstorff said about the German cities. It is very nice to listen to. I have observed the government of the British cities to some extent, and also cities on the continent of Europe, and I am bound to say that during the last fifteen years we have made great strides to approach the best forms of government that they have. Don't be under the delusion that everything over there is just right. We, who travel over there, know better than that, Count von Bernstorff. (Laughter.) They are all right in Germany—since you are here (laughter), but not all right everywhere else. The Count gave us

a good paper on the subject of city government. He started out by deprecating that a man should talk about things that he does n't know any too much about. That is no obstacle in the city of New York. (Laughter.) Those who have the most to say over here generally know the least, but they make themselves heard, though. The noise of them is something fierce. (Laughter.) The din and the confusion; whatever we do is wrong. There is a minority of good people over here. In Germany, I suppose, the majority are good people, and we have a minority of good people over here, and by that I mean people who think they are good, who think they are better than the rest of us, who are more efficient and know more, I suppose, on all subjects than all the rest of us, and make more noise than all the rest of us. They always remind me of that saying that one strident grasshopper in the corner of a fence makes more noise than a thousand cattle in the field nearby. That illustrates these people.

But no more. I did not come here to address you. I am very anxious indeed to hear what our friend from Philadelphia, from the land of William Penn and Benjamin Franklin, has to say. If they have not good government over there, where on earth should they have it? (Laughter.) There is no better article of government on this earth than William Penn's preface to his laws of the Colony of Pennsylvania, a classic that no man could do better than read.

And then our friend here from Cincinnati. I don't know what to say about him, he looks so young. (Laughter.) It has been the rule heretofore that wise men come from the East (laughter), but that is all reversed. They seem to come from the West now.

We ought to have Brand Whitlock here now. I suppose he might let a little light in on us, or we might possibly let a great flood of light in on him. I say that with due respect to some things of his which I read lately.

So, my friends, I am very glad to see you all come here in such numbers to listen to what may be said about efficient government by these gentlemen who here come so far to address you. (Applause.)

MR. SPEYER: Gentlemen, we have had a fresh proof to-night of the humor of which our mayor has such a large stock, and I think that explains why he himself looks so young and so well in spite of all his tribulations. The mayor was kind enough to say a good word about bankers (laughter); or at least he acknowledged that they fulfil a useful function in the community. It is so seldom that we bankers even hear that, that I feel very well pleased. (Laughter.)

Now, gentlemen, as a banker who is not interested in any way financially in the subway contracts, I want to say that it is my judgment that the city has made an excellent bargain, and that all citizens ought to be grateful to the city administration that has made that bargain, as you know, by hard work and not for any outside consideration. I think we ought to be particularly grateful to Mr. Willcox. (Prolonged applause.)

Now, gentlemen, when we consider that the annual expenditure of New York is about half a billion, five hundred million dollars, about half the amount that the government of the United States of America spends per year, it is astonishing how well that money is spent and how little dishonesty exists. We have only to

follow the congressional debates in Washington where almost every department, sooner or later, is accused of every kind of thing, to see what good government we really have in New York by comparison!

The next speaker of the evening, gentlemen, is a man who bears a German name, and in fact, as Count von Bernstorff said, he was "made in Germany"; but he has lived in the United States all his life. He has not been a politician and has had no special training for the important office of mayor. He was just a business man who had been actively engaged in reform politics and civic improvement, as every citizen ought to be. When a large number of his fellow citizens in Philadelphia decided that he was the man they wanted and needed as their chief magistrate, he consented to run and to take this office at great personal sacrifice; and during the one year that he has been in office he has already accomplished striking improvements in the government of the third largest city in the United States.

I have much pleasure in introducing to you the Hon. Mr. Blankenburg, Mayor of Philadelphia. (Applause.)

ADDRESS BY HON. RUDOLPH BLANKENBURG,

Mayor of the City of Philadelphia

Mr. President, Members of the Economic Club, Ladies and Gentlemen: If this is a pulpit, I shall deliver a sermon; if it is a platform, it will be an address. It was whispered in my ear that a sermon would be quite in order in New York. (Laughter.) Now, it is for you to decide whether I shall preach a sermon or just talk any way I choose. Sermon?—No? (Laughter.) You may need it (laughter), but if you do, perhaps the mayor from Cincinnati, who looks more

like a clergyman than I do, will accommodate you. (Laughter.)

I was exceedingly interested in the address delivered by His Honor, Mayor Gaynor, who is, perhaps, to-day the most abused man in the United States. He hopes that the mayor of Cincinnati and the mayor of Philadelphia fare better. Well, we might, but we don't. (Laughter.) The trouble is, and always has been that a man who tries to please everybody pleases nobody; therefore I made up my mind, from the day of my entering office, that as I could not please everybody I would try to please myself. And that I have religiously done (laughter)—sometimes, perhaps, to the great injury of the feelings of my supporters, who were with me when I was a candidate for office. But that is the fate of all men. The more eager they are to do right, the more complaints are lodged against them. We have a subway problem in Philadelphia; not quite as serious and extensive a one as you have in New York, for we are very modest; in fact, entirely too modest; that is the reason why you New Yorkers got ahead of us. (Laughter.) One hundred years ago, Philadelphia was the greatest city in the Union. To-day it is only the third city. We intend to build subways and elevated railroads, and we will be satisfied to spend thirty or forty million dollars, while you spend three or four hundred, even five or six hundred million dollars. It was one of the promises made by me that I would do everything to give Philadelphia subways—about fourteen miles. I had not been in office six months before I was publicly charged with the fact that I had done practically nothing so far, because even the subways had not been finished. (Laughter.)

It may interest you to hear from me about my thirty years' labors as a militant reformer, as well as of my fifteen months' efforts to carry into execution my principles and ideas as the head of a great municipality, after having been carried into office by a wave of civic regeneration that seems to be spreading all over our land.

During thirty years' active political work in the ranks, I expounded my own theories regarding government—municipal, state, and national; but to-day, my address must be confined entirely to municipal government. It has always been my thought that municipal government and politics should be absolutely separated; that municipalities should be governed and administered like great corporations. Is there a greater, a more important corporation in the state of Pennsylvania than the city of Philadelphia, or one of greater magnitude in your own state than the city of New York? The Pennsylvania Railroad has, perhaps, seventy thousand stockholders, a majority of whom, it is said, live abroad. Its marked success is owing to the application of business principles and practical civil service in its management. Were politics permitted to rule at any time, the stockholders would soon realize the result. Philadelphia, as a community, comprises more than a million and a half stockholders, for every man, woman, and child is a stockholder in the corporation which we call the city of Philadelphia. Why, then, should politics be permitted to govern the administration of our city, or, in fact, of any city in the land? The sad results of political rule have been so detrimental to every city governed by partisan usurpers of municipal power that they should never be tolerated even in any half barbaric municipality.

Political patriots, as a class, seek to further their own ends, and to feather their own nests; that, at least, has been my experience. Of course, I speak of Philadelphia; far be it from me to apply this criticism to your own city; I might be accused and convicted of *lèse-majesté* were I to do so. To grow rich on the labors of others is the prime object of that rather interesting but undesirable entity whom we call the "boss" of the town. He is aided in his efforts for political power and control by three regrettable failings conspicuous in the character of a large number of our citizens—selfishness, indifference, and cowardice.

Selfishness is an altogether too prevalent trait and is the second nature of public officials who never look beyond their personal advantage, whose efforts are directed toward making fortunes for themselves and whose main source of strength is the indifference of the so-called good citizens, who are really very bad citizens, for they shrink from participation in public affairs, either because they lack courage, are indifferent, or have too many rocking chairs in their comfortable homes.

The indifferent citizen is a menace to our country. If, in a large community with 350,000 legal voters, only 250,000 go to the polls, while 100,000 stay away, often using the expression "Politics is too tainted and unclean for us," they become a menace to the country. The juror who evades service is punished, and justly should be. The citizen who declines to exercise the elective franchise should be punished as is the juror. This fine should be doubled or trebled for the second offense, and for the third dereliction he should be disfranchised. Then, and not till then, the disfranchised

citizen would learn to value American citizenship, for then he would be a "man without a country," and when too late would appreciate the priceless jewel he has lost.

The moral coward is one of the mainstays of the political boss. Many men, knowing what is right, fear to do right because their action might displease and bring them into conflict with the political boss and their business might be made to suffer. We meet well-to-do business and professional men who are not physical cowards, but who fear to offend the ward leader and his backers, who they imagine and are made to believe, have more influence than they actually possess. I know of the president of a trust company who once was an ardent reformer, but when elected to the presidency of that company, commenced to spell reform with a very small "r." On my taking him to task for his change of ground, he said, "Well, you see some of the leading politicians are among our depositors and we cannot afford to offend them in any way." Such dollar cowardice should be stamped out of existence, for upon it the political boss largely depends for his success.

The reform wave which swept me into office in November, 1911, was irresistible, although the success of the campaign could never have been accomplished had it not been for the vast majority of stockholders in our municipality who are not voters, who, however, believe in good government, want good government and are entitled to good government—I refer to the women and children. Children in many schools were divided into opposing factions, and without exception so far as my knowledge goes, the Blankenburg children

were in an overwhelming majority. Children have an indirect influence upon their parents, sometimes even more natural than that of the parents upon the children. The Bible says, "Babes shall rule over them," and, spurred by their mothers, these two forces, the women and children, exercised an influence never before known in our city. While the majority returned for me was less than 5,000, the actual majority could be multiplied many times by five. We have not had an honest election in Philadelphia for years until the presidential election of last November. At that election the honest voters were protected instead of being bulldozed and coerced by the police.

This is a short resumé of conditions prior to the successful campaign of November, 1911, and will throw light upon the task before the new administration.

The first question, after the great success at the polls, was the selection of my cabinet—the directors of the five departments: Public Safety, Public Works, Public Health and Charities, Supplies and Wharves, Docks and Ferries. My troubles commenced immediately. As has, from time immemorial, been the case, defeated candidates and active leaders and participants in the campaign thought that I owed them appointment to at least two of these five important posts in my administration. It is the bane of public life for any man, be he president, governor or mayor, that political service is generally held supreme over conspicuous fitness. Such claims should be met by peremptory declination to recognize political or even personal service in the filling of important administrative offices. The pressure brought to bear in favor of certain men was so strong that I at last declared: "I would as soon per-

mit you gentlemen to select a wife for me, were I unmarried, as I would permit you to select the members of my cabinet." That settled the question. This, the first step toward making my administration either a success or a failure, was firmly taken and will be resolutely upheld. Next the question arose, whom to select for the important cabinet positions. The names of many men who had been in the public eye and who had stood the test came to my mind. In determining their selection, neither politics, nor religion, nor the locality in which they lived were considered. And thus I appointed five men, four of whom are young enough to be my sons, to help me in the arduous task before us, and I believe no municipality can point to five men better fitted for the work allotted to them.

One is, politically, a regular Republican; one is a Democrat; and three are of independent proclivities. Three are Protestants, one is a Catholic, and one a Hebrew, so with myself as a Quaker by affiliation, through Mrs. Blankenburg, we are quite a cosmopolite body.

The task before us was not an easy one. With a depleted treasury, many unpaid obligations, current expenses having for years in part been paid from permanent loans, we faced a financial proposition that might have discouraged even the most courageous. Systematic, earnest, and intelligent application was employed from the beginning to unravel the difficult problem.

Let me say here that a necessary qualification or accomplishment, for any official occupying high position, is to learn to say "No" pleasantly. While it may be emphatic, it should always be pleasant. The man

who has learned to say "No" has won half the battle.

At least one cabinet meeting is held every week, besides which the directors call on the mayor whenever they have matters of interest or importance to discuss. This gives us what is so essential in any municipal government—team work. We all work together for the same purpose; every director has complete charge of his own department, without interference by the mayor, and is himself responsible for the work of his department. In this way we get good results.

The Taylor system of efficiency has been adopted as the groundwork upon which we base the management of the city's affairs, and the adoption of this scientific system has resulted not only in great savings in actual money, but, far more important, better work is being done in every department; in fact, the efficiency established far outweighs in importance any savings in dollars and cents.

The hours for work formerly were practically at the pleasure of the occupants of many of the offices. To come after nine and leave before three was not considered out of place. On assuming office, therefore, the hours were at once fixed from nine until four, and shortly afterwards, from nine until five o'clock, and nobody seems to object to this time.

We are trying to get closer to the employees of the city; to make them feel that they are part of us and we are part of them. A dollar banquet, attended by 1,200 employees in the public-works department, was held a few weeks ago, at which were present mayor, directors, heads of bureaus; and a spirit of comradeship and friendliness was developed and manifested

that is bearing good fruit and will surely help to promote co-operation from top to bottom.

The police have been taken out of politics. They are now guardians of the peace, where formerly they were guardians of political interests and instruments of the political bosses to strengthen their hands. Assessments of policemen and firemen have been forbidden. They now carry their wages home to their families, instead of leaving part of their scant earnings for the benefit of the political masters. They were compelled to live in certain districts under previous administrations; to-day they may live where they choose. Formerly they were organization slaves; to-day they are American freemen.

Nearly all of the thousands of city positions are under civil service. Were they not, it would be impossible to carry on efficient business. Practical but not autocratic civil service will largely solve the problem of municipal government.

The machinery of city government is decidedly lacking in certain features essential to good government. I have found, through my own experience in Philadelphia, that it is hard for a business man to inaugurate and carry on a business administration under laws designed and enacted wholly by the legal profession and reflecting the views of men who have had legal, but no business, experience.

Let me cite, as a practical illustration, our own Board of Revision of Taxes. This board of three members, having full charge of assessing for taxation purposes all real estate, is appointed by the Judges of the Board of Common Pleas, fifteen in number. If they have been appointed on account of conspicuous ability, that

fact has never come to my notice. The incongruity of this situation is that the Board of Revision of Taxes is not responsible to the power that appointed them; not responsible to the mayor who administers the affairs of the city; not responsible even to the legislative body or councils. They are a law unto themselves and they know it, for their decisions are final, and the city has for years suffered from an antiquated assessment of real estate that, I believe, even the cave dwellers would have repudiated.

Fortunately, under an awakened civic spirit, this board has seen a new light, largely owing to the masterful exposition of how real estate should be assessed, at the hands of your own Lawson Purdy, than whom there is probably no greater expert in our country. Philadelphia's thanks are due to him for his lucid exposition of the taxing problem.

Many municipalities suffer because they have not sufficient home rule to provide for changing conditions that may occur. The delay incident to appeals to a legislature which perhaps convenes only every two years, is a great drawback and often prevents action that should be taken without an appeal for a change in the law. The intelligent thought of the business community should be concentrated on the subject of improving the machinery whereby their municipality is governed, and then establish laws that meet the demands of the day.

The surest way to purify, energize, and elevate national ideals is to concentrate our thought and best endeavor upon a purification and energization of municipal affairs. Give me a good and honest municipal government in cities, towns, and hamlets,

and good state and national government are sure to follow.

Great reform movements must begin with the individual. It will not do to simply quote from the pure and patriotic thought of Washington and Lincoln and to applaud to the echo their sentiments. We must, within our own hearts, feel that it is our duty to emulate their example, no matter in how feeble a way, no matter in what position in life. For we should not forget that everybody has some mission to perform in this world, and to this mission he should dedicate the best there is in him.

We speak, you and I, with love and reverence, of *my mother*, of *my father*, of *my child*. Let us speak in the same spirit of love and veneration of *our city*, of *my city*. You love your families; you would sacrifice your all for them. Do the same for your Greater City of New York as we are trying to do for our good Quaker City, Philadelphia. Gentlemen, let us dedicate ourselves to this patriotic object,—let us all strive to be good citizens and to leave a name, each one according to his power, that will redound to the glory and benefit of our whole country. We, in this great American republic, are, and should be, the guiding star for all the world; and if, united with the other nations related to us in spirit and aspirations, we do our full duty, progress will be assured, the peace of the world will be conserved, and we shall set an example that will be emulated all over the world. (Applause.)

MR. SPEYER: Mayor Blankenburg, we thank you very much for your interesting address, and for the very fine sentiment with which you concluded.

There is another mayor here, as you know, gentlemen, who comes from a city in Ohio. He is still a young man and nobody can tell how high a citizen from Ohio may rise! Mayor Hunt has always been one of the advocates of divorcing politics from municipal government. He has been in the front ranks of those citizens who have taken interest in public affairs. It is only a little over a year since he was elected to be mayor of Cincinnati, and we would like to hear from him what his experience has been so far. Mayor Hunt of Cincinnati. (Applause.)

ADDRESS BY HON. HENRY T. HUNT,

Mayor of the City of Cincinnati

Mr. President, and Gentlemen of the Economic Club: The twentieth century has added another deity to the nineteenth-century goddesses—Liberty, Equality and Fraternity—and is worshipping her with equal if less warlike ardor. Our age is recognizing the fact that it may possess these long fought-for blessings and yet fail to enjoy the earth to its fullest possibilities. We may be free and democratic and yet wasteful of effort and wealth. Society may possess liberty and yet its organization remain so unscientific that its fruits do not justify its labors. Men are now applying thought and intelligence to their efforts and multiplying its rewards manifold. The cult of efficiency has extended throughout the civilized world with astonishing rapidity and has even penetrated temples of conservatism, the administration of the cities of the United States. From all appearances the new religion is about

to displace the deity formerly exclusively worshiped, the great god Jobs, to wit.

