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## Economic Conditions Governmental Finance United States Securities

New York, May, 1921.

### General Business Conditions.

**T**HE general situation as to trade and industry has shown some further improvement during the past month, although the fundamental difficulty, which is the disruption of the price level between raw products and manufactured goods is yet far from overcome. According to government reports, the level of the principal farm products declined 5.6 per cent in March, whereas the normal movement in March is upward, and over the last ten years has averaged 3.4 per cent. On April 1 the index figure of farm products was 58.3 per cent lower than a year ago, 48.6 per cent lower than two years ago and 27.6 per cent lower than the average on April 1 of the past ten years. Other primary products, such as lumber and the metals, as yet have made no recovery, while on the other hand manufactured products, especially at retail, freight charges and personal services generally, have made no corresponding decline. Naturally the sale of manufactures has fallen off, railway traffic has declined and there is a large amount of unemployment. A description of the situation is enough to explain it, for agricultural products and raw materials represent the purchasing power of about one-half the population.

Nevertheless, there is bound to be more doing in the Spring than in mid-Winter, and the industries are going much better than they were three months ago. The automobile industry naturally is stimulated by Spring and good weather, and has come back strong. The tire industry has revived, and one of the biggest tire companies, the Goodyear, which was in financial difficulties as a result of the sudden falling of business in the face of big inventories, has been successfully refinanced and started on its way. The tire industry is an important factor in the cotton-spinning industry, and the mills that are getting busy again on tire materials are no longer competing upon other cotton fabrics. Other outdoor activities are having similar stimulating effects.

The building industry is the one that should show the greatest improvement, as there is an undoubted shortage of houses everywhere,

but building operations are held in check by the excessive costs. Wages are high in the building trades, and materials are high because of the wage costs in them and the high cost of transportation, which in turn is due to the wage advances to railway employees. Bradstreet's report of building permits issued in 155 cities in March showed an aggregate of \$118,439,947, as against \$145,923,799 in March, 1920. Even this does not signify that all of the work is going forward at once.

### Textiles and Shoes

It is about one year ago that price-cutting began in cotton and woolen goods, although the silk boom culminated earlier. Goods had been ordered on a large scale for fall trade, but as the alarm spread the orders were generally cancelled. The same was true of shoes, and buying in all of these lines has not been normal since then. The orders were not reinstated. The fall season was practically skipped so far as the mills and factories were concerned, while dealers worked off their stocks, or bought in small lots to meet immediate needs. The spring trade has been handled in much the same way, the buying being relatively light and from hand to mouth, although there has been a good degree of revival in mill operations. The consumption of raw cotton was 366,270 bales in January, 385,563 bales in February, and 437,933 bales in March. The last figure compares with 575,789 in March, 1920.

The shoe industry has made some improvement, but is still slow. The Endicott-Johnson Company, of Binghamton, has announced a general reduction of wages of 20 per cent, from lowest to highest, effective May 1. In making the announcement the president, George F. Johnson, said that since 1914 the wages of the employees had been increased 140 per cent, not including the bonuses, which amount to 87 per cent more. Therefore, with the wage reduction effective, the employees are still receiving an increase of more than 100 per cent over 1914, while the cost of living is steadily decreasing.

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## Woolen Goods and Clothing

In woolen and worsted goods, interest now centers in business for fall delivery, and the situation is very good, particularly in goods for women's wear. The manufacturers have good order books, but the memory of last year abides and they are timid about buying the raw materials, for fear of cancellations. Their prices are at little better than cost, and they do not wish to take chances. For this reason the movement of raw wool has not been proportionate to the orders for cloth, and considerable purchases of wool remain to be made. The clothing trade has been restricted, but is said to be improving. In Chicago, wages in the clothing industry have been arbitrated, with the result that a reduction of 10 per cent has been agreed to. Arbitration proceedings are in progress at Rochester, an important clothing center, and the presentation of the case by the manufacturers states that the actual number of garments being made is 25 to 50 per cent below normal. In New York, a strike in the clothing industry has been on for six months. Ordinarily about \$200,000,000 worth of clothing, of the cheaper grade, is made in this city, but this year it is estimated that the curtailment will be 85 per cent. The industry in Boston is also tied up in a strike.

## Cotton Goods

The cotton goods market has been very uneven and fitful since last fall. Perhaps the most encouraging feature of late has been a greater degree of stability, although prices generally are little above the bottom level of the depression. The print cloth market remains steady at around  $6\frac{1}{2}$ c for  $38\frac{1}{2}$  in., 64x60, 5.35's. This is a half cent up from the low point reached by these goods. There is a little more activity in coarse yarn merchandise.

Amory, Brown & Company, the largest manufacturers of cotton blankets, have announced the price on their line for the fall season at 40 per cent below that of a year ago. The same house has named 18 cents per yard on 8 ounce mitten flannel, which sold last year at 45 cents per yard.

Colored goods, such as gingham, outings and other semi-fancy merchandise, are moving very well, but the finer goods, such as cotton-and-silks, high priced voiles and lawns, are in an unsatisfactory position. It is said that retail prices upon these have not been reduced enough to attract the public.

The news from the British cotton goods industry about the 1st of April, was more encouraging, but the coal strike has given it a set-back.

The silk goods industry, which started up very well a month or two ago is doing well, and prices have advanced slightly. Raw silk is still on about the basis fixed by the Japanese

pool, to which the government has lent some financial support.

Generally speaking retail trade in large cities is reported good, which emphasizes the falling-off in the rural districts.

## Iron and Steel

The iron and steel situation is quiet, with demand light, and no developments of importance since the United States Steel Corporation announced its reductions. The smaller producers are making practically no profit from present operations, and are not disposed to cut prices further at a time when they see little prospect of stimulating the demand. The big corporation is very deliberate in its policies, and especially desirous of avoiding criticism in its relations with labor. It is responsible for no wage reductions as yet, although with operations curtailed approximately one-half it is evident that wage payments are very much lower than they were. This, however, does not excite criticism like wage rate reductions, and the management probably is of the same opinion expressed by others, that price reductions at this time would not create new business. The reduction of prices in any one line usually seems to the people in that line to be not enough in itself to change the general situation. They are all willing to change after the others do.

## The Agricultural Situation and Foodstuffs

The Winter wheat crop is still looking fine, promising one of the largest yields ever known. The Spring sowing of all grains has been somewhat retarded by cold weather and snow, but the soil is in good condition. The acreage under cultivation probably will be somewhat reduced, as it will be the policy of the farmers to avoid outlays and risks in their operations this year, and make the crop as cheaply as possible. New crop wheat has been contracted in Chicago at slightly above \$1.00 per bushel. Flour trade is light on account of the declining wheat market, and leading bakers are reducing the price of bread, as much, they claim, as possible without reducing wages in that industry.

Butter declined further during the month, and the prospects are that the supplies put into storage will be large, and that they will go in at about pre-war prices.

The price of refined sugar in New York which in January advanced to 7.35 cents per hundred pounds has been undergoing a decline, and at the close of April was quoted at 6.50 to 6.60. The financial situation in Cuba is bad and has been made worse by a strike of the employes of the Cuba railway, which stops the movement of sugar, and will shut down some of the centrals for want of storage facilities.



The general outlook for the crops at this time indicates a favorable year and supplies of foodstuffs ample for the wants of the country. The South will be more nearly self-supporting in this respect than has been usual in the past.

Considerable damage has been done to fruit mainly in the latitude of Tennessee, by the late freezing storms.

The cotton market has been a little better, on the strength of increased consumption in this country and some encouraging news from England. Exports of raw cotton in March were 375,180 bales, against 794,460 bales in March, 1920. Cotton planting has been delayed in the South by unfavorable weather, and it is too early to determine definitely what the acreage will be, but common opinion among those well informed is that the reduction in acreage and in fertilizer purchases indicate a reduction of 30 to 40 per cent in the crop. Sales in Southern markets are running at about 11 to 11.50 cents per pound.

#### The Question of Wages and Prices

It is evident on every hand that the depression which exists is due to the unbalanced state of industry, as regards the compensation received by important bodies of people. A great portion of the population suddenly has lost a large part of its purchasing power, and no longer is able to buy the products of the other industries as it has been accustomed to do. The people in the other industries, employers and employees alike, seem to have no definite idea about what has happened to them, but are sitting around, trying to cheer each other up, and watching the skies for better weather. They say that this is a country of wonderful resources, that it is bound to go ahead, that anybody who is a bear on the United States will go broke, etc., etc. They are sure it will go ahead, because it always has, and in this they are undoubtedly right, but if we all understand the conditions which must exist before it goes ahead, we may help to bring them about.

The first thing is to consider the position of the farmer, not as a matter of sympathetic interest but to see how it relates to the general situation. To be specific we might take the case of the cotton-grower, who is now getting about the same price for his cotton that he did before the war. His cotton is shipped away upon a railroad whose charges are more than 50 per cent higher than before the war, and whose employees are getting more than 100 per cent higher wages than at that time, to a mill whose employees, notwithstanding recent reductions, are getting 100 per cent higher wages than before the war; the coal consumed in transportation and in the

manufacture of cloth costs twice as much as before the war, because wages and other mining expenses are twice as high as then; the cloth is made into clothing by labor which receives twice as much as before the war; and finally, with various other expenses and profits added with a like percentage of inflation, the cotton garment comes back over the railroad, and is offered for sale to the cotton grower. The rest of the farming community is in the same situation as to income as the cotton-grower. Is it any wonder that the market for cotton goods has fallen off, or that the decline is principally in the rural trade?

Compare the price that a farmer gets for the hide of an animal, with the price he must pay for a pair of shoes, and contemplate the statement on page one from Mr. Johnson, of the Endicott-Johnson Shoe Company, relative to wages in the shoe industry.

When will trade revive? What does "trade" mean?

There has been no such dislocation of exchange relations, either between countries, or between industries within this country, in all the past. That dislocation must be corrected before trade can be restored to normal proportions. Either farm products and raw materials must rise to the level of manufactures and the common basis of wages, or the latter must come down to the level of the farmer, or they must meet on some intermediate level. The fundamental requisite is that they get together.

Farm products and raw materials are related to world markets, and there is no reason to believe that they will recover former levels. All the probabilities are against the restoration of war prices in time of peace.