Many American mayors have abandoned the hoary practice of endeavoring to build up machines to perpetuate themselves in office and to provide fat places for their friends, and instead are studying efficiency methods and applying what is available to municipal administration. Although municipal services are usually social services, not to be measured in dollars and cents, and hence differ from corporate services to society rendered for a price, nevertheless inasmuch as efficiency means nothing more than the application of thought to work in such manner as to get results quicker, cheaper, and better, American mayors are thinking and applying. This procedure is not adopted as being particularly virtuous or sacrificial, but as the most effective means for success and appreciation by fellow men. Politicians, like other men, wish to be thought useful to society. It is noticed that men are measured and preferred according to the results they accomplish rather than by the intensity of their loyalty to an organization, and that substantial work done is more effective in carrying elections than the labors of organizations created and nourished by the spoils system. It was no love of such organizations for their own sakes which impelled American executives to support and maintain them. Every man in office or out of it prefers independence. Such organizations were once deemed necessary for self-preservation by all public officers. Recognition of the greater effectiveness of efficiency principles as vote-getters means death to the spoils system. The wise politician is endeavoring to substitute for the old machine, whose bondage was

always most galling to high-spirited men, an organization composed of all the people approving good work. The people at large, fickle and short-memoryed as they may be, are a stronger and more reliable support than a political organization which is faithful only so long as it is fed.

Efficiency as applied to cities has a somewhat different meaning than as applied to business corporations. Business efficiency means the application of such methods and procedure as will turn out the most desired product for the lowest price. Inasmuch as the services of cities are not rendered for a price, it is obvious that the matter of price is not a factor in municipal efficiency. Nevertheless, one of the factors in price is cost, the other principal factor being competition. Cities are interested in costs not because their services must compete with the services of others rendered for a price, but for the reason that the lower the cost of each service, the more services may be rendered and the higher the possible quality of the service.

While municipal services seldom compete with private offers to serve, cities luckily have the advantage of one sort of competition which business corporations also enjoy to a greater or less extent, the competition of individuals, parties, and organizations for power and position. In business both competition for opportunity to serve society to get the business, and competition between men for position and salary, exist. In cities the latter impulse is the only competitive condition. Still this form of competition alone is a powerful force for efficiency. The hot breath of political rivals on the neck of city officers tends to speed up our municipal athletes to their utmost endeavor. The greater the

intelligence of the people in appraising municipal service and the more effective the publicity concerning it, the greater the stimulus toward municipal efficiency from this factor.

Among the necessities for efficiency is a personnel devoted to the service of the city instead of to the service of a political organization. To be concrete, we had in our city perhaps the most perfect flower of machine rule developed in civilized society on democratic forms. Holding no public office, responsible to no one, the head and creator of the machine controlled all public officers, including judges, mayors, and often governors and legislators, through the power to reward and punish. All public servants owed their places, their salaries, their means of livelihood to this man, and seemed almost to believe he was master of their immortal souls as well. This master of organization permitted no grafting by his servants; he handled these matters himself. Any city employee or other public servant who permitted himself to be dishonest was guilty of *lèse majesté*, and was cast into outer darkness. The only exception to this rule permitted to occur was the allowance to the county treasurers of one-half the interest paid on county deposits by the banks, the other half going direct to the head of the organization. This one departure from a wise general policy proved the undoing of the dictator and the serious impairment of the organization which was his life-work. It happened in the course of events that the county treasurers were investigated and compelled to restore not only the interest they had received but what they had not received. This they did not find very agreeable, and were unkind enough to ask to be reimbursed. The

reimbursement made a record of the transaction in bank books and made it possible to prove the whole transaction, and to show also that the leader, the dictator, the great man who had ruled the city for so many years, was but a creature of clay after all, who would lie under oath to save his skin, and was, to the surprise of his worshipers, ascertained to be no better nor more courageous than other men.

The system he pursued had certain consequences beneficial to the city, among others which were extremely injurious. These consequences have affected our personnel. Cincinnati has no such police problem as New York, for example. Neither individual patrolmen, lieutenants, nor captains of police received any substantial benefit from tolerated vice, gambling, or crime. They were told to leave these things alone, and if they did not they were disciplined. The rewards for toleration went to the head of the machine. Even police chiefs did not share in it. Similarly, franchise-granting bodies did not profit personally. All the profits went to the head, and the only consideration for obedience was promotion or retention in office. Cincinnati has never been a corrupt city nor has it consciously tolerated corruption. It has not been, however, a self-governing community, electing and controlling its officers. For twenty-five years it executed yearly a power of attorney to this one man to manage its affairs as he saw fit. While the citizens escaped by this course the labor of self-government, they have paid a high price for the relief, as must all cities where a similar course has been adopted. The dictator was not a man of imagination or forethought. Instead of cultivating the vineyard as a benevolent

despot should, he wasted the estate; he cared for no sort of efficiency except the efficiency of his graft-collecting machine.

No amount of energy or intelligent planning can produce results unless a city possesses a loyal and intelligent personnel in the municipal service. The construction of such a personnel is the work of many years. The incentives which operate for efficiency in private corporations are far less potent in the municipal service when they operate at all. Many municipal employees are inclined to do their work in the most mechanical manner, seldom helping themselves or their superiors by suggesting improved methods. Promotion is slow and uncertain, and until lately depended upon the incumbent's ability to carry his precinct rather than the services he was paid to perform. The rule for rising in other services, to wit, making one's self indispensable to one's superior, has not been recognized generally by municipal employees. Furthermore, there is little opportunity for advancement, for the reason that the higher positions are few and are not as well paid usually as positions of the same importance outside the service. When the administration of American cities is entirely removed from political influence, and merit rewarded in dollars and cents as it is outside the service, we may expect as efficient a personnel as private corporations possess. As matters now stand, cities are constantly losing the services of their best employees because private corporations, able and willing to pay the salaries the men deserve, outbid the cities for these services. It is surprising, in view of the low pay and uncertain terms of the employees of American cities, that the municipal work is as well done as it is,

and bears strong testimony to the industry and intelligence of the thousands of our public servants, who not only do their own work, but also that of some of their associates, who escape discharge only because the superior has not yet found time to attend to these cases.

The first essential for efficient municipal government in our city was to promote an efficient citizenship, to interest the people in their government, to teach them to realize the benefits of good government. In too many cities it is believed that it is only necessary to elect officers, and that the people themselves can then profitably leave these officers to carry their burdens alone. Too often it is the practice of citizens to "go by on the other side" and watch the struggles of the elected official as an object of merriment. Such cities deserve just what they always get—bad government. Much progress has been made in this direction. We now have a wide-awake self-governing community—critical, but sympathetic. Every effort is made by the administration to interest and instruct the citizens in their government. Practically every meeting of chambers of commerce, business men's clubs, and improvement associations is attended by city officials who are there to recite the administration's plans, to hear criticism, and answer questions. Municipal exhibits are held to show graphically and objectively the scope of the city's activities and what they cost. Citizens are invited and do assist in the formulation of the municipal budget, the community program of the year. Every effort is made with good success to prevail on the press to carry extensive accounts of municipal events. Among the means of publicity it is proposed to

improve are the municipal reports for the year 1912, all of which will be ready for distribution by April 1st, nine months earlier than ever before. It is hoped that the citizens will so learn to appreciate the work of the administration that it can survive, in spite of its sacrifice of organization principles through rigorous application of civil service.

One of the greatest difficulties of municipal government is to so co-ordinate all municipal activities that all move forward in the same direction at the same time. If no co-ordination exists, each department is apt to go forward like an independent principality, religiously declining to assist any other, leaving large twilight zones of duties which no department is willing to undertake, and otherwise injuring the welfare of the whole by insisting upon its selfish interests. It was a very common thing for the service department, for example, to lay a street one day for the water-works to rip up the next; for the street-cleaning department to fill up catch basins for the sewer-cleaning department to clean out, and for the park department to remove fire plugs along parks for the sake of beauty, leaving neighboring structures unprotected. The destruction of newly paved streets by cuts for service connections, for sewers, or for water mains, all of which could easily have been installed before street construction begins, has cost American cities ten times as much as they have lost through dishonesty. If no common control exists, departments are apt not only to fail to assist each other, but even to injure each other and actually engage in general warfare. The charities department, for example, secures the release of a prisoner when it believes he has reformed; the police department be-

believes no one can reform and proceeds to hound the man and send him back as often as he is released. The building commissioner's office believes in enforcing the building code, but the judicial authorities consider it nonsense and act accordingly. Waste of this sort has been reduced through the establishment of a board called the Efficiency Board, composed of the principal elected and appointed officers of the city. All problems affecting general policy or more than one department are brought here, discussed, and determined. The board has the assistance of a corps of inspectors who partake of the nature of efficiency engineers. These inspectors make critical surveys of whatever departments they are assigned to, showing organization, personnel, distribution of duties, and other matters, with recommendations for improvement whenever possible, and improvements usually are possible. The reports are examined and discussed by the board and orders are issued, and thereon the same inspector who made the recommendations is assigned the duty of seeing the new order through the departmental routine. Before the establishment of this corps, it was found that the orders of the board usually found a convenient pigeon-hole in some clerk's desk where they remained until the board thought of the matter again after some weeks or months. It is the function of these inspectors to remove all departmental difficulties and make the procedure fit the new order of things. Public officers are so overburdened with routine matters that it is only by providing them with adequate machinery that real construction work can be done.

Perhaps the greatest response to efficiency methods in Cincinnati has been the purchasing agent's office,

which buys about one million of dollars' of supplies annually, ranging from asphalt to surgical instruments. Machinery has been devised to encumber balances as soon as the bid is accepted, to provide technical and definite specifications, and to furnish adequate inspection to insure quality and quantity. All possible goods are standardized so as to enlarge the size of buying orders, a storehouse is maintained for goods which may be so handled economically and large purchases are made in many instances direct from the producer. The result has been savings on all articles and a safeguarding of quality. The city maintains a testing laboratory at the University of Cincinnati, where everything which it is desirable to test chemically is so tested. At first it was found that vendors would assume that a first test would cover all deliveries and would afterward deliver inferior articles, taking a chance on the city's negligence, but now they have found that inspection is constant, and make deliveries accordingly. The purchasing agent buys for every city department, for all elective officers, parks, public service, police, fire, hospitals, infirmaries, university, and water-works.

When one considers the scope and importance of municipal services, it is obvious that efficiency principles should be applied here more emphatically than elsewhere. Work must be financed and the finances of cities are limited. There is no end to the extent of municipal services or to the ways in which money may be expended advantageously for the public welfare. Every dollar wasted by unintelligent or corrupt direction, every extravagance in construction means just so much less for visiting nurses to teach mothers proper care of children, so much less for municipal play-

grounds, so much less for milk inspection, and for all the thousand and one social services now being performed for society by cities. Hence the strong incentive on public officers to stretch the municipal dollar to the utmost and to spend it where the need is greatest.

As the object of municipal government is to preserve and promote the well-being of its citizens, it is obvious that the efficient administration is that which accomplishes something toward this end. Most modern up-to-date municipal executives proceed by efforts toward the reduction of municipal waste in its most important forms—disease, poverty, prostitution, and crime, all of them produced by the same general cause, to wit, imperfect social and economic organization. Municipal government cannot prevent poverty. The most effective agencies for the promotion of prosperity lie outside its field, but the municipal government can assist in reducing poverty by reducing disease, fire, crime, ignorance, and vice. Among the agencies available to cities with which to combat poverty is good transportation. Cities which enjoy such transportation have no very difficult housing problem, with its concomitant of over-crowding, prostitution, tuberculosis, and a high death-rate. Transportation is life to a city, and most American cities have suffered terribly by reason of its absence. Sanitary and convenient dwellings cannot be built on high-priced land and rented or sold for prices which working men can afford to pay, and working men usually cannot afford to live in houses built on low-priced land because transportation charges are impossibly high both in time and money. The improvement of transportation facilities in every way possible is the chief aim of the present administration

in Cincinnati, and such improvement is the work of high efficiency. Poverty can be reduced by improvement in transportation, not only by improvement in housing but by reducing the price of all supplies to the people. It is possible in Cincinnati to construct a terminal loop for urban and interurban traffic at a cost of approximately \$7,000,000, which will double the efficiency of the surface lines, and to provide such facilities that supplies of all kinds can be carried to convenient locations for warehouses and supply stations. The terminal tracks would be available for this class of business between midnight and five A.M. without interference with passenger traffic.

Fire promotes poverty by causing loss of work and destruction of capital. By applying preventive methods in Cincinnati, the fire loss was reduced one third. Forty-six thousand inspections were made in 1912 by firemen. The reduction in loss was approximately \$500,000. Each of these inspections was worth \$10 and cost the city nothing in increased expense. Efficiency studies in the fire department have shown that the equipment was being operated in many cases at forty per cent. of its efficiency only. It was found that eight engines were being attached to fire towers when two would do the work better; that hose wearing out in five years was purchased in preference to additional plugs lasting twenty-five years, although the price of plugs and fifty-foot sections of hose was the same; that discipline in the department could scarcely be said to exist; that a large proportion of the men had no idea what their duties were by reason of the fact that no instruction had been given them. Tests of apparatus have been instituted, lectures provided on fire fighting,

hydraulics, and other relevant subjects, authority properly distributed, and efficiency generally promoted.

Prostitution and the diseases accompanying it comprise a frightful waste in health and happiness. It is believed that efficiency principles in this field demand clearly the separation of disorderly women from the sale of liquor, the regulation of dance halls, medical examination of prostitutes by health officers, and the strictest scrutiny of women devoted to that business. By separating this traffic from everything designed to make it attractive or less repellent, such as liquor and music, and by the suppression of all methods of advertisement, such as street walking, red lights and signs, a diminution of this evil can be accomplished.

It is believed, too, that something more than repression is necessary. The substitution of municipal or properly safeguarded amusement and social centers for public dance halls and improvement of working conditions are within the ability of the city. Healthful out-door amusement also will do much to strengthen character and give boys and girls the proper outlook upon life. The monotony of work without proper amusement and recreation constitutes a large part of the cause of vice. No one likes to be continuously bored, and vice offers some respite.

I might discuss the application of cost records, the Taylor system, premium system, and other efficiency agencies in municipal work. No reason exists why every method which will produce efficiency in private business should not also be applied to public work, and such methods are being applied and installed. The great obstacle to their introduction and success is the system of checks and balances and legal restraints

designed to safeguard the public property and revenues from extravagance and dishonesty. The manner of performance of almost every official act is prescribed by statute or ordinance, and the field for these methods is therefore much narrower and more difficult than in business where almost complete freedom exists. Public officers have the power to punish by discharge or suspension, but the power to reward is extremely limited, and the determination of the questions of merit lies in large part outside the functions of the administrative officer. The civil-service examinations determine promotions as well as entry into the service. Nevertheless the commission, if properly stimulated, can and will devise machinery which will in effect give the power to reward to the official who is responsible for results and thus increase the departmental efficiency.

The government and administration of cities is the most fascinating and joyful work available in America to-day. Such work intimately affects so many lives and offers so extensive a field for service to one's fellows as well as entertainment, that it is surprising every citizen does not become a candidate for public office. While difficulties occur and heavy labor is constantly involved, sincere efforts and service are so quickly and generously recognized, the response to effort is so quickly visible, that no occupation or position should be more ardently desired or sought after. The public official meets all classes and conditions of men, becomes acquainted with the sorrows and burdens, the desires and aspirations of the people, participates in their pleasures and shares their life. Such an experience cannot fail to broaden and deepen anyone who has the good fortune to serve them and to

strengthen such a one in his belief in the efficiency of democracy. Although the German method of government by benevolent despots may seem to produce better results, the weakening of individual character by paternalistic direction and control must reduce efficiency in the long run. It is believed that the facts will support the inference and belief that in a very few years American cities will be self-governing communities, composed of efficient individuals, and must therefore be efficiently administered. (Applause.)

TWENTY-FOURTH MEETING

Tuesday Evening, April 29, 1913

HOTEL ASTOR

GUESTS OF HONOR

HON. WALTER H. PAGE

Ambassador Designate to Great Britain

WILLIAM C. BROWN

President of the New York Central Lines

SAMUEL REA

President of the Pennsylvania Railroad System

SUBJECT

ARE OUR RAILROADS FAIRLY TREATED?

SPEAKERS

FREDERIC A. DELANO

President of the Wabash Railroad

A. B. GARRETSON

President of the Order of Railway Conductors of
America

BENJAMIN F. BUSH

President of the Missouri Pacific Railroad

WILLIAM Z. RIPLEY

Professor of Political Economy in Harvard University
Author of *Railroads: Rates and Regulations*, etc.

Annual Election of Officers preceding the Addresses

JAMES SPEYER, *Presiding*
President of the Club

ADDRESSES

PRECEDED BY THE ANNUAL ELECTION OF OFFICERS

MR. VANDERLIP: This is the annual meeting of the Economic Club, for the election of officers. The first business will be the report of the Nominating Committee. The Chairman, Mr. Outerbridge, will make this report.

MR. OUTERBRIDGE: Gentlemen, the Constitution of the Club provides that once a year, at this meeting, the Club shall give its members an extra course without additional charge, and that this has been appreciated is shown by the avidity with which it has always been received. This does not appear on the menu card, but if it were described there, I should expect to see it called at this period of the dinner a "compôt of fruit of hard labor of the Nominating Committee." (Laughter.) It is not surprising that it is always appreciated, because it is composed of elements which represent economics, ethics, physics, finance, and business, of which the Club is composed, for the advancement of which it stands, and without which it could not exist.

In accordance with the Constitution, the annual election of the Club takes place at the final dinner of each season. There are to be elected this evening, therefore, for a term of one year, from October 1, 1913, to September 30, 1914, a President and two Vice-Presidents; likewise five members of the Executive Committee for a term of three year, from October 1, 1913, to September 30, 1916; and one member of the Executive Committee to fill the vacancy caused by the resignation of Mr. William G. McAdoo, for the term ending September 30, 1915.

The five members of the Executive Committee whose terms expire September 30, 1913, in accordance with Article III., Section 2, of the Constitution, are not eligible for re-election until after the expiration of one year.

Article III., Section 1, of the Constitution provides that the Treasurer and Secretary shall be chosen by the other members of the Executive Committee.