#### What Constitutes the Cost of Living?

The next thing is to stop talking in terms of money only, when compensation is concerned. The labor leaders knew better than that when the cost of living was rising; why not recognize that the purchasing power of money is of as much importance when it is rising as when it is falling? And why not recognize that the wages paid in every industry are a factor in the cost of living of all the wage-earners?

The labor leaders are arguing before the Railroad Labor Board against what they are pleased to call a reduction in the standard of living for railroad employees, but the wages they are contending for are having the effect of reducing the standard of living for millions of other people, and of dislocating the relation of transportation to other fundamental industries, besides reducing the transportation industry itself to a state of ruin and depriving



about 25 per cent of the railroad employees of their jobs.

Mr. C. M. Schwab stated recently that a few years ago it was possible to make iron at \$14 per ton at a profit, and that now the element of freight charges alone amounted to \$14 per ton. And this raises a question as to how much present wages in the iron and steel industry have to do with railroad costs.

In the case of wages in the clothing industry, recently arbitrated in Chicago, the arbitrator held that it would not be fair to reduce them more than 10 per cent, because the cost of living had declined only about that amount. The dispute in the packing industry was settled on about the same basis in March. Of course, if wages had come down a little more in the packing industry it would have made proper a little larger reduction in the clothing industry, and together they would have made possible a reduction in the baking industry, and in the cost of delivering milk, in the making of shoes and newspapers, in railway wages and freight charges, in wages and prices in the steel industry, the pay for mining coal, etc., and by this time it would be in order to begin again with the packing employees and clothing-makers.

Broadly speaking, wages and the cost of living should and do come down together, but how long will it take under this deliberate method, with everybody doing the Alphonse and Gaston act, to get industry back into balance, and provide everybody with work?

At a recent convention of New England cotton goods manufacturers it is reported that sentiment was opposed to further wage reductions, first, because they probably would be absorbed by retailers, who have not yet given consumers the full benefit of past reductions; and, second, because it would not be fair to reduce skilled cotton operators to wages below those of carpenters, bricklayers, plumbers and others in the building trades.

#### **Ignoring the Main Fact**

Meanwhile the economic law is not waiting on anybody. It got to work promptly, with the result that wages have been reduced already! According to a survey by the Bureau of Labor, Washington, about 3,500,000 persons in the ranks of the wage-workers are out of employment and not getting any wages at all. What is the good of laying so much stress upon the relation between nominal wages in the cotton goods industry and the building trades, when there is so large a percentage of idleness in both? It is the amount of money in the pay envelope that really counts.

The United States Chamber of Commerce has conducted an extensive inquiry to learn by what method the industries generally were

meeting the falling off of demand for their products. Were they reducing wage rates or laying off employees? The replies show that much the larger number were adopting the latter plan, although many were also making moderate rate reductions. Cutting down the force causes less friction with the labor organizations, because it is assumed that the force will be soon restored, and they wish to hold the ground they have gained. That may be good policy under ordinary conditions, but it does not meet this situation, which requires a general readjustment of relations after the most profound disturbance ever known.

#### **Keeping Up Costs**

The trouble is that aggregate wage-payments have been enormously reduced without accomplishing anything toward restoring the balance between the industries. The loss of wages and production is sheer waste. The cost of production in all the industries that have laid off workers without reducing wage rates is as high as it was before, and prohibits the expansion of consumption. It keeps up the costs of living to all those who have had to take reductions in their own compensation and to those who are out of work as well as to those who are fortunate enough to be employed. It holds the situation in a deadlock, except as it slowly and inevitably gives way under the pressure of grim necessity.

Freight rates are so high that traffic is diverted into new channels. The movement through the Panama Canal has been much stimulated. California, Oregon and Washington fruits are coming that way. Copper mined in Montana has come around that way, and the United States Steel Corporation has put a ship on the run between Mobile and Pacific Coast points, for the delivery of steel products. Cotton is going that way. Products are coming from the interior to the Atlantic Coast by short rail hauls, bound for the Pacific Coast by water. New trade zones are being created, and the value of many industrial investments will be permanently affected. And in the end the loss of traffic will reduce aggregate payments to railroad employees.

The wage rate for mining coal is very high, and the cost of coal is a serious factor in railroad operating costs, and this again in all industrial costs, but the decline of industrial activity puts the miners on part time, so that they fail to get the benefit that the high rates might be supposed to give them. The high cost of building operations has the same affect upon the building trades.

These are evidences of a principle running throughout all our economic relations. They are signs that those relations are not determined at last by the mere strength and bar-



gaining power of the different elements in society, but that there is a normal balance and relationship under which all groups and classes prosper best together.

### **Financial Conditions.**

The money market has developed signs of increasing ease during the past month. The position of the Federal reserve banks has notably improved and there are symptoms of a return of competitive conditions among the member banks. They are no longer quite so fully confined to taking care of the wants of their own customers. This is indicated by a greater movement of commercial paper and an easing of the rates. The rate is generally  $7\frac{1}{2}$  per cent, with a few exceptional names offering at 7.