In accordance with the custom of previous years, the President of the Club appointed a Nominating Committee of five members to submit a suggested list of names of officers to be elected at this meeting. The report of this Committee is as follows:

REPORT OF THE NOMINATING COMMITTEE

After careful deliberation your Committee respectfully nominate for your consideration the following list of officers for the Economic Club of New York, to be elected this evening:

For a term of one year, from October 1, 1913, to September 30, 1914:

President

JAMES SPEYER

Vice-Presidents

FRANK A. VANDERLIP

WILLIAM R. WILLCOX

For a term of three years, from October 1, 1913, to
September 30, 1916:

Executive Committee

IRVING T. BUSH

JOHN CLAFLIN

JOHN FRANKENHEIMER

JOHN HARSEN RHOADES

HENRY R. SEAGER

Member of the Executive Committee to fill the va-
cancy caused by the resignation of William G. McAdoo,
for the term expiring September 30, 1915:

PAUL FULLER

Respectfully submitted,

E. H. OUTERBRIDGE, *Chairman*

JOHN FRANKLIN CROWELL

ARTHUR LEHMAN

ALFRED E. MARLING

LOUIS LIVINGSTON SEAMAN

Nominating Committee

MR. VANDERLIP: You have heard the report of the
Nominating Committee. If there are no other nomina-
tions, a motion to accept this report will be in order. It

is moved that the report be accepted. All in favor of the motion say Aye; contrary, No. It is so ordered.

A motion to instruct the Secretary to cast a ballot for the nominees will be in order. Do I hear such a motion? It is so moved. All in favor say Aye; contrary, No. It is so ordered.

The Secretary reports that he has cast the ballot, and I welcome Mr. Speyer to the chair. (Applause.)

MR. SPEYER: I wish to thank you very much for the honor you have shown me in re-electing me your President. From the fact that I have written out these words you will see that it is not a great surprise to me, because when I asked Mr. Outerbridge to be the Chairman of the Nominating Committee, I made him promise me that he would re-nominate me. (Laughter.)

But, seriously speaking, I consider it a very great honor to preside at the meetings of this organization, which renders such a valuable public service by providing a meeting ground where men of different walks of life can listen to and participate in a discussion of the subjects of the day, and hear all sides of the question. I think it is but proper that at the beginning of my second term, I should say right now that I will not accept a third-term nomination (laughter), and I don't care whether it is consecutive or not. (Laughter.)

Ladies and gentlemen, the Economic Club may well be proud of its membership. We have within a very short time furnished two Cabinet officers from our ranks,—Mr. Wickersham, Attorney-General under President Taft, and Mr. McAdoo, now Secretary of the Treasury. When the President looked about this country to find the right man to fill the most important post of Ambassador of the United States to

Great Britain, he tried Boston in vain. He had to come to New York and found in Mr. Page the right man for the place. (Applause.) Mr. Page, who, I regret to say, is not here with us to-night, has, as you know, written for and of the *World's Work*. He is now called upon to do his share of the world's work, and he has already begun doing so by going to Washington at the request of the President of the United States. He has sent us a letter because he could not be here himself, and I ask the Secretary please to read that letter.

MR. ELY: Mr. Chairman, Mr. Page telegraphed that he had just received a telegram from Washington, with a summons which he must obey. He says:

I specially regret that my official duty calls me to Washington on Tuesday and that I must forego the great pleasure of attending the Economic Club dinner. This is an especial disappointment to me since you were so kind is to invite me as a Guest of Honor of the evening. I beg that you will express my regret to the members of the Club and my best wishes that the Club may continue its good service and its interesting discussions. It has been a matter of pride to me as well as of pleasure and instruction that I have been a member, I believe, from the beginning. No doubt that accounts for the notion that so many of my friends seem suddenly to have gotten, that I know something of what is going on in my country. I beg you do not too rudely shake this flattering delusion.

Most honoredly yours,

WALTER H. PAGE.

MR. SPEYER: Gentlemen, I take it that one of the reasons why you re-elected me your President, is that I have said so very little as presiding officer. But as this is my last term anyway, and I can't possibly be

re-elected, I am going to take the liberty of saying a few words on the subject of the evening. It is an exceptional thing for me to do, and I hope you will allow me to do it. (Applause.)

This is the last and largest dinner of the season, and the subject is, "Are Our Railroads Fairly Treated?" Of course, ladies and gentlemen, if our railroads are not fairly treated they cannot prosper, — nobody can. I venture to ask you, who is there in this hall, among these thousand men of different walks of life, who will not suffer or prosper with our railroads,—either as the owner of bonds or shares, or because he is interested in one of those hundred industries, of whose products our railroads are the largest distributors and purchasers, or as a shipper of farm products or other merchandise, or as an employee or official, or as a traveler, or an humble commuter who wants prompt and reliable service, like myself?

It was not so long ago that our railroads were treated not only fairly, but liberally. Village, city, county, state, and nation vied with each other to encourage and help them and the men that built and operated them. The broadest charters, long franchises, with small tax, or tax exemptions, were freely granted. Money and guarantees were given by county and state, which frequently issued bonds for that purpose, and even our national government advanced large sums and donated millions of acres of land. Many things have happened since then. How is it that we find to-day in large sections in many states an apparent feeling of hostility to our railroads, which has brought forth all kinds of laws and fifty-seven varieties of interference with their management? (Laughter.) The causes of

this antagonistic feeling are complex, quite apart from the general unrest. Surely, jealousy or envy of the reward that has come to the great railroad builders, whose energy and imagination developed vast sections and really made this continent one country, men like Collis P. Huntington and James J. Hill, is not the cause. The main explanation of this feeling is, I think, to be found in certain practices which up to a short time ago some railroad managers have indulged in or permitted, like secret rebates and other favoritism, handicapping, if not crippling, the honest shipper; secret interference in our political life; the supposed secret profits to the insiders by the issue of securities to buy properties from themselves; occasional disregard of the legitimate demands of the community to be served; and arbitrary methods and manners of a few, and not always the highest, officials.

The fact is that men who, for a long period, held great positions have sometimes thus abused their power if not properly checked,—not only in the railroad world. Of course, every honest man condemns such things, and they are largely of the past. The guilty ones should be punished, and the recurrence of wrong-doing, where there is any, must be prevented.

Some new laws, amendments, and regulations have become necessary to deal with large corporations, just as new legislation in this respect has been found necessary in the older countries of Europe. That is the proper way and the safest way to get reforms. Surely there is no reason to feel discouraged because new laws are put on the statute book, just because they are new and seem somewhat strange. I well remember what gloomy views some railroad owners expressed when the

Interstate Commerce Law was enacted; but I venture to say that there are very few to-day who would want to do away with the powerful Interstate Commerce Commission and with the Interstate Commerce Court. It has already become apparent that those agencies, in time, will bring uniformity into the government of our railroads, and finally give us a national railroad system for the benefit of the nation as a whole.

What we need are wise laws to meet new conditions. We don't want any special laws for anybody; laws that are conceived, passed, interpreted, and enforced in a partisan spirit. We want our laws made in consultation with experienced men, and, more than that, we want more honest and unbiased and patriotic men to administer them in a broad and fair spirit. (Applause.)

If the people allow their inclination and past neglect, or the supposed misdeeds of a few, to influence them in framing laws and regulations, and permit some men that are not well fitted by achievement and experience or character to administer these laws, then evil must follow.

The will of the people is supreme, and if they don't act fairly, or if they wrong any one interest, any part of the commonwealth, then they themselves—the people, of whom we are but a part—are bound to suffer in the end. The history of all nations and of all times teaches this lesson. There can be and there will be no exception in this case. But, as Ambassador Bryce said the other evening, "This is a land of hope." If our railroads are not fairly treated for the time being, then I claim it is due primarily to the fact that the people of our country are not sufficiently well acquainted with the present generation of railroad managers, and that

they do not yet fully understand the situation and all the circumstances. Without a doubt the addresses which we will hear to-night from competent experts, who know a great deal more about the subject than I do, representing different sides, will help to elucidate this very important subject, and our Club is rendering thereby a real public service.

The American people love fair play and want to be fair. Let them know all the facts, and I am convinced we can safely trust their judgment and sense of honor to do the right and fair thing in the end. They always have done it, and they will also do so in this case. (Applause.)

Now, gentlemen, it may be an open question as to whether the railroads are fairly treated, but there can be no question at all about the fact that the two largest railroad systems of the country have treated New York very fairly, nay, liberally, in the matter of stations in this city. (Applause.) Thanks to the broad-minded policy of the Pennsylvania Railroad and the New York Central, New York has to-day, I think I can say without exaggeration, the two finest railroad stations in the world. (Applause.) It took far-seeing men like Mr. Cassatt, Mr. McCrea, and Mr. Samuel Rea, with imagination, energy, and perseverance to carry out the Pennsylvania improvements, with a tunnel on each side. Equally great, perhaps, were the engineering difficulties to be overcome, for the improvements by the New York Central management—Mr. Newman, Mr. Brown, and their assistants,—in keeping train and traffic going while they put up their magnificent building. I am sure we shall all be glad to hear from Mr. Brown. (Applause.)

ADDRESS BY MR. WILLIAM C. BROWN,
President of the New York Central Lines

Mr. President, Ladies and Gentlemen of the Economic Club of New York: I know I voice the feelings of this large audience in expressing my sincere regret at the unavoidable absence of the most important guest of honor on this occasion, who is soon to leave us to take up his important duties as Ambassador to the Court of St. James.

No man has ever been selected for this great office who has been less in the limelight; but, in my opinion, none of his predecessors has rendered to the country, and to humanity generally, services of a higher quality and value than Walter H. Page.

From the day of his graduation, he has stood for those things which make for better citizenship,—for the highest standard of civic and political morality.

In his public work as a speaker and writer, both North and South, he has subordinated party politics to the consideration of those fundamental things which to-day overshadow in importance all others—the social and industrial rebuilding of the South; the advocacy of a nation-wide movement in favor of good schools, good roads, improved intelligent agriculture, and a higher, better standard of country life.

I am exceedingly glad to join the thousands of his fellow citizens in wishing Mr. Page abundant success and happiness in the great work he is undertaking.

The topic for discussion this evening has to do with our railroads; and, while I shall not undertake to answer the inquiry as to whether or not our great transportation interests are being fairly treated, I shall beg

your indulgence for a few moments to refer to some of the problems with which the railroads of the country are confronted.

The railroads of to-day face conditions that are utterly different from those of previous generations. The great railways of this country were built and welded together by men of commanding ability and force, who often needed to be domineering that the desired and necessary results might be attained.

Before the era of governmental regulation, when competition between the railroads was unrestrained, they had to struggle for their very existence. They were at the mercy of the great shippers; they were held up by politicians; their burdens in times of financial depression sapped their vitality. The era of unrestrained competition was an era of business warfare. They had to fight, and they were no more the oppressors than the oppressed. They did not then think of telling the whole truth about their affairs to the public; warfare implies secrecy on the part of the combatants as to their strength and their weakness, as to their projects and their plans. Therefore, the public did not understand.

I think those most familiar with conditions when they were at their worst will concede that in those days of rebates and so-called discriminations, the railroads were the ones who were to a very great extent the oppressed, rather than the oppressors; and whenever a rebate was given, whenever a pass was given that ought not to have been given, a hand was held out to accept the rebate and to accept the pass; and if a snapshot had been taken of every transaction of this character it is quite possible it would disclose the fact

that in the majority of cases the hand of the recipient was extended first.

At the time of the enactment of the original Interstate Commerce Law, a committee of the American Economic Association made a thorough study of the transportation status, and its report said virtually that the railways had no more sinned than they had been sinned against.

The era of regulation which began with the enactment of that law has brought much that has been of benefit to the public and much that has been of benefit to the railways. There is no longer the cutting of rates and the giving of rebates; but the great majority of the rates now in effect approximate the low level to which they were forced during the period of unrestrained competition, notwithstanding that all other prices have advanced, and that more is expected of the railways than ever before. I do not think that any railway president in the country to-day would advocate the repeal of the Interstate Commerce Law, and the country is to be congratulated that the Interstate Commerce Commission is composed of men of the ability and integrity of those who constitute its membership to-day.

I am glad to admit that there has been a great deal of benefit, both to the railways and the public, in much of the enactment of the state legislatures in regard to the railways, and in many of the rulings of state railroad and public service commissions. That there is much of such enactment and rulings that has been conflicting as between one state and another, and much in the conflict between federal and state decrees that has seriously perplexed those charged with the administration of the railways, is widely known.

It is my belief, however, that on the whole the net result of this era of federal and of state regulation has been beneficial to all concerned, and that it will be increasingly beneficial as it leads toward a better mutual understanding of all the factors that need to be taken into consideration in solving the great question of the proper relation between the public and the great transportation interests of the nation. One of the troubles not yet entirely left behind is that legislatures and commissions have not always given serious consideration to all sides of a question. At popular behest and, in some instances, at the instigation of labor unions, there has been legislation considered in haste or sometimes enacted with very scant consideration that has partaken of the administration of the railways in detail rather than of their regulation.

One unquestionable effect of the era of regulation has been to impress upon the railway managers that the railways are the servant of the public. The people also have learned that they are the master of the railways. Now a very great responsibility rests upon the master. He must understand both the capacity and the limitations of his servant; he must know what a servant needs to enable him to do his work properly, and he must supply those needs.

I think the impression is rapidly gaining ground that the public, through the Interstate Commerce Commission, is not allowing the railways sufficient provision for properly meeting the demands that are made upon them, and that are increasing year by year. The railways, under continual pressure for economy in their operation, have been building larger cars and more powerful locomotives, have been increasing the

loading of their trains, have rapidly added to the number of their cars and locomotives, have been improving their track, renewing their bridges, building larger round-houses; but all the while they have been compelled to skimp and stint in directions in which they should make liberal expenditure. They have not tracks enough; they have not yards enough, and in many places their terminal facilities are inadequate. The rapidly increasing population of this country makes necessary more substantial and massive construction, and the abolition of grade crossings should proceed as rapidly as possible.

I am frequently asked the question: In what way is this lack of facilities that Mr. Hill mentions going to affect the shipper? The railroads will be here, it is true; but inefficient railroad service means to every manufacturer carrying an unnecessarily large stock of raw material; it means keeping an unnecessarily large stock of finished material on hand, and it means inefficient delivery of his finished material when he has orders for it. Such a condition of things would cost the mercantile and the manufacturing interests of the United States fifty times more than would be involved in any increase in rates that the railroads might ask for, or the Interstate Commerce Commission might grant.

If expenditure for such purposes as these is to be made out of earnings, the railroads must be allowed a larger revenue. If it is to be made out of capital, the railways must be allowed revenue that will enable them to obtain the capital at reasonable rates.

At the present time it is almost impossible for railroads to sell bonds of long tenure. Nearly all the money that is being raised in this year, 1913, for

improvements—and I don't believe there has ever been a year in the history of the country when extensive improvements were more necessary than they are to-day—is being raised on short-term notes at from five and one half to six and one half per cent., and extensive improvements cannot be made and will not be made by prudent managers under these conditions.

Railroad development in the past has been the result of the investment of private capital; and if the extensions, enlargements, and improvements necessary to keep pace with the growing demands of commerce are to be made, it must be by the further investment of private capital or we must be prepared to see the adoption of that dread alternative, government ownership.

The future of American railroads and the industries which they serve is more than ever dependent upon their ability to obtain the funds necessary to provide the facilities which the material welfare of the nation demands; but private capital can be secured for investment only by the soundness of the security and an attractive rate of return. This fundamental fact was admirably expressed by Interstate Commerce Commissioner Charles A. Prouty, in an address delivered at Yale University, in 1909, when he said:

“While we can provide by legislation the sort of cars which a railroad shall use, and the rates which it shall impose, we cannot by legislation, force one single dollar of private capital into railway investment against its will.”

In the light of present conditions, these words of wisdom and of warning from that veteran Commissioner come to us with the force and significance almost of prophecy. (Applause.)

MR. SPEYER: Your Committee invited to speak after the President of the New York Central Railroad, Mr. Daniel Willard, President of the B. & O. Railroad. Nobody could be better qualified to speak to us than Mr. Willard, not only because he is an efficient, hard-working, modern railroad man, but also because he is one of those forward-looking men who has taken an active part in adjusting wages and economic questions. Mr. Willard informed me that he would not have time to prepare an address for this meeting, because his time and energy are to be devoted to Ohio, where his railroad was one of the heavy sufferers from the floods. This reminds us of what may befall our railroads, and therefore, gentlemen, I take it that Mr. Willard's absence from the speaker's desk is a silent but not less efficient argument in favor of fair treatment.

Mr. Frederic A. Delano, who has come from Chicago to address us to-night, is well known to you as President of the Wabash Railroad. You probably do not know that he is also one of the members of the Board of Overseers of Harvard University; therefore, he combines experience of the practical railroad man with the knowledge and studious mind of Boston. (Applause.)

ADDRESS BY MR. FREDERIC A. DELANO,
President of the Wabash Railroad

Mr. President, Ladies and Gentlemen of the Economic Club: It is with some embarrassment that I stand to address you this evening. I recognize in this audience at least a dozen men in the railroad service who could do this work better, and it was only the urgency of your President and Secretary that brought

me here. You will pardon my halting manner, and to conserve your time you will permit me to read what I have to say.

“Are Our Railroads Fairly Treated?” Although that question is the subject of our discussion, it is not my intention to attempt to answer it. I shall make an effort to tell briefly the history of the situation and describe the present conditions, and let you decide for yourselves, from the facts.

The first steam railroads were built scarcely more than eighty years ago. As you all know, in no country of the world has their growth been so rapid as here, and nowhere else has so much been accomplished by private enterprise. During the first sixty of these eighty years every possible encouragement was given to the promoter and investor to build into new territory or to duplicate existing lines. The evils which flowed from excessive railroad building and over-speculation in railroad construction cannot be laid wholly at the door of the railroad men of the time, but must be shared equally by the general public, for everything was done to encourage the lust of conquest. Full and complete dependence was placed upon the competitive theory. And yet, through all this period, in spite of all the glowing prospectuses of the promoters of the day, it was recognized that investments in railway securities were hazardous.¹ Forty and fifty years ago the interest

¹ An important consideration is that investment in a railway is different from investment in any other enterprise in that it can never be abandoned, however unprofitable it may turn out to be. Thus, a new line or an extension of an existing line may prove to have been unwisely conceived, and unnecessary; it may be excessively costly to operate;

rates on railway bonds were seven to ten per cent., and this, with discounts and stock bonuses given, brought the net interest burden upon the railroads to fully ten per cent. Usually neither the states nor the communities gave any guarantees whatever. On the other hand, there was no intimation that profits would be limited to what the courts now call "a fair rate of interest on the investment." The reasonable expectation of the investor was that, while some of these investments might prove disastrous, they might prove very profitable.