The rate on call money has been fluctuating between 6 and 7 per cent. The amount employed is comparatively small, and mainly from industrial corporations and out of town sources.

Importations of gold have been very heavy, aggregating over \$200,000,000 on balance since the first of the year. The gold holdings of the Federal reserve banks on April 27 were \$2,317,569,000, which compares with \$1,936,720,000 a year ago, and is \$116,000,000 above the high mark of previous years, which was on June 6, 1919.

It is natural that any loose gold in the world should flow to the United States while exchange rates are as present, but inasmuch as an embargo upon gold exports, except as to new production, exists in most countries, there is some mystery as to the source of this great supply. The most plausible explanation is that much of it comes primarily from Russia, whose stock will not last forever.

#### **Influence of Gold Imports**

This gold undoubtedly is a factor in easing the credit situation, but principally because it comes here in payment for something. It is not being used as the basis of credit, and is not needed for that purpose, for the volume of loans is declining, and the business public is in a mood to pay debts and get square with the world again, rather than make new loans. The new gold goes to the United States Assay office, and eventually lands in the reserve banks, increasing the percentage of reserves. It is a good asset and, as indicated above, its coming in payment for products is beneficial, but it would be better if we were taking our pay in good securities, drawing interest, instead of a dead asset. It should not be forgotten for a moment that there is peril to any country in receiving a larger share of the world's gold than it can expect to hold under normal conditions. There is no profit in hold-

ing it idle, and there is no safety in employing it as the basis of credit, because sooner or later it will have to go and then the whole credit structure resting upon it must be re-adjusted.

It is true that there is no prospect of gold exports at an early day, but somehow the world must get back into balance or there will be no prosperity for any country. The people who think we can go ahead and get up a fine boom for ourselves on the basis of these gold imports are the same kind of people who were thinking one year ago that the cycle of rising wages and prices could go on forever. They never would be ready to give up the gold (and readjust credit) once they had it in use. Some of them wanted the United States to suspend gold exports about one year ago.

#### **Discount Rates**

The Bank of England, which raised its discount rate to 7 per cent about a year ago, when the Federal Reserve Bank of New York and other reserve banks took similar action, reduced its rate on the 28th ult. to  $6\frac{1}{2}$  per cent. The Boston Reserve Bank reduced its rate to 6 per cent on April 15. Conditions in that territory became relatively easy some time ago, and the Boston bank has been lending largely to the reserve banks in the South and West. There is a desire to make conditions as easy as possible for the agricultural districts, where conditions are very tight, but without encouraging a revival of the speculative conditions which have been the real cause of the stringency. The rate of interest for capital is governed at last by the relation between real capital and the amount of credit which is sought to be used as a substitute for capital. The latter has been unduly large ever since the war got well under way. The rate of interest of the reserve banks must be related to the actual credit situation.

Most of the banks are still encumbered with a mass of indebtedness representing government war expenditures and the speculative ventures of the war period and the two years following. These loans do not represent corresponding assets in the business of the country and the banks will not be in normal condition until they are worked off.

### **The Railroad Situation.**

The Railroad Labor Board made short work of the national wage agreements, after hearing the evidence. It dispensed with arguments and ordered the agreements abrogated as of July 1, next, directing that in the meantime agreements be negotiated between the individual roads and their employes. This is the action contended for by the railroad companies, with a view to attacking the burden-



some classifications and other conditions which they inherited from Government control. A notable feature of the Board's decision was a draft of general principles which it laid down for the purpose of indicating to the contracting parties the conditions which the Board will require. They are generally regarded as excellent and if the Board is successful in establishing them as the standard of conduct in the operation of the railroads it will be one distinct achievement to the credit of the Esch-Cummins law. The principles are as follows:

1. An obligation rests upon both sides to render honest, efficient and economical service.
2. Both parties are enjoined to conduct themselves so as to promote the essential spirit of co-operation.
3. Rules will not be subversive of necessary discipline.
4. Right of employees to organize for lawful objects shall not be denied or obstructed.
5. Managements shall agree to the right of such organizations to act through representatives of their own choice, whether employees of a particular carrier or not.
6. Neither side shall discriminate against union or non-union men.
7. Management shall agree to right of men to be consulted prior to a decision adversely affecting their wages, through representatives of a majority of employees of any given class.
8. No employees shall be disciplined without a fair hearing, but may be suspended pending a prompt hearing.
9. Proper classification of employees and definition of work done by each class is necessary, but shall not unduly impose uneconomical conditions on carriers.
10. Regularity of hours or days during which the employee is to serve or hold himself in readiness to serve is desirable.
11. Principle of seniority is sound and should be adhered to, without unduly impairing the service.
12. The board approves of the principle of the eight-hour day, but believes it should be limited to work requiring practically continuous application during eight hours. For eight hours' pay eight hours' work should be performed by all railroad employees except engine and train service employees, regulated by the Adamson Act, who are paid generally on a mileage basis as well.
13. Health and safety of employees should be reasonably protected.
14. Opportunities to learn any craft or occupation shall not be unduly restricted.
15. Majority of any craft or class of employees shall have the right to determine what organization shall represent such craft or class and such organization shall have the right to make an agreement which shall apply to all employees in such craft or class.
16. Employees called or required to report for work and reporting but not used should be paid reasonable compensation.

The representatives both of the companies and of the employees have expressed their satisfaction with this platform. It remains to be seen how readily they will agree in interpreting it.

The action of the Board is the most encouraging of recent developments. An important reduction of expenses should result from the simplification of the working agreements, and the Board will now take up the question of wage rates.

## A Senate Inquiry

The United States Senate has adopted a resolution offered by Senator Cummins, providing for an inquiry into the railroad situation, including the reasons for the high operating costs, influence of increased charges, efficiency of management and of labor, and best means of bringing about a reduction of freight and passenger rates.

While most people think the cause of the railroad emergency is in plain sight, it is doubtless well to have an official inquiry held, for the sake of clearing up some of the loose talk that has been current on the subject.

An "economist" representing the brotherhoods has been occupying considerable space in the newspapers with charges against the railroad managements. Even if they were all true they would not justify the payment of wages out of all proportion to those paid in other occupations for services no more arduous or difficult in the same territory. The public is interested in the elimination of unnecessary expenses of every kind, and the "economist" in question doubtless will have an opportunity to substantiate his allegations before the committee. If they are substantiated, the public will give him credit for his discoveries, but it will want to deal with excessive wages just the same. It should be obvious, however, when the roads in the aggregate are barely making operating expenses without including interest or dividends that it is not the exactions of capital that are making rates high.

## Position of Railroad Owners

The talk to the effect that the Esch-Cummins act is a failure is unwarranted. It has laid down a sound general principle of rate-making for the guidance of the Interstate Commerce Commission, viz.: that charges should be so adjusted as to produce a fair return upon the actual value of the aggregate property employed in the transportation service, and named 5½ per cent for the first two years. It is true that owing to the high cost of operations together with the general reaction in business, the new rates have not produced the return contemplated; and it is also true that some of the rates adopted have had the effect of diminishing traffic. But that does not prove that the principle laid down in the act is unsound. There is no getting away from the principle that the railroads must earn and pay the cost of operating them. The present situation merely emphasizes the necessity of reducing operating costs. That issue must be faced.

After all unnecessary expenses are eliminated, the public will have to pay the remaining costs, if they want to have railroad service, because nobody will supply capital for operating railroads at a loss. Business will have to pay, or adjust itself to getting along with-



out railroads, as they do in China. The problem will not be solved by repealing the Esch-Cummins law, and abandoning the idea of paying 5½ per cent interest upon the capital invested in railroads. The fact is that no railroad is able to get any new capital at so low a rate as 5½ per cent, and without new capital the roads will go into bankruptcy and the service will steadily deteriorate. The Great Northern—Northern Pacific issue of bonds just now being refunded carried 4 per cent interest, but the new issue pays 6½, besides higher costs in placing them.

Of course it may be said that this does not settle the matter, because the roads may not make earnings to pay the interest charge, but if railroad credit is destroyed there will be no new capital to make the improvements that are constantly required and which amount to hundreds of millions of dollars per year.

It may be said that the Government will take over the roads and operate them, but nothing is more certain than that operating expenses would increase under Government management, and the deficit would be greater than ever. The Government might make up the deficit by taxation, but this would absorb capital needed for industrial development, with the result that there would be continuous unemployment in industry and that business of all kinds would be depressed. It all comes to the same thing: one way or another the cost of transportation must be paid, and there is no better way than by charging it directly to the traffic, keeping the expenses as low as possible.

#### What Does the "Guaranty" Mean?

While the talk of repealing the Esch-Cummins act is most unwise, it is probable that readjustments are required in the rate schedules. Certain rates have been voluntarily reduced already, upon the initiative of the railroads. They are not interested in rates that prevent shipments, but in rates that yield the largest net revenues.

There is no guaranty of a 5½ per cent return, either to the roads individually or in the aggregate; that is obvious, for they are not getting it. If it cannot be earned the roads cannot get it.

One of the most irrational statements in connection with this whole question is the assertion that the railroads have been made a favored class of property by reason of the alleged "guaranty." "Why, for instance," it is asked, "should not the Government guarantee 5½ per cent upon the aggregate value of farm property?"

The reason is that the Government does not interfere at all with the income of farm property—except as it gave a minimum guaranty upon wheat during the war, and incidentally

it may be said that quantities of wheat were sold above the guaranteed price.

The primary reason why the Government exercises supervision over railroad charges is to limit and regulate them for the protection of the public. The owners of railroad property are not permitted to charge what they please. They are controlled and restricted by governmental authority, and at times this authority has been exercised so illiberally that the public turned away from railroad investments, with the result that the roads fell behind with improvements and equipment, and the service deteriorated. It was for the purpose of restoring railroad credit and attracting capital to railroad investments, that the Congress enacted the law instructing the Interstate Commerce Commission in its regulation of railroad charges to permit earnings of 5½ per cent on the actual value of the property. It was done in the interest of the public, and as a pledge and assurance that in exercising the power of supervision and restriction the public authority would not go to the extent of restricting earnings below this reasonable return.