Toward the end of this first sixty-year period, the evils of the competitive system began to make themselves felt, and public opinion demanded remedial legislation. Briefly stated, those evils were excessive discrimination between communities and even between individuals. The first important legislative effort at a remedy was the passage of the Interstate Commerce Law, twenty-five years ago. Since that time, especially within the last twenty-year period, there has been a constantly growing public sentiment of hostility towards the railways. I shall make no attempt to justify the acts of the railways during these first decades of development, although I think much might be said on that score. Any student of the question can readily see that the conditions were the natural result of the method. Communities everywhere did all they could

but, notwithstanding this, federal and state authorities declare that it cannot be abandoned.

The railway I am connected with has a short branch to a town on the main line of two railways and served by four in all, yet the authorities forbade our abandoning this unprofitable branch and compelled us to rebuild a bridge on this line, the cost of which will not be repaid in several years of operation.

to make the railroads compete with each other, in order to secure by this very competition discrimination in their own favor; large industries in their own sphere did the same thing, and the reaction finally came when there were not enough favors left to go around. Communities and individuals who received less than they thought they ought to, began to raise objections to the system which they had themselves helped to create.

Briefly, then, the history of the railroads has been:

First. Sixty years of rapid extension and competitive building, leading to intense strife for traffic, encouraged in every possible way by the communities.

Second. Growing dissatisfaction with the railroads during the latter part of this period.

Third. An entire change of policy in the last twenty-year period, compelling a readjustment by the railways.

This last phase is the one in which we are particularly interested to-day. It is not necessary to tell a body of business men or economists that readjustment is the most difficult problem which business has to encounter. We have a good example of that in the tariff question. Many of us favor a decided reduction of the tariff, but even the most ardent believer in a tariff for revenue rather than a tariff for protection can see the immense difficulties of readjustment when it is remembered that wages and all the methods of manufacture have been predicated on one set of conditions and must be rudely or quickly readjusted to another. In this period of readjustment the railroads have also been confronted by the swelling tide of dissatisfaction which has shown itself chiefly in an unfriendly, if not hostile, public opinion. It may be said that in the sixty years of our growth we "sowed the wind" and are

now "reaping the whirlwind," but in any fair review of the facts I think it will have to be acknowledged that the whole community shared in bringing about this result.

I do not wish to appear before you as a special pleader. Railroad men do not claim, and I do not claim, that we are better than other men—that we are more free from blame or responsibility. But, considering the problem broadly and fairly, it has always seemed to me that railroad men would average up with any equal number of bankers, manufacturers, or merchants. Any other conclusion must be based on the theory that the vocation does not attract the best type of our civilization, or that there is something in the calling which tends to a faulty development, neither of which conclusions seems to me to be well founded. On the contrary, it seems to me that the great variety in a railroad man's work makes a distinct appeal to men, and by the same token the work should broaden character rather than narrow it. And this is true, even though we see a tendency in railway organization, as in all other pursuits, towards the development of specialists rather than "all-around" men.

The greatest difficulty the railways have to-day arises from the fact that the policy of the country as a whole is inconsistent and unsettled, for, while the federal and state governments have emphatically adopted the theory of the regulation of rates, public opinion and the law still retain the theory of the competitive system. In other words, the community as a whole seems unwilling to trust the regulation theory or else wants to get all the advantage of both theories. When the railroads, some three or four years ago, appealed to the

Interstate Commerce Commission for an advance in rates, they were attacked by commercial organizations in most of the large cities, on the ground that they were conspiring together to advance rates in violation of the Sherman anti-trust law. The Commission denied the advance *in toto* on the ground that some of the more prosperous railroads were already making a good return on their investments. A feature of the argument during the hearing was that of the counsel for one of the protesting communities, maintaining that an advance in rates was unnecessary because enormous economies were possible by the adoption of efficiency methods; and while railroad men of the country were fully aware that there was much truth in this suggestion, they were powerless to effect many of the most obvious economies because they could only be brought about by co-operation between the railroads, and effective agreements in respect to time schedules, methods of operation, and the like, for such co-operation and agreements, although reasonable, probably would be held by the courts to be contrary to the Sherman anti-trust law. Railway men were aware also that they could make additional economies by the more general introduction of piecework, bonus, or other methods to increase the efficiency of labor, but they were more keenly aware than the general public that such changes would be met with opposition and probably strikes by organized labor; and, as has been frequently pointed out by others, while the law imposes on railway managements the duty of maintaining continuous transportation service, it does not afford to the railways adequate protection against unreasonable strikes which would interrupt the service.

The plea of the railroad man to-day is that either he be let alone to work out his own salvation under the competitive system, or that the country shall acknowledge that the competitive system is so objectionable in some of its results that we must rely solely on federal and state authorities to pass upon or fix rates. Someone will say this is a plea for "pooling," and the evils of the old "pool" days will be recalled; but that is not the contention. The claim is that if we must submit to the regulation of rates, then we should be free to make binding agreements between ourselves in respect to rates, time schedules, terminal allowances, and multitudinous matters in connection with our public duties, subject always to full and complete publicity and the approval of the state and national authorities.¹

The hostile public opinion to which I have already referred has borne down upon the railroads in numerous exactions of law, sometimes veiled under the guise of the necessities of public safety, but more often nothing more nor less than in the spirit of retaliation against the railroads. Unfortunately, too, during the latter portion of the period of which I am speaking, much of this legislation has been fathered by labor organizations among our own employees who, instead of being loyal to their employers, are actually "lobbying" against us. I am not saying this in unfriendliness to

¹ When railway men complain of rates, it is commonly said that it is folly of them to complain, because they established the very basis of rates complained of. That is true. The competitive system which brought many railway corporations to bankruptcy and created many unjust discriminations did slaughter rates to a minimum. Now, by the operation of law, these rates have been made unadjustable, except downwards. They have been frozen.

labor men, but because I feel that I must in this discussion talk plainly and not mince matters.

I shall attempt a brief review of some of this legislation that you may have the matter clearly before you:

First. Legislation for the two-cent fare law. This swept over the country, especially in the middle West, some six or eight years ago. The theory of the legislation was that the giving of free transportation by railroads had been altogether too general, and that the granting of a two-cent fare on mileage books helped the traveling man who was paid by wealthy corporations, whereas the poor man and the farmer had to pay full local rates. The net effect of this legislation has been a severe impairment of railway passenger earnings, and yet communities cannot see that with two cents as a maximum the railroads are not as free as formerly to give reductions in rates for special occasions, such as county fairs, excursions to cities, etc.

Second. Postal legislation. Great reductions in the compensation by the government to the railroads for carrying the mails have been made, until this service on many railways is done at an actual loss and at the expense of other business. One of the most glaring injustices under the postal law and the executive orders of the postmaster-general and his assistants arises from the fact that the railroads carry the mails for four years on the basis of weight at the beginning of this four-year period; and as an example of what injustice can be done under the guise of governmental regulation, I might refer to what actually happened in the central West last summer. About three months prior to the quadrennial mail-weighing, the postmaster-general diverted a large part of the magazine mail to be carried

by freight, so that when the weighing was accomplished the railroads received no increment on account of the weight of magazines, although the business had been built up largely in the preceding three and one half years. Three months later the government parcel post made a large addition to the weight of mails carried, but still no allowance has been given to the railroads for this. Thus, at the present moment, while the government is gaining favor in the public eye by the carriage of parcel-post matter, the chief work in connection with that carriage—the work of transportation—is being done free of any expense to the government; that is, it is being done on the basis of weights taken before the parcel post was inaugurated.

Third. The hours of service and safety appliance laws, although adding to the burdens borne by the railways, were so obviously regulations intended to promote safety and better working conditions that I mention them not in complaint, but only as a matter of record.

Fourth. The boiler-inspection law. The ostensible object of this law was to promote the safety of engineers and firemen, but its effect has been very much more far-reaching. It is so drastic that to comply with its provisions is practically impossible. It would require every locomotive in the country to be in practically perfect condition, and in practice is operative solely at the discretion of a large number of minor government officials. During the winter of 1912 an important trunk line in this country was almost put out of business by reason of an inspector coming down upon it and condemning every locomotive in the round house. The fact that the inspectors ordinarily use discretion

and common-sense in administering the law, that they do not always enforce its provisions to the letter, is the only reason that it is operative at all; but that is poor satisfaction to the railroad official.

Fifth. Electric headlight laws. In a number of states electric headlight laws have been enacted, ostensibly for the protection of the locomotive engineer and the traveling public, but there is reason to believe that it is really for the promotion and benefit of an electric headlight corporation, in the official ranks of which members of the Brotherhood of Locomotive Engineers are prominent. A responsible organization and one justly proud of its long reputation for honorable dealing and conservatism cannot safely lend itself to this sort of chicanery. These state laws in many cases do not simply require a headlight of adequate candle power, but by specifying an electric light or one of very high candle power, they exclude equally effective acetylene headlights, although it is a notorious fact that these have proved simple and satisfactory in service on automobiles all over the country.

Sixth. The so-called "Full-Crew" laws. I need hardly tell a New York audience about these laws. They are among the most unjust exactions which railroads have ever had to face. Several years ago the federal government required the railroads to equip all their freight cars, as well as passenger cars and locomotives, with air brakes, and stipulated that the speed of trains should be entirely controlled by the locomotive engineer. Now comes an organization of trainmen, boasting a membership of two hundred thousand, and by reason of an offensive and defensive alliance with the other railroad organizations, having the tacit sup-

port of all, and by means of its lobbies and pre-election pledges, is trying to compel the railways to employ unnecessary men. So far from being in the interest of public safety, such legislation is the reverse, for the reason that traveling on a freight train is obviously hazardous, and placing an additional man where he can do no good and is only risking his own neck, puts an additional risk and burden upon the railroad, over and above the wages paid. Besides, by increasing operating expenses, it tends to reduce net earnings, and whatever reduces net earnings impairs the power of the railways to raise capital that should be invested in additional tracks, block signals and other improvements that do tend to increase safety. The object of this trainmen's organization in this instance is purely selfish. Its members realize as well as every employer or economist that wages are controlled in the long run by demand and supply; that by compelling the railroads to employ this additional brakeman on every train, they will increase the demand and help to exhaust the supply; thus influence wages.

After such an array of remedial (*sic*) legislation, and this is only a partial list, no wonder that President Hadley of Yale, one of the wisest contributors to the sum of human knowledge upon this subject, was moved to exclaim in an address at New Haven last January:

"I am afraid that neither the public nor the government is awake to the real state of things. In our endeavors to control corporations, we too often try to lessen their efficiency instead of increasing it."

The results of these changes in policy and the enforced readjustments are beginning to be apparent.

They should have your consideration, for they are of immense importance.

First of all, it is very clear that the period of railroad building and extensions is over. A great deal of capital is needed and will be used in completing and improving existing railroads and in adding to their equipment and facilities; but the period of building extensions into new territory is over, because there is no encouragement to the investor. There is a vast territory west of the Mississippi and Missouri rivers which needs development, but however this may be, it can be put down as a safe prognostication that if the present policy of regulation continues, this territory must rely for development solely on the extension of branches and feeders from existing railways, and they will make additions to their mileage only in proportion to the encouragement afforded by the earnings of existing lines.

Second, the railroads' cost of living has gone up enormously in the last twenty years. Staple necessities, such as fuel and ties, have increased very largely in cost, and at the same time the standards of service which the public demands have greatly risen. In order to increase their efficiency, railroads have been compelled to use larger locomotives, increase their tons per train; this in turn has created a demand for larger and stronger cars, heavier rail, better roadbed, and so on.

Another important point is that in recent years the general rate of interest has risen. It has risen against the railways as well as against other borrowers, and, therefore, to raise adequate capital the railways must pay, and must, therefore, earn, a larger return on capital than formerly was necessary. Railways which a few years ago could sell three and one half per cent.

bonds at par cannot now sell four and one half per cent. bonds at par. The net earnings of the railways have not increased in proportion to the increase in the amount that they must pay to get new capital or to refund old securities.

Third, every new public demand of the federal or state government or the municipality puts a burden which is especially heavy to bear on the railway company with small resources. It is perfectly clear to railroad men that the day of the small railroad has absolutely gone. A railroad of less than five hundred miles which is not an adjunct to an important mining or manufacturing concern has little show for existence. Although public opinion more or less resents the great railroad corporation and the excessive centralization of authority incident to these larger corporations, yet it is perfectly clear that the many exactions of law to which I have briefly referred have had much to do with bringing them into being. In the battle for existence only the strongest have been able to survive.

Fourth, it has been sometimes pointed out that poverty and wealth are largely comparative terms; and certainly this applies to railway corporations just as much as to individuals. The plea of the relatively poor corporation for an advance in rates is unheeded. Our commissions think only of the profits which our richest corporations will make by reason of a possible advance. The fact that the richest corporations represent relatively small proportion of the total mileage; that they are rich by reason of fortunate chance or extraordinary foresight; that many of them are corporations which went through a long struggle in their early history and only after bankruptcy were put upon a paying basis, is

forgotten. The very complexity of all these questions points clearly to the principle that the public should more and more depend on expert knowledge in the regulation of the railways, and not attempt this regulation by annual legislative enactments.

Fifth, the greatest hope of the railways and the public in the future lies in intelligent regulation. Railway officers whom I meet and talk with do not in the least fear the results of regulation by commissions free from political pressure, with a fair knowledge of the facts. Our experience is that these commissions, as they come to know the problem better, are more and more willing to understand the railroad man's point of view, and, as we think, deal fairly with us. One of the great troubles is that while the public and the legislatures have created these commissions on the theory that they will be most competent to solve the problems of public regulation, the public and legislatures will not refrain from interfering with the work of the commissions. In many states the legislatures or the people by referendums have adopted laws to reduce rates or impose unreasonable restrictions or burdens on the railways when the legislation was openly opposed as unreasonable, unjust, and harmful by the commissions. The public shows too much of a disposition to disregard injunctions of experts to be fair and moderate, even when they proceed from its own experts, and to trust and follow only those public men who advocate radical and even violent measures. We are not blind to the danger which lies in the public clamor for better service and more exacting requirements. It sometimes seems as if every man's hand were against us, and as if few men in public life could be found to possess the

requisite courage to withstand the pressure; but my opinion is that while the public is slow in making up its mind, it finally comes to a right conclusion and the reaction is all the more effective when it does come. The time is sure to arrive when the public will see that if there is n't a fair profit in railway operation the development is bound to cease, because capital will seek other and more gainful occupations.

Some wag has said that an optimist is a man who will take the lemons that are handed to him and make lemonade of them; and certainly every railroad man is an optimist. He cannot afford to be anything else. He could not survive if he were anything else. I should, therefore, admit that I was not true to the type if I did not sincerely believe that these problems would all be worked out satisfactorily as time goes on. It is for the railroad man to state his case frankly and squarely, and it is for you gentlemen and for the community at large to decide whether the railways have been fairly dealt with or not. Just as medical science has discovered that it is the tendency for every malady to create its own destructive agent, so it appears to me the history of the world shows that the same is true of every economic disease. We have gone far from the doctrine of *laissez faire*, but it is clear to every thinking man that there was a fundamental truth in that philosophy. We live in an impatient era; every evil is described in exaggerated terms, and while part of the community become, through this very exaggeration, callous to real troubles, the better and more sensitive portion is impatient that the progress is not more rapid.

Just so soon as the public become convinced that the railways are not fairly treated, that their treatment is

reacting upon them in the shape of diminished ability to furnish adequate facilities, safety appliances, and the like, just so soon there will be a check on unreasonable exactions and unfair restrictions. Government ownership of railroads is a bugaboo which, though often referred to, the public does not demand. If government ownership of railways comes, it will come because the owners of railways prefer it to government regulation, and it will be a sorry day for the republic when regulation is carried to such an extreme that the owners of the railways are unwilling to accept any longer the responsibilities of management. (Applause.)

MR. SPEYER: Mr. Delano has referred in his very interesting address to the difficulties which confronted railroads through the readjustment of the relations between labor and capital. It will probably take many years before the adjustment of the serious difficulties which have arisen through our modern industrial development will have been settled, but settled they will be in this country, as they will be in other countries, and it probably will be easier here than elsewhere. I am frank to say that if all men would face these questions as they are faced by Mr. Garretson, the President of the Order of Railway Conductors, a solution would be easy. Mr. Garretson has the respect of all for his sincerity and intellectual gifts, and many a leader of labor—and of *capital*—might learn a lesson from him. Mr. Garretson. (Applause.)

ADDRESS BY MR. A. B. GARRETSON,

President of the Order of Railway Conductors of America

Mr. President, Ladies and Gentlemen: I am not

hampered by one thing that operates against the executive officers of railroads in a gathering of this character: I am not confronted with a large number of men who can rank as experts in my own line. (Laughter.) The number of men—and many would say, fortunately—who engage in the pursuit which I follow is limited; but they learn certain things that few men engaged in other pursuits ever have the opportunity to gain at first hand. When a man, filling such a position as I do, appears in a gathering of this character, he comes naturally as the mouth-piece of the men whom he represents. These men in their individual capacities seldom have their day in court, and, therefore, it becomes necessary that the view-point of these men should, on occasion, be presented. This is an era in which the workingman gives a greater consideration to the conditions under which he lives and labors than, I believe, at any prior time in the history of mankind. Students are not confined in this day and age to the academy. You find them in all the pursuits, high and low; and some of the most studious men are, in what might be called, in railroad service at least, the submerged area. They give their very best attention to the problems of social life that confront them, and it will be a matter of surprise to the average man who has no contact with men of that class, to know of the vast amount of knowledge they possess. That consensus of opinion I am in daily contact with, and if a question is to be honestly met and honestly to be disposed of, every party at interest is entitled to, and must have, his hearing. I am going to tell you some of the things I have found by daily intercourse with these men.

As to the question whether or not the railroads are fairly treated, every man must necessarily judge from his own standpoint. Preconceived opinion naturally dominates the average man, and though every man is in a dual character in his relation to the question of whether or not railroads are fairly treated, it is not a question that can be categorically answered. Each man from his own view maintains certain beliefs, and he would answer from the standpoint of those beliefs, because the average man cannot divorce himself from the opinions that grow up on account of his standpoint. The owner naturally views everything from the standpoint of the profit to the property, the other considerations being secondary thereto; the laboring man from the standpoint of his interest; the politician—from, —God only knows what standpoint (applause and laughter), and so far he has vouchsafed us only a small amount of information.

Consequently we do not consider this question as we should properly from the standpoint of the citizen. The owner is a citizen; the laboring man is a citizen; and the politician is a citizen,—but instead of taking counsel with himself in the character of a citizen; he takes counsel with himself as a party at interest, and the result is that he may get into a position where his answer itself would be paradoxical, because he has certain opinions on certain subjects that naturally merge into this one, that leave him sometimes unable to decide which is the lesser of two evils; and hence he may be compelled in the long run to throw down good opinions which he has cherished for very many years, because he cannot answer even to himself, let alone to others, as to the question that is before us to-night.

Many efforts have been made to meet all these propositions by legislation and in various other ways. Most men at the present day believe in at least a certain degree of governmental supervision. Personally, I am an absolute believer in the necessity not only of supervision, but reasonable regulation, and, regardless of the attitude that was held by the average manager of a property, that theory is accepted by most of the men prominently identified with the administration of the railroad enterprises of the country. The day has gone by, as they recognize, when the belief predominated that the handling of railroad questions was entirely a private matter, and they are not disposed unduly to criticise or find fault with such reasonable regulation as operates properly for the advancement of the enterprises in which they are interested. But this question confronts every man, early or late, when he deals with the question of regulation,—as to where the dividing line is eventually to come. Power must of necessity be coupled with responsibility. (Applause.) Every man or government that attempts to exercise power and control, with all that goes with them, without recognizing the duties that accompany them, degenerates into tyranny and nothing else (applause), and that position is not consistent with reasonable principles of liberty. I am using liberty in the sense of freedom of action only. Consequently, men like myself, who are inherently opposed to the theory of government ownership, must of necessity begin to ask themselves the question where the system of supervision and regulation is going to end under certain contingencies that may readily arise. Supervision is absolutely valueless unless it has coupled with it the power to

correct evils that are demonstrated; and if that power is applied in a way that it verges on confiscation, in the sense that it is applied so extremely that an enterprise thus dominated ceases to return a reasonable amount of interest on the investment and a deficit ensues, who is to be responsible for the deficit? Does it properly lie on the regulated industry, or does it properly lie on the party responsible for the domination and control?

Therefore, we are over-balancing closely if the government in its process of regulation demonstrates the fact that it may bankrupt the parties thus regulated,—and who is going to accept responsibility or make good the deficit that may exist? That question demands the best attention of every man, regardless of what his connection may be with the question. He must decide for himself in such an event whether government ownership is a lesser or a greater evil than the other. The guarantee system won't meet it, for the very simple reason that with responsibility the same control must go, and if the government is to guarantee losses consequent upon over-regulation, government must of necessity control the administration that brings about the result. Those are the things that will face us unless reasonable return is allowed upon any investment. Personally, I am an absolute believer in the undesirability of government ownership (ap-
plause), but, like many other men who hold that belief, I am beginning to ask myself the question whether or not it is the greater or the lesser of the evils that may confront us if such a sequence should follow.

On the bases that various men take to determine whether or not fair treatment is being meted out to the

companies, there are many things that enter into them. It may be a matter of surprise to the average man to know that the working man is interested in this question. He learns, follows the press, follows the publications, and he is a close student not only of the labor side as it confronts him on a railroad, but of the financial side. He applies theories, often erroneous; he absorbs information that in certain cases has been purposely twisted for the purpose of producing a result, but in the long run he gets mighty close to the facts as they are laid down. He may reason along lines that are utterly unknown to the trained thinker, but I want to call your attention to some of the things upon which he bases his conclusions. That man uses the channels that are open to him to determine some questions in his own crude way. He will take the means that are available in these days, the reports of the companies as disseminated, and he will figure back for a period of a number of years,—we will say, back to 1890. He will take railroad capitalization as it then existed; he will contrast it with railroad capitalization as it exists to-day. He will take the stock issue of the companies of the country, and he will find what amount of increase there has been therein. He will study what proportion of that capital then paid interest or dividends, as the term is applied to stock, and he will take the proportion that it was of the whole. He will go into the merit of the case to-day and find what conditions exist in these directions to-day, and then he will put two and two together, and he will arrive at a result something like this:

He will find that the total capital stock of the railroads of this country in 1890 was \$1,598,133,000, and

that thirty-six per cent. of that paid interest or dividends. He will find that to-day there is in existence \$5,730,250,000, and that of that added amount sixty-seven per cent. pays dividends. From that he will draw the conclusion that there has been an enormous increase in railroad valuation; and that right during the period when restrictive legislation has been in effect, and restrictive measures have had their greatest strength;—that notwithstanding that fact the amount paid out in dividends to the owners of railroad stock in the year 1890 amounted to \$87,000,000, and that the amount of dividends that was paid on the railroad stock in 1910 was \$460,000,000. It appears to him then that the returns to the owner of the property were exceeded in a percentage increase by the cost of the commodities which the company that he serves has had to purchase. There has been an abnormal increase in all the necessaries that he buys for the purpose of subsistence. There has been a like increase in everything that the railroad buys for carrying on its business, but there has also been a still greater increase in the amount that is set aside as a return for capital investment, and it makes him skeptical as to whether or not restriction has advanced to the stage where it has taken the virility from the administration of the railroad property.

These are some of the things that enter into the conclusions which he draws or arrives at. Then he will take the amount of that \$460,000,000 that is paid out, and he will find out how great a proportion thereof is turned right back into the railroad corporation channels through inter-ownership. He finds out this,—that if the stock that was in existence in 1910 had paid the same rate of dividends that it paid in 1890, instead

of \$460,000,000 being paid out, there would only have been \$162,000,000 paid out, the difference between the two being in the higher rate of dividend that has come into effect meanwhile. He also takes into consideration the fact that for these two reasons there has been a colossal increase in the market value of the stock in the meantime. First, that the thirty-three per cent., virtually, of the stock that paid any dividends in 1890, to-day pays dividends, and has thereby increased largely its market value; second, that not only does it pay as high a rate, but it pays a far higher rate; and he feels that the policy of legislation or regulation has not yet reached the stage that threatens the existence or the proper operation of the roads.

These are the things upon which the average workingman makes up his conclusions. One man gets them from one source and another from another. He figures from various bases, but he arrives at about the same general result.

Now the question is how, if he has an erroneous conclusion, can his mind be disabused. It has too often been the case in days gone by that there have been practices that have led up to many of the conclusions that are reached by those who assail railroad management, with or without reason. Policies have been followed in years gone by that are responsible for a large portion of the opposition that exists to-day in the mind of the average citizen, who has no partisan belief one way or the other. The average citizen is mighty like a man I heard of once who went through a Methodist revival. (I don't suppose there is any Methodist present, so it will be safe to tell the story.) You know it is a Methodist practice that usually once a year in

the country districts they have a revival, and the unregenerate absorb the spirit, and, to use the church phrase, they "get religion." Among others in this instance was a blacksmith, very illiterate; and he had been rather a hard citizen. But it was a clear case of regeneration, and so the elders of the church took up his education. He could n't read and they had to give it to him orally. They started with the Creation, read him all the Bible stories that all of us learn in our youth; and they told him about the Creation, Adam's fall, and ran on down until they came to Jonah and the whale. After each story he would say, "Is that in the Bible?"—"Yes."—"Well, I believe it." But when they got down to a story as to the conditions surrounding which he had certain knowledge, the trouble commenced. They told him the story of the Hebrew children in the fiery furnace, about how hot it was, and that they went through without even the smell of fire upon their garments. "What!" he said, "seven times hotter than I can heat my forge?"—"Yes."—"Is that in the Bible?"—"Yes." "Well," he said, "I don't believe it; nor that infernal fish story either." (Laughter.)

There is the attitude of the average man when he has once been deceived. You can get almost anybody once (laughter), but it takes an artist to get all of them the second time. (Applause.)

There have things been done in railroad management and in railroad financing in the past that, to say the least,—well, they don't bear the odor of sanctity. (Laughter.) There are men who have cognizance of these things, and it will surprise you how much cognizance the rank and file have. For instance, I represent conductors. There is not a railroad management on this

continent that can break the law and I not know it, because the railroad conductor has to be a party to it, if it covers transportation. It is just so with finance. It has not been up to the standard. To make it work out, employees have to be taken into confidence, not purposely, but necessarily. (Laughter.) (We are all on the railroad one way or the other, so I am not violating confidence.) But these facts are known to the men, the men who serve the railroads. It would surprise you how much the policy of the average railroad is known in the switch shanty. It filters out through various channels so that they are "wise" to most of what is going on in questions of operation, and the consequence is that these men know, or rather most of them know, what has been done in days gone by, and they are suspicious.

I want to impress on every man who is connected with a railroad management this fact,—the agency that will go farthest both with the employee and the public is, first, honest action, and then honest publicity. (Applause.) If you can't perform acts that will bear the public gaze, don't perform them; that is all there is to it. There is the real way to gain the sympathy of both the men and the public, for the men are only a fraction of the public, just as the management is a fraction of the public. We are all in the service of the railroad; we are all railroad men and clannish. There is not a service on the earth in which the *esprit de corps* is stronger than on a railroad. There is no limit set. If a man at the top has been in railroad service, even if he has n't come up through the ranks, he has got the same old feeling that he is "one of them." Why, here, there are men here in this room

managing railroads, that I have sat across the table from, with all the interests that we both represented in direct contest with each other, ready, to use the homely phrase, to "go to the mat" inside of twelve hours, cut each other's throats officially if we could; and when we would serve notice on a man of that type that, unless within a given time a certain request of the men was complied with, we would leave the service of that company, the gavel would fall on the conference while they took the matter into consideration, and that man and I would walk around the table and call each other by our given names. There was n't a bit of personal feeling in it. That is a reason you don't have riots in railroad wage conferences as in other businesses. We are all tarred with one stick, and we even fight fair. Why, I know scores of men managing railroads, if they were not presidents of railroads and I a walking delegate, we would be good friends. (Laughter.) It is in that spirit that this question is approached by the average railroad man, and I say to you that the men who are handling these properties, either financially or operating, will find that the best remedy for the condition that exists.

There is one other point I want to use these last minutes for.

Now, I am going to tell you one man's opinion; I am not carrying you somebody else's message. If there is an abominable system existing on the face of the earth, it is the dual system of regulation in this country. It is the only country on the face of the earth where the control and regulation of the means of transportation is not in the hands only of the central government. (Applause.) You may be good state's-rights men, for

all I know; but in that case I want to say to you that state's-rights is dead behind the times. (Applause.) While I am an absolute believer in government regulation, I want only one regulation and not a double form of it. I believe that there are more evils worked out in railroad legislation by state regulation than by all other methods combined; and that there are more injustices worked one way or another by state regulation than come from any other source that confronts railroad management to-day. (Applause.)

MR. SPEYER: Mr. Garretson will have seen from the reception which he has received that the members of this Club always like to hear two sides, and we have listened with a great deal of interest to what you have had to say.

I do not quite know how to introduce the next speaker, because I know him very well. (Laughter.) I sit with him, or rather under him, in the board of one of our great railroads, but you all have heard of Mr. Bush. He has won his position at the top in recognition of his great ability, interest, energy, and fair dealing with all. He has been President of the Missouri Pacific, which serves a large part of the middle West, for only about two years, but the changes which he has brought about both in the physical management of the property and in dealing with the community which it serves, speak for themselves and for himself. (Applause.)

ADDRESS BY MR. BENJAMIN F. BUSH,
President of the Missouri Pacific Railroad

Mr. President, Ladies and Members of the Economic

Club: About ten days ago I was in Helena, Kansas, standing on the levee there—the levee in that country, you know, is the mountain, the river being higher than the surrounding country. The water was up to the top of the levee. There were men patrolling the levee in charge of a government official. The government had extended its protection to that section of the country. A young government official came up to me and complimented me upon the service which the Missouri Pacific had rendered in the operation of dirt trains for raising the levee; also upon the efficient passenger service which we had rendered in transporting laborers down there. A glow came over me from two causes: one that we had rendered efficient service in strengthening the levee, and the thought that there would be some additional revenue for this service. (Laughter.) This glow, however, was only temporary. (Laughter.) One of my superintendents came over. I said to him, “By how much do you think this service which we have rendered here will increase our revenues?” He said, “This service is rendered entirely free, at the request of the government.” Just at that moment a telegram was handed me from your President, asking me to address this Club, and assigning the topic, which I have since learned was “bulled” in transmission to me, “Are the Railroads Treated Fairly by the Government?” (Laughter.) After a period of thought I concluded to accept (laughter) the invitation and the topic. The controlling reason that actuated me in accepting was the fact that your President is our banker. (Laughter.) The second reason was, to my mind, that the answer was as simple, or to be made along the same lines, as that by the student in natural

history who drew as the topic of his paper the following day this subject—"Snakes in Ireland." (Laughter.) A very carefully prepared and exhaustive paper was handed in the next day, which read as follows: "There are no snakes in Ireland!" (Laughter.) The government is *not* fair to railroads.

A careful and impartial analysis of the railroad situation as it exists to-day, irresistibly forces the conclusion that there is no subject before the people, no policy engaging the attention of the government, that in its future economic aspect foreshadows more dangers, both to the commerce of this country and to our institutions, than does that of railroad transportation; therefore, that it be solved rightly it should receive the most scrupulous consideration.

The wonderful commercial progress of the United States has been made possible only by the railroads. Since 1870, when the impetus given railroad construction began, the wealth of this country has increased from \$30,000,000,000 to the enormous sum of \$140,000,000,000. Its foreign commerce, in the main largely dependent upon the railroads, from \$800,000,000 to \$4,000,000,000. The internal commerce of the railroads to-day has reached the stupendous figures of over 293,000,000,000 of units of service—being the tons of freight hauled one mile and the passengers carried one mile.

The volume of this railroad commerce has nearly doubled in twelve years, and taking cognizance of the alert and progressive spirit of our people and our still latent and undeveloped resources—in farm, mine, forest, and factory—an alluring promise is foreshadowed for a continued increase.

The fulfillment of this promise rests entirely upon the ability of the railroads to improve their existing plants to a higher state of efficiency, to extend their lines into the undeveloped regions and thereby provide the necessary facilities for the prompt movement and distribution of the products arising from the awakened activity. The commercial supremacy of the world is the heritage of our nation if the means at our command are wisely applied.

As to how the railroads can secure the money necessary to make the improvements and extensions to efficiently provide for the carriage of the existing and increasing traffic, so that all lines of industry may develop and operate to full advantage and our vast tide of commerce still further expand and flow unrestricted to its final haven, is "The Railroad Problem."

As the conditions are to-day, by reason of not having the means at their command, the railroads, with few if any exceptions, cannot give proper movement to the large volume of existing traffic. This was likewise true in 1906, 1907, 1910, and 1912. The transportation facilities are not keeping pace with the increasing traffic requirements.

At the period of their inception, railroads were crudely constructed, but they supplied the needs of the time in moving the sparse traffic then offered for shipment. They were built on the lines of least resistance to meet the varying characteristics of the contour and topography of the country traversed. Later, with the growth of traffic and more urgent requirements, radical improvements had to be made to meet the changed conditions. Practically, the lines had to be almost rebuilt—in reducing grades, eliminating curves, replac-

ing wooden with more substantial steel and concrete bridges, widening roadbed and embankments, ballasting track, deepening and widening ditches, constructing cross-drains, building viaducts over road crossings, building sidings, passing and double tracks, providing heavier rails and ties, larger engines and cars, spacious terminals in large cities, more commodious station buildings, engine houses, shops and many other appurtenances. As the means have permitted, this work of rebuilding and enlarging and improving the roadbed and equipment has been prosecuted, so that a higher standard of service and efficiency might be forthcoming. Billions of dollars have been already expended in this work, but much yet remains to be done before the roads reach that stage of completion that the constantly increasing traffic can be satisfactorily handled. This will require more billions of dollars. The money cannot be supplied from earnings, as on account of inadequate compensation for service rendered the earnings in many cases are scarcely sufficient to maintain the properties in a solvent condition.

How then can this necessary capital be obtained? A railroad, to obtain money for extensions into new fields or for the improvement of existing lines must, like a merchant, have an established credit. It must be able to show by past or current operations that it will be able to meet the new interest obligations it assumes and have a surplus over and above all its requirements. Not many railroads are able to do this under the existing operating conditions of high wages paid for labor, increased cost of materials, the higher standard of service demanded by the people, and governmental compulsory expense and regulation of charges for transportation.

Legislation of the most onerous character has in recent years been enacted by federal and state authority, entailing numerous expenditures without any compensatory provision, many of the acts being entirely without beneficial results to the public and only an economic waste. Three or four bills now being urged upon Congress are estimated to involve an expenditure by the railroads within the next four years of nearly \$1,500,000,000.