#### An Obligation Implied

The unregulated industries are free to get what they can. They have their good years and poor years, and free play for the exercise of managerial judgment. An industry that is restricted in its earnings, whose charges are fixed by an authority outside of itself, is on an entirely different basis. An assurance that the restriction will not be carried beyond a certain degree is a fair and even necessary compensation for the freedom it surrenders. If not expressed it is always implied, or no capital would voluntarily enter the employment. The Esch-Cummins act merely undertook to make the understanding more definite for the benefit of all concerned.

The owners of railroad property have gone through the war period without any increase of incomes to compensate for the loss in purchasing power. They have seen the capital value of their holdings shrink, in many instances very seriously. The holder of 4 per cent bonds has continued to get 4 per cent on the same amount, which has been equivalent to not more than 2 per cent of pre-war purchasing power. The holders of New York Central stock have continued to get 5 per cent, the holders of Pennsylvania have had their dividends cut from 6 per cent to 4, holders of Chicago and Northwestern have had theirs drop from 7 per cent to 5, while the holders of Chicago, Milwaukee and St. Paul, common and preferred alike, have been deprived of any return. These are examples.

On the other hand the employes upon the railroads had their wages raised by over one



hundred per cent, the farmers sold their products for the highest prices ever known, and for several years these prices were advancing ahead of the cost of farming operations. Practically every industry except transportation had its earnings adjusted to the general decline in the purchasing power of money. Even now  $5\frac{1}{2}$  per cent, if actually received, would accomplish no such adjustment.

The situation is not simply that of doing justice to investors in railroad property; it is a question of finding new capital to maintain and develop the railroad service.

### **British Coal Strike.**

The coal mines of Great Britain, which had been operated by the Government during the war and since, were turned back to the owners on April 1, and the failure of owners and miners to agree upon wages brought on a strike which for a time seemed likely to cause a complete line-up of organized labor against the Government, and put the stability of the social order to the supreme test.

Under the management of the Government, and to obtain the largest possible production during the war, the earnings of all the coal districts were pooled and the miners' pay was fixed on a uniform scale throughout the country. The scale was advanced from time to time until more than double the average before the war. Before the war the pay was higher in some districts than in others, because of differences in operating conditions which affected mining profits. The miners fared much better under Government management than they had previously and the public paid much more for coal. The miners were unwilling to go back to the old system of separate wage scales by districts, with wage reductions that in some instances were very drastic, and the owners were unwilling to pool their earnings, making the good properties carry the poor ones, as the Government had done. The only way this could be done, apparently, was by nationalization of the mines, which the miners wanted.

Assuming that the issue could be settled only by nationalizing the mines, here was a question of national policy, affecting everybody, and upon which under democratic institutions everybody would have a right to a say. The miners, however, had closed the mines and were confident of their ability to enforce their demands, particularly as they had the support of the Triple Alliance, which included beside themselves the railway employes and transport workers. It looked as though the country would be not only without coal but without the regular transportation services.

The Government remained firm in refusal to have its policies dictated in this manner, but the Premier, Lloyd-George, publicly offered to

hold a regular election and submit the question of nationalizing the mines to popular vote. Nothing came directly of this offer, but it may have been a factor in what followed.

When all hope of averting a general strike had been abandoned, a group of members of Parliament, acting upon their own motion, sent first for the committee representing the mine-owners, and then for Mr. Frank Hodges, representing the miners, to learn the possibility of temporary concessions, pending further consideration of the main issue. Under their questioning Hodges said that upon certain conditions the miners would assent to a postponed consideration of the principal demand. Lloyd-George accepted the conditions, but the miners divided upon the question of supporting Hodges, who it was charged had exceeded his authority. The railway men and transport workers apparently eager to get out of the situation, declared that they would support the miners no farther, which ended the threat of a general strike, to the great disappointment of the communistic trouble-makers in England.

At this writing the miners are still striking, and as the mines have been closed nearly one month, many industries have been obliged to close, thousands of workers have been forced into idleness, and the end is not in sight.

### **Meaning of a General Strike.**

The miners had previously exhausted their strike funds and many of their families are now dependent upon public charity. Their strike policy disregards the right of the public to have anything to say in the settlement of the controversy, but they look to the public for support, on the theory that they have a valid claim on it. They seem to overlook the fundamental principle that all social rights and obligations are reciprocal. They resent the idea of being "starved out," while attempting to starve all society into giving them their own way.

The radicals among the miners are denouncing the other labor organizations for deserting them. They think victory was assured if only their allied workers had stood by them. The general strike is the master scheme in the minds of all revolutionaries. They are eager for it. They are obsessed with the idea of bringing all society to its knees. It is the primitive idea of having your own way by force, which mankind is slow to relinquish.

They assume that a general strike would have compelled the regularly constituted authorities to give way, but why so? Suppose all industry and transportation was stopped and the importation of food into England was brought to a standstill: it would be a great display of power, but who would suffer and what would be accomplished? Society would



be reduced to a state of anarchy, but nobody would be any worse off than the strikers and their families.

The authorities, appalled at the amount of suffering resulting, might yield, or the population might rise in desperation and overturn the Government in order to have the terms of the strikers accepted, but in either case violence would triumph and orderly Government through the ballot-box would be overthrown. It is impossible to believe that the rank and file of the labor organizations desire such a change. It is more probable that any seeming approval of policies leading to it is prompted by sympathetic desire to aid their fellows in specific demands, rather than by any settled purpose to set back the civilization of the world. The British labor organizations associated with the miners went to the brink, and turned back.