These many expenses over which the railroad manager has no power of control have steadily increased the unit cost of operation, and as the unit of compensation for transportation service is regulated by federal and state authority and is more often reduced than advanced, it follows that the unit of profit is steadily decreasing. If these two opposing units of conditions, cost and compensation, are allowed to continue in their course, it means they will meet in time and all profit will be expunged.

It may be thought, however, that the revenue derived from the increased business will more than offset the increased expense. Such is the view of the ordinary layman who has given the matter only cursory study. If the roads were not working to their full capacity, that is, if they had unused engines, cars, tracks and terminal facilities, they could to some degree for a time offset the increased expenses by additional earnings; but when, as in 1906, 1907, 1910 and 1912, they were burdened with business beyond their capacity, the excess entails an expense much greater than the average cost.

The gross earnings of the railroads increased largely during the last half of 1907, but notwithstanding this,

the net earnings decreased over \$22,000,000. For the last six months of 1910 the gross earnings increased over \$55,000,000, while the expenses increased over \$84,000,000. The volume of traffic moved in those years was very large, and for many months was in excess of the capacity of the carriers.

The Interstate Commerce Commission, in 1907, declared that the inadequacy of transportation facilities was alarming, yet when the railroads sought to advance their rates in 1910, to enable them to make better provision for the public demands and establish a higher financial credit, the Commission would not sanction the advance. The earnings for the roads for the two following years, 1911 and 1912, increased \$11,054,000, but the operating expenses and taxes were swelled \$98,544,000, leaving a less net revenue for 1912 than for 1910 by \$87,490,000. This loss was equivalent to the impairment of their ability to raise over \$2,187,000,000 at four per cent. It is thus that the net revenues of the railroads are depleted and their inability to borrow money is further emphasized. If the railroads could retrieve such yearly net losses, they would be able to strengthen their credit in the financial markets and raise the necessary funds to meet the exigent demands of the business public.

It is a mistaken conception, though one generally prevalent, that the railroads are overcapitalized and seek to obtain exorbitant rates from the public to pay interest on the excessive capital. The fact is that the physical properties of the railroads could not be duplicated to-day for anything like the present capitalization. The money of the owners which has not been capitalized, that has been expended on the roads from year to

year since their pioneer days, in betterments and improvements, roadbed, equipment and their accessories, has long since absorbed any water there may have been in the securities.

Such high authority as the Interstate Commerce Commission declared some time ago that the value of the physical properties of the American railroads was more than that represented by their stock and bonds. This capitalization is less than one fourth that of the English railways and less than one half that of the other European countries; yet high as this capitalization of foreign railroads is, they are permitted to charge such rates as yield reasonable net returns.

The average rate received by the United States railroads for hauling a ton of freight one mile is three quarters of one cent, while the rate received in England for a like service is over two and a quarter cents, or three times as much. The rates of other European countries are also much higher than ours. As has been well said by Mr. Hill: "The American railway pays the highest wages in the world out of the lowest rates in the world, after having set down to capital account the lowest capitalization per mile of any of the great countries of the world." He might have added, they also give the best service in the world.

I believe it can be truthfully said that the causes of complaint in the past against the railroads have been entirely eliminated. The published tariff of charges, accessible to all, governs to-day, without discrimination or favoritism to any shipper. Complaints may arise and do arise as to rates on specified commodities between given markets, on account of their relation to the rates on like or correlated commodities to and from

other markets. These complaints grow out of the rivalry between communities and are the main grievances of shippers now brought before the Commission.

Shippers naturally endeavor to get the lowest rates possible, and from the standpoint of their individual interests they believe that unjust inequalities exist in rates, although such inequalities may be the result of inexorable economic laws beyond the carrier's power to control. In the adjustment of these differences between markets or rival communities, the decision of the Commission is almost invariably in the direction of reducing the higher rates to the lower level. In this way there is a constant nibbling at the rate fabric, which ultimately will prove as injurious as a general reduction.

It is axiomatic that mutuality of interest exists between the railroads and the shipper; that one cannot prosper unless the other does and that injury to one will later bring injury to the other. If the shipper is charged unreasonable rates or is afforded poor service for the transportation of his wares, he suffers in his business, and this in time re-acts upon the carrier. On the other hand, if the carrier receives insufficient compensation for its service by reason of inconsiderate legislation, or by unwise direction of regulative authority, undue burdens are imposed which increase its expense, then it may, for lack of means, be unable to maintain its former standard of service and thus the shipper and the carrier are both injured.

I recognize that the railroads are in duty bound to serve the public in the best possible manner and that the public, through the state, has the authority to regulate their operations, but when that authority is

exercised with reference to the most minute and varied details, burdening the carrier with an unnecessary expense, which it cannot afford, then it would seem only just that the public, through the state, should allow it the necessary protection in the way of maintaining compensatory rates. This is on the principle that the right to regulate or control carries with it the obligation of reasonable protection. Authority carries with it responsibility and control imposes the duty of protection. I believe that the same principle of justice should be administered to an association of individuals known as a corporation as is administered to the individuals personally in other capacities.

Considering what the railroads have done through the investment of private capital in upbuilding and developing the country, improving the conditions of living, uplifting the people and adding to all the comforts and conveniences of life, they certainly are entitled to that necessary protection which will enable them to continue in their vocation and elevate to a still higher plane the social, commercial, industrial and agricultural conditions of our people.

An eminent public official, an authority upon this subject, has said: "No just legislation upon this subject will proceed upon the theory that the public alone is in need of protection and that the railroads can take care of themselves. I have no sympathy with such an unfair and illogical contention."

The United States census returns show that from 1900 to 1910 the capital value of agriculture increased from nearly \$20,500,000,000 to \$41,000,000,000, or one hundred per cent., and the capital value of manufactures increased from \$9,000,000,000 to nearly \$18,500,-

000,000, or over one hundred and five per cent., while the capital of the railways increased from \$10,250,000,000 to less than \$14,500,000,000, or only forty per cent.

Here we have an increase in the capital of \$30,000,000,000 in those two important industries of agriculture and manufacture which are almost entirely dependent upon the transportation lines for their successful operation, whereas the capital of the transportation lines with their many appurtenances increased only to the value of \$4,250,000,000.

And again, we find that the value of the products of manufactures increased from \$11,500,000,000 to over \$20,500,000,000, or eighty-one per cent. As the railroads get a double haul on a large portion of manufactures—the raw material in to the factory and the finished product out—it may be judged how essential it is that they keep abreast of the times in road and equipment to take care properly of the constantly increasing tonnage implied by these enormous values. The largely increased volume of agricultural products, which last year exceeded \$9,000,000,000 in value, must meet with more prompt consideration on the part of the carrier, for, through the economic conditions governing, the greater portion of it is rushed to market within a limited time.

The census further shows that notwithstanding the large increase in the capital of manufactures of one hundred and five per cent., the net return to the owners on the total of \$18,500,000,000 was over twelve per cent. Yet on the railway capital there was nothing paid on \$3,500,000,000, and less than five per cent. on \$7,500,000,000. The services of the railroads make secure the most liberal returns on the enormous capital

of \$59,500,000,000 invested in these two industries, and therefore the manufacturers and farmers should willingly aid in an effort to get the transportation rates advanced. It is of paramount importance to their own continued welfare that they exert themselves in that direction.

I have already alluded to the immense volume of traffic conducted by the railroads and to the fact that it has increased double-fold in twelve years. Will it continue to increase in the same ratio in the coming years?

The marvelous resources and latent strength of this country are in many respects scarcely trenched upon. Of the total land area of the country forty-six per cent. is in farms, but of this land in farms only fifty-four per cent. is improved. Only twenty-five per cent. of our great domain is producing anything of value. My friend, Ex-Governor Hadley of Missouri, when in office, stated in a public address that the development of Missouri's natural resources had scarcely begun; that there were three counties in the state which had no railroads and seven counties with less than twenty-five miles; and that of the 44,000,000 acres of land in the state, more than one-half had never been touched with a plow. A like statement is applicable to many of our Western and Southern states. The opening up and cultivation of these undeveloped lands by the building of railroads would give a further impetus to general trade and industry.

Then again, our farmers are now awakened to the benefits to be derived from the application of scientific methods in agriculture, and more intensive yields will be the result. A more careful culture of our wheat

lands will easily double the yield and still be less than that of European countries, whose land has been under cultivation for more than 2000 years. A like increase can be effected in the other cereals and products of the soil. Our project for the reclamation of the swamp and arid lands goes on apace.

There are vast mining lands with their hidden treasures yet awaiting development. The completion of the Panama Canal will open to us more directly the trade of the Orient and Western South American countries, with their hundreds of millions of beings whose wants may be supplied with our merchantable wares. The value of our exports of manufactures is now over \$1,000,000,000 annually, and at the present rate of increase it doubles every three or four years. Our foreign trade in other commodities is taking on a greater momentum.

In all these we have a magnificent vista of possibilities which portends the continual upward trend of our trade and commerce, with its concomitant of future steady employment for our people—the desideratum of all governments. The illimitable prospects bethoken its continuance if ample provision is made for transportation.

Now, with the present traffic of the railroads reaching the stupendous figures of over 293,000,000,000 of units of service, what will the future increase mean if kept up in the ratio of the past?

You all know something of the capacity of the New York Central Railroad within your own great state, and the magnitude of its operations and transportation facilities. Four per cent. of the volume of traffic now annually moved by our railways would at the present

day tax the full capacity of that road, working day and night for one year. As the railroads operated to their full capacity in years of active business, like last year and other past years, an idea may be formed from this illustration of the magnitude of the work that will have to be done in fitting response to the demands of commerce. The commerce is increasing on an average of eight per cent. and more per year, and notwithstanding one half of this yearly increase would tax the capacity of one of the first railroads in the land, no provision is being made, and no provision can be made, under the rates now received for transportation service for the proper and safe conduct of this prospective traffic.

Can the railroads meet this serious situation with which they are confronted? Yes, if allowed to charge a fair compensation for their services. The railroads now receive on an average per mile, seven and one half mills for hauling a ton of freight and less than two cents for carrying a passenger. If this average compensation could be increased even one mill, or the equivalent of the price of a postage stamp for twenty miles' service, it would extricate them from all further trouble and anxiety. It is scarcely conceivable that such a slight advance would injuriously affect any trade, industry or person, yet it would be the means of conferring untold benefits upon the entire business of the country.

The Honorable Martin A. Knapp, late Chairman of the Interstate Commerce Commission, who had twenty years' experience on that board, after a careful study of this question from all viewpoints, expressed his deliberate judgment as follows:

“Without regard to the personnel of railroad officials,

without regard primarily to the interest of stockholders, but in the interest of public welfare and national prosperity, we must permit railroad earnings to be adequate for railway improvement at advantage and profit.

"The prosperity of the country is measured, and will be measured, by the ability of its railways and waterways to transport its increasing commerce. With a country of such vast extent and limitless resources, with all the means of production developed to a wonderful state of efficiency, the continued advancement of this great people depends primarily upon such an increase of transportation facilities as will provide prompt and safe movement everywhere from producer to consumer; and *that* we shall not secure unless the men who are relied upon to manage these great highways of commerce have fitting opportunity, and the capital which is required for their needful expansion is permitted to realize fairly liberal returns."

If the railroads are not allowed to charge a compensation for their services that will enable them to make a fair return on the investment with a reasonable surplus for betterments, improvements and the establishment of their credit, the task on their part of meeting the situation will be hopeless. In equity and justice they are entitled to this; and I believe if the question were understood in its different phases, the good sense and fairness of the American people would be asserted in support of the railroads.

Not only have the railroads' expenses steadily increased of late years, but the purchasing power of the compensation received for their service has decreased. In other words, while the value of a given quantity of farm products will purchase sixty-nine per cent. more ton miles of transportation than in 1900, the purchas-

ing power of the compensation received by the railroads for the transportation one mile of a given number of tons of freight, in 1910 was thirteen per cent. less than in 1900.

With these adverse conditions confronting the railroads, it is absolutely necessary, in order that they perform their functions to the public, that they be allowed to advance at an early date their service charges. This is a matter of more vital concern to the welfare of the entire people than it is to the individual owners of the railroads.

If the railroads deteriorate in the service rendered, as they undoubtedly must if the conditions are not changed, it unmistakably means that commerce will be retarded; that industry will languish; that the many fruits of agriculture will wane; that the proud eminence we have attained in our many varied pursuits will crumble, and the unrest, discontent and dissatisfaction of an unemployed people may lead to the establishment of a new order of things with respect to the ownership and operation of the railroads of the country, with the attendant dangers to the perpetuity of our republican institutions. So the conclusion is irresistibly forced upon us that this railroad question is a government problem, and one of very grave and serious concern, which should be satisfactorily settled, and the ominous dangers threatened averted thereby.

The President of the United States, before his inauguration into office, asserted that: "The measure of service rendered by business to the people will be the measure by which the merit of business shall be judged." The railroad can accept this declaration and be satisfied to stand or fall by its concrete application.

I believe it will always be found that in any estimate made of the dignity and strength of our nation, of the enlightenment and social comforts of our people, of the wealth and commercial greatness of our country, the significance of the railroads must stand forth *a marked, conspicuous and important feature.*

PRESIDENT SPEYER: The last speaker this evening is Dr. William Z. Ripley, Professor of Political Economy in Harvard University. Dr. Ripley is the author of a book entitled, *Railroads: Rates and Regulations*, which was reviewed in the *New York Evening Post* recently, and in that review it was called the most scholarly work that has appeared on American railroads since President Hadley's *Railroad Transportation*. You all will agree with me that praise from the *Evening Post* is praise indeed, and there is nothing that I can add to that. (Applause.)

ADDRESS BY DR. WILLIAM Z. RIPLEY,
Professor of Political Economy, Harvard University;
Author of "Railroads: Rates and Regulations," etc.

Mr. President, and Gentlemen of the Economic Club: On a certain occasion a house and its contents were to be sold at auction. As a preliminary, an inventory of the contents was to be made. A certain individual with a not uncommon weakness was charged with the duty of making up that list. He began in the dining-room. After about an hour he was found comfortably asleep, and on a block of paper at his side was the beginning of his inventory:

"1 Decanter,
1 Revolving Rug."

What a revolving rug of circumstances we view now if we look back over the last ten years and consider the situation of our American railroad companies! A decade ago there seemed almost no limit to their earning power; it seemed as if each ton which they carried, added to the existing volume of their business, meant a larger proportion of profit. A decade ago—if I remember rightly, ten years ago this month,—in connection with a certain transaction which afterward got before the Interstate Commerce Commission, an eminent New York financier described the transfer from one set of bankers to another of the Louisville and Nashville Railroad by saying, "It is as easy as to wrap up a box of candy and sell it over the counter." Ten years ago bankers could sell "collateral trust convertible debentures" of the "X. Y. Z. Railroad" to an unlimited amount. To-day the St. Paul Railway cannot sell four and one half per cent. bonds at par. Less than ten years ago, under the Erdman Act the first application for arbitration coming from the employees was indignantly and scornfully spurned by the railroad managers. To-day we find the railroad managers pleading for some kind of a tribunal which shall give them a just determination of the wage disputes which come before them. And to complete this story of changing circumstances within a decade, I have the utmost pleasure in hearing the foremost railroad presidents of the United States approving a policy of federal government regulation which, when I approved it on paper less than ten years ago, was characterized in a letter from a leading railroad man to the president of my university as "pernicious." Verily, the world has moved forward in this last regard, but it seems to me

as if in others it had moved backward. This is indeed a time when we must seriously take account of stock and see what is the matter.

What now may be done to relieve this situation of distress? I think we must all agree,—representatives of the railroads and of the public—and I have been asked here to speak for the public. It seems to me that three remedial possibilities have been revealed by the proceedings before the Interstate Commerce Commission and in various other directions. One is that relief for the distress of the railroads should come from a greater measure of economy and efficiency in management. A great deal was made of that by the representatives of the shippers in the great cases of 1910, but it is my earnest conviction that the case for the public at that time was not made out. I believe that on the whole the American railroads are efficiently administered—as efficiently as is private business in general, and, in fact, more so. There are certain bars to the introduction of the so-called scientific methods and industrial efficiency which are, of course, familiar to railroad men. One of them, of course, is the fact that they are dealing with organized labor, and organized labor, moreover, not always representing in its policies the highly intelligent and progressive views which I happen to know are held by their spokesman here to-night. There is a rigidity in the seniority laws; there is a rigorousness in the application of hours of service laws and in other directions, which makes it practically impossible to effect the introduction of these efficiency methods.

Then again, railroad operations are spread over a great geographical area of territory. It is impossible to introduce that detailed superintendence, that care-

ful and specific management as to details, which can be applied in the shop. I am reminded in that connection of an incident related to me by a railroad man. He said at a time when he was a young engineer he had been preaching to the track foreman under his charge the necessity of saving material at all times. On one occasion as he walked along the right of way, he picked up a couple of spikes, and as he came along to the track gang he held up these spikes, saying to the foreman, "Pat, you remember what I told you about wasting railroad iron?" And Pat said: "Begorra, I niver forgot it for a moment; I've had three men out two days huntin' for them spoikes!" (Laughter.)

And then, in the third place, you have, of course, as a bar to the introduction of many of those methods of scientific management, the constant demand of the public for better service, for facilities which are unproductive of revenue. They demand better stations; they demand the abolition of grade crossings; they demand safety appliances. In a thousand ways, by legislation or otherwise, it becomes necessary to bear in mind always that the railroad is a public servant, and that its first duty as a matter of public policy is to keep the public contented, rather than continually to have an eye to the saving of the last penny in management. For all these reasons it seems as if the results in this direction, which might be had or which we might expect in future from the introduction of this greater efficiency, are bound to be limited. I do think, however, that there are certain results in this direction which might be had, and which, before the railroads again present claims to the Interstate Commerce Commission, they should very carefully consider. In the

first place, they should look to a reorganization in a number of cases of the purchasing departments. I believe that they should take great care before they come before the Interstate Commerce Commission again, to see to it that they buy all their supplies in the open market, and do not buy from other great industrial combinations with which they happen to have financial affiliations. In the decision of the Eastern case in 1910, the Commission put it as follows:

“Now, if, to use the popular nomenclature, the steel trust is to determine the price which shall be paid for rails and for bridges; if the locomotive trust is to determine the price of engines, the car trust of cars, and the labor trust of labor, and if the railways have only to meet the demands made by these combinations and charge over to the public by an increase of rates whatever is paid, a most unfortunate situation has developed. There is nothing in all this which enables us to say that railways do pay extravagant prices, and if we are satisfied that present rates do not yield an adequate return we should, notwithstanding these conditions of monopoly, unhesitatingly approve an advance, but in view of the monopolistic character of the business we should proceed with caution.”

Departments for the purchase of supplies look to me from the outside as those in which there might be in a number of cases a substantial improvement, and in which a number of the railways might proceed to set their houses in somewhat better order before they go once more with a great case before the Interstate Commerce Commission. From efficiency and economy, then, not much more relief, with this exception, can be expected.

It was supposed for a long time that relief would come from the steady increase in the volume of business. The most notable feature of transportation from 1890 down to 1910 was the way in which, with each increment of business, the profit per unit increased. But since that time a new light has been shed upon this phenomenon. It came first with the congestion of traffic of 1903 to 1905 in the Eastern states, and in 1906 to 1907 in the Western states. It has become increasingly apparent that the railways are an industry not subject fully and clearly to the law of increasing returns, but that they are subject to a certain cycle of expense; that, for instance, the profit per unit goes on swelling with each increment of business up to a certain point of saturation. When two tracks are utilized to the full, when the size of cars and locomotives has reached the limit of supporting power of the bridges, when it becomes necessary to make over the road from one end to the other, not piecemeal as a factory might do, but when it becomes necessary to re-make the whole thing, then a new situation arises. That, I think, is the trouble, in a measure, with some of our New England roads, that they have not sufficiently provided for the time when they would outgrow all their facilities. Now this law, if it be true, means that our railways must have enough surplus income so that they may save up against this time, so that when they reach the point of saturation they shall have that surplus income as a guarantee of their credit. They may then have a part of the necessary funds from income and secure the remainder on that credit by means of issue of new securities. That sufficient provision for the future in this way is not possible at the pres-

ent level of rates seems to me a self-evident proposition.

If, then, we have only a limited relief from greater economy and efficiency, and if the steady increase in the mere volume of business is not going to give any relief, we must turn to the last measure of relief, which is a grant of authority from the Interstate Commerce Commission to put up rates. And here I am rather impressed with the pessimistic note of the representatives of the railways. They seem to assume somehow that the Interstate Commerce Commission is "agin 'em." Their attitude is a little bit like that of the pickaninny who said, "Mammy, what I gwine to git fo' Christmas?" — "Doan' you worry, chile; you aint gwine to get *nuffin ef you 'have yourse'f.*" (Laughter.)

I do not see, in reading over the opinions of the Interstate Commerce Commission, nor in its record, any indication that it is not likely to be open-minded if the case is put up to it right. In order that this might be made clear, I have secured from the Interstate Commerce Commission a record, since the power was given them in 1910, of the number of rate advances which they have approved and those which they have denied. Judging merely by number, which, of course, is only a superficial way, they have approved in part or in whole eighty-four advances; they have disapproved only sixty. But that is not at all conclusive. The point is their attitude in general, and I think one has only to read the decision in that great Eastern case of 1910 to see that upon the premises they have faithfully though negatively decided, but that all through these decisions they assumed that if these premises

proved false, their decision in future would be quite different. In the Western case I find the statement:

“It now appears probable that at the end of the fiscal year 1911, the carriers here involved will, in the main, enjoy earnings as high as those they had in 1910, the highest year in their history. We do not say that the carriers may not increase their income. We trust they may and confidently believe they will. If the time does come when through changed conditions it may appear that their fears are realized, and from a survey of the whole field of operation there is evidence of a movement which makes against the growth and lasting value of legitimate investment, and adequate return upon the value of these properties, this Commission will not hesitate to give its sanction to increases which will be reasonable.”

It is perfectly apparent that these premises have changed, and I believe that, instead of spreading alarm by giving the impression that the Commission will not act, the true policy for the railways is to get together,—get together with the representatives of the shippers, not make the mistake they made in 1910,—to consult with the representatives of the shippers through their experts, just as was done in the recent adjudication of the transcontinental commodity rates, where the Commission in its decision distinctly speaks of the commendable co-operation on the part of the carriers and shippers.

Let me read just a word from the other decision of this Commission, namely, in the Eastern case:

“If actual results should demonstrate that our forecast

of the future is wrong, there might be ground for asking a further consideration of this subject.

"But it should be further said that before any general advance can be permitted, it must appear with reasonable certainty that carriers have exercised proper economy in the purchase of their supplies, in the payment of their wages, and in the general conduct of their business.

"Should the necessity for a general advance in freight rates for the purpose of providing greater revenues be established, then it would become a serious question as to whether these class rates should be selected for the increase and as to what, if any, changes should be made in the relation between the classes or between communities."

Now, the trouble with that great rate case in 1910 was, in my judgment, that the railroad forces were not properly marshalled at the beginning; that there was a constant reiteration of the same thing, without a careful division of the field, and an intensive study and preparation of each argument by an expert.

One mistake was that the increases were not laid where they might have been. And to show you how it looks to me, outside of the business, what would make a stronger case, let me name a few of those commodities which to-day, I believe, could in a measure be put before the Commission as susceptible of increase. First, sugar. Of course, there is an infinite mass of detail here about rate wars, etc., for four or five years between the Gulf lines and the lines from seaboard. But take sugar. Over one third of the West-bound tonnage from New York is the product of one great industrial combination. The rate on sugar in 1900 was, I think, thirty cents; it is now twenty-three. Why should not sugar be picked out for an increase? At all events, why should not the

question be carefully considered whether a slight increase on this vast tonnage all over the country might not yield a larger revenue? Put your case on at least some few commodities of this kind, rather than put forth a plea for an increase of a very small amount on a large volume of other kinds of merchandise.

Take copper. The rate on copper from the smelter to New York is less per mile than the rate on grain, and less than the rate on soft coal. Consider the value of copper and soft coal, and consider what that means. No doubt there are reasons, because of water competition and others, why the copper rate is held low, but it seems to me that a commodity of this kind also might be picked out as not bearing its due share of the cost of operation.

Take beef products, packing-house products; those are lower than they were in 1900. If the railways were paid for the use of the cars which transport packing-house products at the rates which the railways pay themselves, or pay one another for the use of their equipment, the return for the beef cars between Chicago and New York would be more than doubled. Now, here again there are conditions which I have not time to go into here. The question arises, however, whether there, in the transportation of beef and packing-house products, something might not be expected in the way of an increase.

And so I might go on with a long list. The point I want to make is this,—that the policy possibly open to the railroads is by careful conference with the representatives of the shippers to look through the whole list, pick out those things which obviously are not bearing their share of the general expense, and then

see if a strong case can not be put forward to the Commission.

The revision of classification, again, offers possibilities. At all events, reading these opinions of the Commission in the past, it seems to me that under present circumstances, the hope is big that the Commission would grant these increases; that they would recognize the serious burden of their increasing cost, not only from increased price of raw material, but from the increased wages which are paid, and that relief to a considerable degree may be hoped for before very long. In fact, it must come. We are approaching a crisis where, unless relief does come from that source, the public is going to be denied the facilities and the extensions to which it is justly entitled.

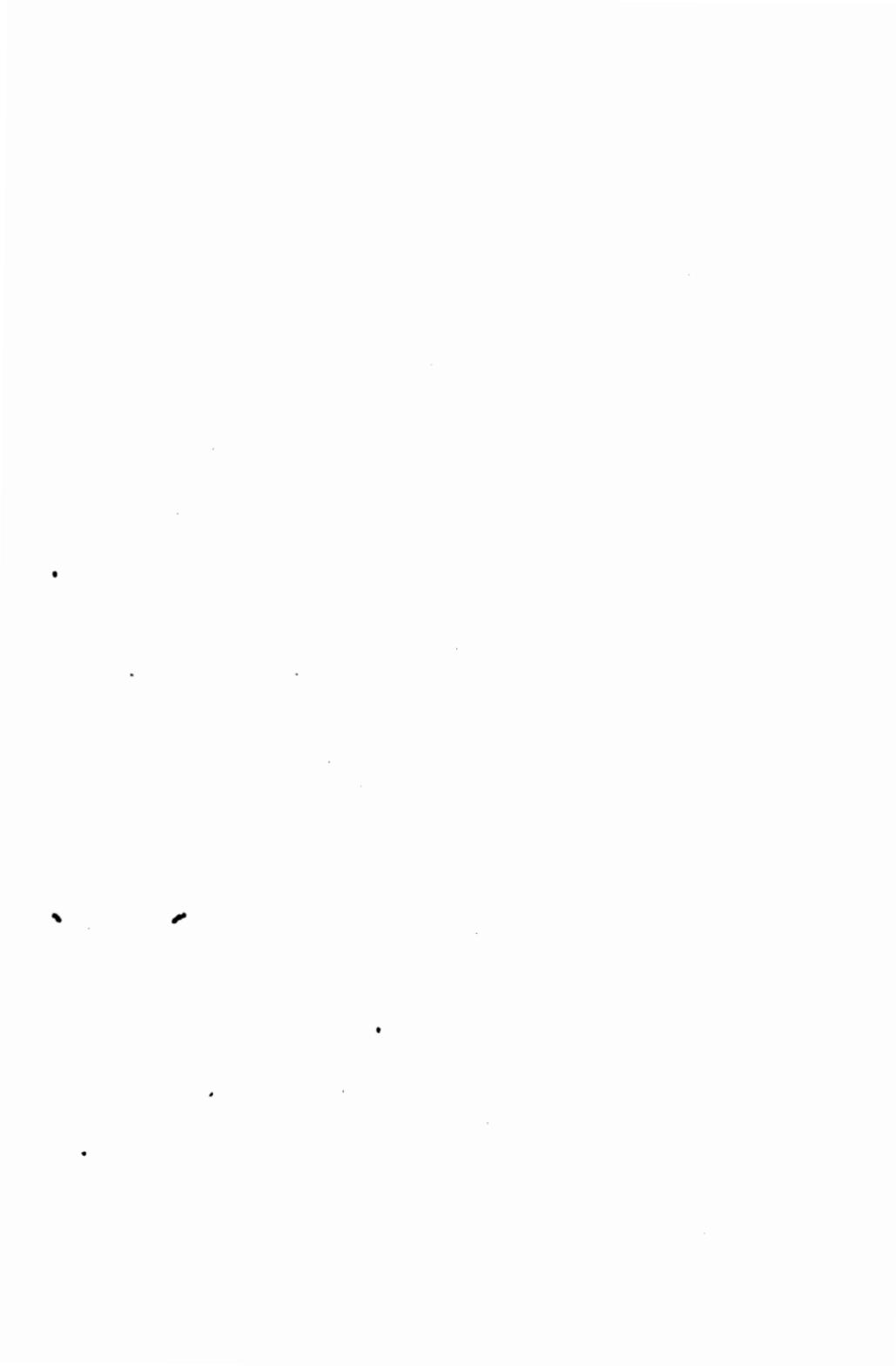
I had intended to speak also of other questions, of relations of employees, and of the danger of the burden of undue legislative interference; but it seems to me that on the whole the plea for these has been so strongly presented, and it is so clear, that it is hardly necessary to say more. It is perfectly clear that, unless a tribunal can be established for the adjudication of wage disputes which shall lead to something more than a compromise—always a compromise “up,”—but which shall lead, on the other hand, to a settlement of the question on the merits of the case, distress and danger will result.

There should be such an amendment of the Erdman Act that not all the responsibility for the decision, involving millions of dollars, should rest upon the shoulders of one single unfortunate individual who is the third party in that arbitration board; that the law should provide for such an increase in the number

that, while both parties directly in interest should be represented, a sufficient number of neutrals should be there to represent the public and the larger aspect of the question, so that responsibility for the decision may be massed, and the decision may emerge upon the merits of the case.

And then, finally, as to legislative interference. Is n't it perfectly clear that this continual crop of piecemeal state legislative enactments must give way before a well-ordered policy, by which there shall be, so far as possible, under our law regulation by the federal government as a whole? The states are bound to keep at it, but at least the opinion can be spread among the people that, having once created a commission of supposed experts, the legislatures should keep hands off; the legislatures should entrust the duty of applying those laws to the experts which they have created.

It is my good fortune to be much with, and to deal with, young men. Young men radiate an atmosphere of hope, of enthusiasm, of optimism; and I believe that all that is necessary at the present time, being myself filled with that air of hope,—I believe that what is necessary is a full and free presentation of the present condition of affairs; a presentation of the rate question, not to the public which is not going to decide it, but to the Interstate Commerce Commission, which is the authority, and which I believe will decide it rightly; and an education of the people at large to the dangers that are bound to result if they continue the crop of petty legislative enactments from which the railroads so much suffer at the present time. (Applause.)



FIRST MEETING

Wednesday Evening, June 5, 1907

HOTEL ASTOR

Greetings from the Economic Club of Boston
Ex-Mayor JOSIAH QUINCY of Boston

SUBJECT

*IS THE OVER-CAPITALIZATION OF RAILROADS
AN EVIL?*

SPEAKERS

STUYVESANT FISH
New York

JOSEPH FRENCH JOHNSON
Dean of the School of Commerce and Finance, New
York University

CHARLES A. CONANT
Banker, Publicist

ALEXANDER D. NOYES
Financial Editor of the *New York Evening Post*

HENRY CLEWS
Banker

JOHN BATES CLARK
Professor of Political Economy, Columbia University

FRANCIS LYNDE STETSON
Of the New York Bar

EDWIN R. A. SELIGMAN, *Presiding*
Vice-President of the Club

SECOND MEETING**Thursday Evening, December 12, 1907****HOTEL ASTOR****SUBJECT*****THE PRESENT FEDERAL POLICY IN RELATION
TO TRUSTS AND CORPORATIONS*****SPEAKERS****HON. WILLIAM H. LANGDON****District Attorney for the City and County of San
Francisco****HON. CHARLES A. PROUTY****Interstate Commerce Commission, Washington****REV. THOMAS R. SLICER****Pastor All Souls' Church, New York****HON. JEFFERSON M. LEVY****Formerly Member of Congress from New York****JOHN G. AGAR****Of the New York Bar****A. BARTON HEPBURN, *Presiding*
President of the Club**

THIRD MEETING

Wednesday Evening, February 5, 1908

HOTEL ASTOR

SUBJECT

***THE CURRENCY SYSTEM OF THE
UNITED STATES***

SPEAKERS

VICTOR MORAWETZ

Chairman of the Executive Committee of the Atchison,
Topeka & Santa Fé Railroad

ANDREW CARNEGIE

New York

HON. LYMAN J. GAGE

Formerly Secretary of the Treasury, Washington

HON. WILLIAM JENNINGS BRYAN

Lincoln, Nebraska

FRANCIS LYNDE STETSON, *Presiding*

Vice-President of the Club

FOURTH MEETING

Wednesday Evening, April 1, 1908

HOTEL ASTOR

SUBJECT

*THE PRESENT INFLUENCE OF SOCIALISTIC
DOCTRINE UPON INDUSTRY AND
LEGISLATION*

SPEAKERS

FREDERIK VAN EEDEN

Sociologist, Poet, of Holland

ALBERT SHAW

Editor of the *Review of Reviews*

JOHN BATES CLARK

Professor of Political Economy, Columbia University

MORRIS HILQUITT

Member of the National Executive Committee of the
Socialist Party of the United States

FRANKLIN H. GIDDINGS

Professor of Sociology, Columbia University.

A. BARTON HEPBURN, *Presiding*
President of the Club

FIFTH MEETING

Monday Evening, November 30, 1908

HOTEL ASTOR

SUBJECT

THE OUTLOOK FOR PROSPERITY

SPEAKERS

HON. PAUL MORTON

President of the Equitable Life Assurance Society

NICHOLAS MURRAY BUTLER

President of Columbia University

CYRUS H. McCORMICK

President of the International Harvester Company

AUGUSTUS THOMAS

Playwright

EDWARD H. HARRIMAN

President of the Union Pacific Railroad

FRANCIS LYNDE STETSON, *Presiding*

Vice-President of the Club

SIXTH MEETING

Monday Evening, January 18, 1909

HOTEL ASTOR

SUBJECT

*LABOR ORGANIZATIONS IN RELATION TO
EFFICIENT DEMOCRACY*

SPEAKERS

HARRY A. GARFIELD

President of Williams College

WARREN S. STONE

Grand Chief of the International Brotherhood of
Locomotive Engineers

HON. CHARLES E. LITTLEFIELD

Formerly Member of Congress from Maine

HON. J. KEIR HARDIE, M.P.