Their responsible leaders, who have been broadened by studious reading, by service in Parliament, by contact with men and affairs, and by experience in dealing with factions within their own organizations, know that the welfare of the working millions cannot be promoted by going back to the rule of force. They know that in a free society men always will differ about public policies and that the first step in social progress consists of agreement that all differences will be settled by reasoning together and taking a count of heads, majorities to rule.

Labor organizations now determine when a strike shall be declared by taking a ballot, but if they vote to destroy popular government for the nation, and seize power for themselves to the exclusion of other members of the community, how long will it be before factions within their own organization will find a way to seize power there?

#### **The Rights of Groups Against Society**

The questions presented by the British strike are fundamental to organized society. They will have to be settled everywhere eventually in a manner consistent with the general welfare. It must be always borne in mind that the increasing population compels a constantly closer and more effective organization for production and distribution. The standard of living will depend upon increased command over the natural resources, improved methods and greater efficiency in industry, and more effective organization in the general exchange of commodities and services.

The grand purpose of the combined organization is to supply the wants of the population. There must be specialization wherever it will lead to greater knowledge or skill, and in any way produce better results. This means that there must be a high degree of coopera-

tion and mutual dependence between all the factors in the organization, and this means reciprocal rights and obligations. Neither individuals nor groups of them have any standing in talking about their own rights unless they are willing to have them considered in connection with the rights of the rest of the community. There is no occasion to assert or define our rights except as they come in contact with the rights of others. The denizen of a wilderness who never came in contact with another person would have no occasion to even think about his rights, but if other persons settled about him, questions of right relations between them would arise. This is the meaning of "rights," as it is bound to be interpreted.

The whole question of rights must be approached with an understanding that no vested rights or inherent personal rights, can stand in the way of the progress of society. What may have been rights will cease to be rights when that time comes, although the interests of society will still require that a right way of dealing with them be followed. All the institutions of society and doctrines of personal rights must stand or fall by their influence upon the permanent, expanding interests of society.

#### **The Right to Strike**

If these principles govern, what becomes of the "right" of a group of men who have assumed the responsibility for a certain necessary service in this complex social organization, to agree among themselves to suspend and tie up that service, unless any demands that they choose to make are complied with?

It is evident that this right—if it is a right—is one that cannot be equally enjoyed by the workers in all employments. The labors of the farmer are as important and indispensable as any, but when it comes to forming a combination to work only 8 hours per day, or to go on a strike, the farmers are at a great disadvantage.

Again, there are some services which cannot be even briefly interrupted without great harm to the community, as the railway service. The threat of a railway strike is very much more serious, and therefore more potential for accomplishing its purpose, than a threat to suspend almost any other service. If the principle is sound that the owners or employes of any branch of industry have an absolute right to shut it down whenever they please, regardless of the results to the public, then the railway employes are in a stronger position than almost any other group. If this theory is sound, wages will tend to be adjusted, not in accordance with the skill or ability required for a task, or the time required to prepare for it, or its arduous nature,



or any other consideration but the strategic position that the persons in occupation may hold for enforcing their demands.

Of course the railway men, farmers, coal miners, and every other class will protest that they have no desire to enforce unjust demands, and we freely allow that few men consciously have any such intention. They seldom do wrong without being able to justify it somehow to themselves. Usually they are convinced that what they want to do either is not wrong or that it is no worse than somebody is doing to them, or that if they don't do it somebody else will. It is sufficient to say that no one should want to be the sole judge of what is right between himself and others, or of his own responsibilities and obligations in the community. Questions of this kind will be settled in the long run by public opinion, in accordance with principles that have their foundations in the moral law. Every right-minded person will want to square his own action by these principles when he understands them, and that will be better than having them enforced by law without his understanding them.

#### **What Is Industrial Slavery?**

The advocates of the right to strike under any and all circumstances claim that any qualification of it would mean industrial slavery. It is difficult to see that the people in occupations so restricted, whether the inhibition be by public sentiment or public law, would be any worse off than the millions of unorganized wage-earners who rely upon their undisputed right to quit their jobs as individuals whenever they choose to do so. Public employees do not strike, but they are at liberty to better themselves as they can, and the fact that school teachers and others in great numbers have been finding other occupations in the last few years has exerted a steady pressure for higher pay. It is not necessary for everybody in a given occupation to quit in order that the pay may be raised; the withdrawal of a small proportion creates a competitive demand which if continued is irresistible. There are many, probably a majority, in every occupation who for various reasons cannot readily change, but there is a good proportion who can change, and at all times a not inconsiderable number considering a change; moreover, every occupation requires constant accessions to keep its numbers stationary. It follows that if compensation anywhere falls below the general level of other occupations, all things considered, a demand will develop and exert a constantly increasing pressure until the discrepancy is corrected.

This is the natural relation between the occupations, and the most desirable one, if they are all conceived of as parts of a cooperative

system. The best results would be obtained by a free movement between the occupations, which would tend to adjust compensation according to the ability required, rather than according to the bargaining power of groups, at the expense of each other.