Chairman of the Labor Party in the House of
Commons

HAROLD E. GORST

London

CHARLES RANN KENNEDY

Author of *The Servant in the House*A. BARTON HEPBURN, *Presiding*

President of the Club

SEVENTH MEETING

Monday Evening, March 29, 1909

HOTEL ASTOR

GUESTS OF HONOR

HON. H. WADA

Director-General of the Japanese Exposition of 1917

HON. T. SAKAI

Commissioner of the Japanese Exposition of 1917

SUBJECT

OUR COMMERCIAL RELATIONS WITH THE
ORIENT

SPEAKERS

HON. OSCAR PHELPS AUSTIN

Chief of the Bureau of Statistics of the Department
of Commerce and Labor, Washington

JOHN FOORD

Secretary of the American Asiatic Association; for-
merly Editor-in-Chief of the *New York Times*

HON. CHESTER HOLCOMBE

Formerly Secretary of the American Legation and
Acting Minister at Peking

HON. JOHN GREEN BRADY

Governor of Alaska from 1897 to 1909

ALEXANDER TISON

Formerly Professor of English and American Law in
the Japanese Imperial University at Tokyo

FRANCIS LYNDE STETSON, *Presiding*

Vice-President of the Club

EIGHTH MEETING**Wednesday Evening, May 5, 1909****HOTEL ASTOR****SUBJECT*****TARIFF PROBLEMS*****SPEAKERS****HON. THEODORE P. SHONTS**

President of the Interborough Rapid Transit Company; formerly Chairman of the Panama Canal Commission

HENRY R. TOWNE

President of the Merchants' Association of New York; President of the Yale and Towne Manufacturing Company

KENYON COX

Artist, Author

HON. W. BOURKE COCKRAN

New York

A. BARTON HEPBURN, *Presiding*
President of the Club

NINTH MEETING

Monday Evening, November 29, 1909

HOTEL ASTOR

GUESTS OF HONOR

HON. HENRY WHITE
Ambassador to France

HON. DAVID JAYNE HILL
Ambassador to Germany

MEMBERS OF THE NATIONAL MONETARY COMMISSION

SUBJECT

***THE WORK OF THE NATIONAL MONETARY
COMMISSION***

SPEAKER

HON. NELSON W. ALDRICH
United States Senator from Rhode Island

FRANCIS LYNDE STETSON, *Presiding*
President of the Club

TENTH MEETING

Friday Evening, January 28, 1910

HOTEL ASTOR

SUBJECT

*THE FEDERAL SUPERVISION OF RAILROAD
CORPORATIONS*

SPEAKERS

HON. JUDSON C. CLEMENTS

Of the Interstate Commerce Commission, Washington

HON. WILLIAM MCCARROLL

Of the Public Service Commission of New York State

WALKER DOWNER HINES

Acting Chairman of the Executive Committee of the
Atchison, Topeka & Santa Fé Railroad

EMORY R. JOHNSON

Professor of Transportation and Commerce in the
University of PennsylvaniaFRANCIS LYNDE STETSON, *Presiding*
President of the Club

ELEVENTH MEETING

Thursday Evening, March 24, 1910

HOTEL ASTOR

SUBJECT

*SHOULD THE PENDING AMENDMENT TO THE
CONSTITUTION, PERMITTING A FEDERAL
INCOME TAX, BE ADOPTED?*

SPEAKERS

AUSTEN G. FOX
Of the New York Bar

HON. LAWSON PURDY
President of the Department of Taxes and Assessments
of New York City

WILLIAM D. GUTHRIE
Of the New York Bar

HON. WILLIAM E. BORAH
United States Senator from Idaho

FRANCIS LYNDE STETSON, *Presiding*
President of the Club

TWELFTH MEETING

Wednesday Evening, May 18, 1910

HOTEL ASTOR

SUBJECT

OUR COMMERCIAL RELATIONS WITH CANADA

SPEAKERS

HENRY M. WHITNEY

Formerly President of the Boston Chamber of
Commerce

HON. WALLACE NESBITT, K. C.

Formerly Justice of the Supreme Court of Canada

D. LORNE MCGIBBON

President of the Canadian Consolidated Rubber
Company

HON. CHARLES S. HAMLIN

Formerly Assistant Secretary of the Treasury

FRANCIS LYNDE STETSON, *Presiding*
President of the Club

THIRTEENTH MEETING

Tuesday Evening, December 13, 1910

HOTEL ASTOR

GUESTS OF HONOR

HON. ALBERT SÜDEKUM

Member of the German Parliament for Nuremberg

DR. TASUKU HARADA

President of the Doshisha University, Kyoto

HON. WILLIAM LOEB, JR.

Collector of Customs, Port of New York

SUBJECT

*IS FURTHER CONCENTRATION OF POWER IN
THE FEDERAL GOVERNMENT DESIRABLE?*

SPEAKERS

HON. FREDERIC J. STIMSON

Of the Boston Bar

ALBERT BUSHNELL HART

Professor of History in Harvard University

HON. FRANK B. KELLOGG

Formerly Special Counsel for the United States
Government

MELANCTHON WOOLSEY STRYKER

President of Hamilton College

JOHN G. MILBURN, *Presiding*

President of the Club

FOURTEENTH MEETING**Friday Evening, February 10, 1911****HOTEL ASTOR****SUBJECT*****SHOULD THE PANAMA CANAL BE FORTIFIED?*****SPEAKERS****HENRY WADE ROGERS**

Dean of the Law School, Yale University

DR. LOUIS LIVINGSTON SEAMAN

Major-Surgeon, U. S. Volunteer Engineers

LIEUTENANT-GENERAL NELSON A. MILES, U. S. A.

Senior Commanding Officer, U. S. A., from 1895 to 1903

HENRY REUTERDAHL

Naval Artist and Author

HON. J. WARREN KEIFERMember of Congress from Ohio; formerly Speaker of
the House of Representatives**JOHN G. MILBURN, *Presiding***

President of the Club

FIFTEENTH MEETING

Monday Evening, March 27, 1911

HOTEL ASTOR

SUBJECT

***THE NEW CONCEPTION OF INDUSTRIAL
EFFICIENCY***

SPEAKERS

FRANK B. GILBRETH
Contractor and Builder

JAMES O. FAGAN
Railroad Signalman

HENRY R. TOWNE
President of the Merchants' Association

HARRINGTON EMERSON
Efficiency Engineer; Author of *Efficiency*, etc.

JAMES DUNCAN
Secretary-Treasurer of the Granite Cutters' International Association

LOUIS D. BRANDEIS
Of the Boston Bar

HON. WILLIAM MCCARROLL, *Presiding*
Of the Public Service Commission

SIXTEENTH MEETING

Monday Evening, May 22, 1911

HOTEL ASTOR

GUESTS OF HONOR

HON. GEORGE VON L. MEYER
Secretary of the Navy

REAR-ADMIRAL ALFRED T. MAHAN, U. S. N.
Delegate to the First Hague Peace Conference

HON. ALLEN BAKER, M. P.
London

SUBJECT

*INTERNATIONAL ARBITRATION, ITS ECO-
NOMIC AND POLITICAL ASPECTS*

SPEAKERS

BARON D'ESTOURNELLES DE CONSTANT
Member of the French Senate; President of the Associ-
ation for International Conciliation

HAMILTON HOLT
Editor of the *Independent*

HUDSON MAXIM
Inventor, Mechanical Engineer, Author

HON. SAMUEL J. ELDER
Senior Counsel in the Fisheries Arbitration with Great
Britain

JAMES SPEYER, *Presiding*
Vice-President of the Club

SEVENTEENTH MEETING

Wednesday Evening, November 22, 1911

HOTEL ASTOR

SUBJECT

**GOVERNMENT REGULATION OF TRUSTS,
WITH SPECIAL REFERENCE TO
THE SHERMAN ACT**

SPEAKERS

HON. ALBERT BAIRD CUMMINS
Senator from Iowa

SAMUEL UNTERMYER
Of the New York Bar

DR. JAMES R. DAY
Chancellor of Syracuse University

HON. MARTIN W. LITTLETON
Member of Congress from New York

JOHN G. MILBURN, *Presiding*
President of the Club

EIGHTEENTH MEETING**Tuesday Evening, December 19, 1911****HOTEL ASTOR****GUESTS OF HONOR****ANDREW CARNEGIE**

President of the New York Peace Society

HON. RICHARD BARTHOLDT, M.C.

Interparliamentary Union

HON. SETH LOW

Formerly Mayor of the City of New York

HENRY W. TAFT

Of the New York Bar

HON. A. BARTON HEPBURN

President of the New York Chamber of Commerce

President of the New York Clearing House

SUBJECT***THE ARBITRATION TREATIES*****SPEAKER****HON. WILLIAM HOWARD TAFT**

President of the United States

JOHN G. MILBURN, *Presiding*

President of the Club

NINETEENTH MEETING

Thursday Evening, February 29, 1912

HOTEL ASTOR

GUEST OF HONOR

HON. W. MORGAN SHUSTER

Formerly Treasurer-General of Persia

SUBJECT

*THE INITIATIVE, REFERENDUM AND RE-
CALL IN RELATION TO REPRESENTATIVE
GOVERNMENT*

SPEAKERS

WILLIAM ALLEN WHITE

Editor of the *Emporia Gazette* (Kansas)

FREDERICK P. FISH

Formerly President American Bell Telephone
Company

LEWIS J. JOHNSON

Professor of Engineering, Harvard University

HON. THEODORE E. BURTON

Senator from Ohio

PROF. JOSEPH FRENCH JOHNSON, *Presiding*
Of New York University

TWENTIETH MEETING

Thursday Evening, May 23, 1912

HOTEL ASTOR

COMMEMORATING THE FIFTH ANNIVERSARY
OF THE CLUB'S ORGANIZATION*OUR FIFTH BIRTHDAY*

ADDRESSES BY

WILLIAM H. LINCOLN

President of the Economic Club of Boston

HENRY CLEWS

A Founder of the Economic Club of New York

JOHN G. MILBURN

President of the Club

SUBJECT

GOVERNMENT IN RELATION TO BUSINESS

SPEAKER

HON. WOODROW WILSON

Governor of the State of New Jersey

JOHN G. MILBURN, *Presiding*

President of the Club

OFFICERS, 1912-1913

President

JAMES SPEYER

Vice-Presidents

FRANK A. VANDERLIP

THOMAS R. SLICER

Secretary

ROBERT ERSKINE ELY

Treasurer

JOSEPH FRENCH JOHNSON

Executive Committee

The Officers and

JAMES G. CANNON

WILLIAM G. McADOO

HENRY CLEWS

JOHN G. MILBURN

GEORGE B. CORTELYOU

HENRY MORGENTHAU

OTTO M. EIDLITZ

GEORGE W. PERKINS

WALKER D. HINES

GEORGE HAVEN PUTNAM

HAMILTON HOLT

EDWIN R. A. SELIGMAN

SAMUEL McCUNE LINDSAY

FRANCIS LYNDE STETSON

FRANK TRUMBULL

CONSTITUTION

AS AMENDED BY VOTE OF THE CLUB
MARCH 29, 1909, AND NOVEMBER 22, 1911

I.

Title

This organization shall be known as The Economic Club of New York.

II.

Object

The object of the Club shall be to aid in the creation and expression of an enlightened public opinion on the important economic and social questions of the day.

III.

Officers and Committees

1. The officers of the Club shall be a President, two Vice-Presidents, a Secretary and a Treasurer, who, with fifteen other members, shall constitute the Executive Committee. Any seven members of the Executive Committee shall constitute a quorum. The

officers shall be elected by the Club, except the Secretary and the Treasurer, who shall be chosen by the other members of the Committee. Officers are elected to serve until the the following annual election, to be held at the last regular meeting of each fiscal year, or until their successors are chosen. The President, or in his absence one of the Vice-Presidents or other executive officers, shall preside at all business meetings of the Club. The President shall preside at, or may choose a presiding officer for, each public discussion.

2. The members of the Executive Committee, exclusive of the officers, shall be divided into three groups of five members each, one group to be elected each year at the annual election, to serve for the term of three years, and the members so elected shall not be eligible for re-election until one year after the expiration of their terms of office.

IV.

Duties of the Executive Committee

Except in so far as they may be limited by express vote of the Club, the Executive Committee shall have full authority to manage its business and properties, to fill vacancies in offices and committees, to make all necessary arrangements for meetings and procuring of speakers, and to appropriate funds from the net balance in the treasury in payment for any services, rents, or other expense properly incurred in carrying on the work of the organization. Neither the Club nor any officer or committee shall contract any indebtedness exceeding the net balance then remaining in the treasury.

V.

Meetings

Four regular meetings shall be held each year, to consist of a dinner followed by a discussion of some economic subject, at such time and place as the Executive Committee may determine. Special meetings may be called at any time by the President, the Executive Committee, or by a petition of ten per cent. of the membership of the Club filed with the Secretary.

VI.

Membership

1. Candidates for membership must be proposed by one member of the Club, seconded by another, and submitted to a Membership Committee of three members appointed by the Executive Committee. A unanimous vote of the Membership Committee shall be necessary for the election of candidates.

2. The annual dues for membership shall be fifteen dollars, payable in advance at the beginning of each fiscal year. Members shall have the privilege of attending the four regular meetings of the Club without additional payment.

3. Members admitted at any time after the first regular meeting of any fiscal year shall be given credit for a sufficient number of meetings in the next following fiscal year, so that such members shall have the privilege of attending *the four consecutive meetings from the date of their admission to membership*; and they shall make

a proportionate further payment for the remainder of the fiscal year after the fourth consecutive meeting.

4. The number of members shall be limited to twelve hundred.

5. The fiscal year shall begin October first in each year.

6. Honorary members may be elected at any time by unanimous vote of the Executive Committee. Such members shall be exempt from the payment of dues and shall have all the privileges of membership except those of voting and holding office. Honorary members shall not be included under the limitation of the number of members fixed by the Constitution.

7. Speakers participating in the discussions of the Club who are non-members, by vote of the Membership Committee may become complimentary members for the term of one year following an address by them at any meeting of the Club. Such members shall be exempt from the payment of dues and shall have all the privileges of membership except those of voting and holding office. Such members shall not be included under the limitation of the number of members fixed by the Constitution.

VII.

Resignations

1. Resignations must be made in writing and sent to the Secretary of the Club not later than November fifteenth in any fiscal year.

2. Members whose dues for the current fiscal year are not paid and who do not send in a written resignation by or before November fifteenth, provided at least

two notices that the dues are payable have been mailed to such members on or about October first and on or about November first, shall be dropped from the Club.

VIII.

Amendments

This Constitution may be amended by a two-thirds vote at any regular meeting of the Club, provided that at least one week's notice be given to each member of the general nature of any proposed amendment or addition, such notice to be sent upon order of the President or Executive Committee or on petition of five per cent. of the members.

THE NATIONAL ECONOMIC LEAGUE

J. W. BEATSON, *Secretary*
6 Beacon St., Boston, Mass.

The object of the National Economic League (with which the Economic Club of New York is affiliated) is to disseminate facts concerning social and economic questions and to promote discussion of such questions. The League undertakes to secure through its National Council, which is composed of representative men from every state, a consensus of the best public opinion of the country as to which are the really vital economic and social questions, and aims to crystallize public sentiment regarding these questions and make it an effective force for good.

Last year, *Efficiency in the Administration of Justice* was the subject selected by the National Council as of paramount importance, and this subject has already been discussed by many of the Economic Clubs. A special committee of the League, composed of Mr. Louis D. Brandeis, Dr. Charles W. Eliot, Hon. Adolph J. Rodenbeck, Prof. Roscoe Pound, and Hon. Moorfield Story, is at present engaged on a report on this question which when finished will be submitted to a vote of the Council.

Economic Clubs have thus far been established in New York, Boston, Philadelphia, Chicago, San Francisco, Indianapolis, and in smaller cities, and similar clubs, it is expected, will be formed within the near future in other cities. It is a fundamental feature of these clubs that at each meeting speakers representing

diverse view-points upon the question under discussion be brought together in order that the arguments on all sides may be heard and compared. Over a thousand addresses have thus far been delivered before the Economic Clubs, a majority of the speakers having been obtained through the Speakers' Bureau of the Economic League.

EXECUTIVE COUNCIL

DAVID STARR JORDAN, Former President of Leland Stanford, Jr., University.

LOUIS D. BRANDEIS, Lawyer.

JACOB GOULD SCHURMAN, President of Cornell University.

CHARLES J. BONAPARTE, Former U. S. Attorney-General.

JOHN D. LONG, Former Secretary of the Navy.

JOHN GRAHAM BROOKS, Sociologist.

PETER STENGER GROSSCUP, Former Judge of U. S. Circuit Court of Appeals.

FRANKLIN K. LANE, Secretary of the Interior.

CHARLES P. NEILL, Former U. S. Commissioner of Labor.

EDWIN GINN, Publisher.

CHARLES F. THWING, President of Western Reserve University.

HARVEY S. CHASE, *Treasurer*, Expert Municipal Accountant.

J. W. BEATSON, *Secretary*, 6 Beacon Street, Boston.

AFFILIATED SOCIETIES

- THE ECONOMIC CLUB OF NEW YORK (N. Y.)
JAMES SPEYER, *President*. 1200 members.
- THE ECONOMIC CLUB OF BOSTON (Mass.)
WILLIAM H. LINCOLN, *President*. About 1000
members.
- THE ECONOMIC CLUB OF WORCESTER (Mass.)
GEO. H. BLAKESLEE, *President*. About 500 members.
- THE ECONOMIC CLUB OF PORTLAND (Me.)
RICHARD WEBB, *President*. About 300 members.
- THE ECONOMIC CLUB OF NEW HAVEN (Conn.)
EDWIN P. ROOT, *President*. About 250 members.
- THE ECONOMIC CLUB OF PROVIDENCE (R. I.)
WILLIAM H. SWEETLAND, *President*. About 500
members.
- THE ECONOMIC CLUB OF SPRINGFIELD (Mass.)
EMBURY P. CLARK, *President*. About 350 members.
- THE ECONOMIC CLUB OF MANCHESTER (N. H.)
P. H. SULLIVAN, *President*. About 250 members.
- THE ECONOMIC CLUB OF BROCKTON (Mass.)
WARREN A. REED, *President*. About 250 members.
- THE ECONOMIC CLUB OF INDIANAPOLIS (Ind.)
ELMER W. SCOTT, *President*. About 400 members.
- THE WESTERN ECONOMIC SOCIETY (Chicago, Ill.)
SHALER MATHEWS, *President*.
- THE ECONOMIC CLUB OF SAN FRANCISCO (Cal.)
DAVID P. BARROWS, *President*. About 300 members.
- THE ECONOMIC CLUB OF PHILADELPHIA (Pa.)
GARFIELD SCOTT, *Secretary pro tem*.
and others

STANFORD UNIVERSITY LIBRARY

To avoid fine, this book should be returned on
or before the date last stamped below

10M-3-35

USE ONLY
DO NOT REMOVE
FROM LIBRARY