The greatest source of impatience and controversy in economic affairs is the failure of the various groups to think in terms of their common interests and to take account of the natural forces that always are in play, if let alone, adjusting inequalities. Nothing is fixed or certain in the business world, but there is an automatic tendency for things to come into balance in normal and fair relations. And yet people are persistently thinking that things must be taken in hand and adjusted, forthwith and by main strength and to suit themselves. They do not understand the relations between the occupations, or the natural influences that are constantly bearing upon wages, prices, profits, interest rates, and all the factors in the great cooperative combination. They think these factors may be controlled to a much greater extent than is possible, and do not see the reactions and offsets that take place wherever arbitrary efforts to control them are made.

#### **The Fundamental Trouble.**

The real gains of society, as we have often pointed out, come by improving the methods of production so that there will be more to divide, instead of by the rival efforts of individuals and groups to get the better of each other. Organization that is intelligently guided, so that its efforts for group advancement are consistent with the general welfare, can be very helpful, but if ignorantly directed for the purpose of advancing the interests of one group or class at the expense of all the others, they simply throw the industrial situation into confusion and do injury to all.

That is the chief trouble at the present time. Society is organized almost to death. Industry is hampered and checked on every side by the efforts of groups to enforce demands which interfere with the free play of economic forces, create friction and waste, and even when successful finally nullify each other to such an extent that there is no net gain to any one.

No class is free from blame in this situation, and the remedy for it is in a better understanding of common interests. People act according to their knowledge and beliefs, and the state of disorder and hostility that exists in industry is due mainly to ignorance of the actual effects of the policies commonly pursued. If the people of the various groups think that the only prospect of bettering their condition is by strife, and that some people



are better off than others simply because they have had some advantage over them, of course there will be strife.

### Mistakes of Organized Labor

The chief criticism of the labor organizations is that to a great extent this idea has been uppermost with them. They have cultivated the idea of class struggle, rather than of a fundamental harmony of interests.

The view of industrial relations held by too many labor leaders was expressively stated by Mr. Garretson, head of the order of railroad conductors, in a speech before the Economic Club of New York, December 11, 1916, in part in the following language:

Industrial war is precisely of the same character as actual war. No battle has been fought in establishing the rights of mankind, either real or fancied, where the hospital hasn't been filled afterwards, and the corpses left upon the field. And it is just so in industrial war. If you complain that four hundred thousand men held up the Government, what will eight millions of them do, if they can, to hold up the Government?

They have encouraged the idea of rebellion against the regularly constituted authorities unless their own views were adopted in public policies. They have concentrated their attention upon immediate and direct gains to their members, with too little regard for the effects of their demands and methods upon the general welfare. We do not question their sincerity in what they have done. We only say that their actions are the natural result of their view, and that this view has been too limited for the best results even to their own members, and their policies have created much antagonism to their organizations which might have been avoided.

Just now they are agitated over the stand for the open shop that has been taken by many American employers, but that stand is the natural result of the arbitrary methods that they, themselves, have used too often, and of the tendency to curtail production which is the natural result of their teachings.

Every organization that aspires to wield great power in the community must expect to justify its claims by the intelligence with which it exercises power and the consideration which it shows for public interests. By these tests the labor organizations have not justified their plea for a largely increased authority over industry. The British situation affords the best justification that has been offered for the policy of the United States Steel Corporation.

### Why Houses are Scarce and Rents High

If it should be thought that the unreasonable acts of labor organizations in Great Britain afford no reason for drawing conclusions about union policies in the United States,

there will be no difficulty about finding plenty of instances in this country.

Some of the practices enforced by the unions in the building trades will serve as an example. The Boston Herald gives account of a few as follows:

Anybody who can crank a Ford car can operate a gasoline diaphragm pump. Any man looking for a snap is recommended to try for a pump job. If he lands one he will have to start the pump in the morning and stop it at night, and occasionally put a little oil on the places where the wear comes. Not many years ago the boy who carried water to the workmen on a building job would run half a dozen such pumps. Nowadays an engineer runs a single pump and gets \$10 a day for starting it, stopping it, and pouring on the oil. Each day he has several hours to read the papers, smoke and chat—and consume his noonday meal. But the meal time is also pay time.

In one actual case after the operator had drawn his first week's pay the business agent of the Hoisting and Portable Engineers' Union wanted to know about "that \$2 shortage. That man only got \$8. He's \$2 shy on the noon hour." The employer replied: "Why the man does nothing the noon hour." The agent came back with, "Well, doesn't the pump keep on and isn't he responsible?" "We—ll," said the employer, "that's only an hour, so he's only entitled to \$1." "No, sir," came the reply, "that's overtime and must be paid for as double time." And the pump man thereafter munched his food smilingly and watched that gasoline pump add \$2 more each noontime for his pay envelope.

A great new building has been in process of erection in the Back Bay. It became necessary to get rid of the surface water that flowed into the excavation. To do this draining the builders installed an automatic electrically driven pump. A floating control started and stopped the pump as conditions made necessary. The entire apparatus was placed in a wooden shack under lock and key. Aside from occasionally oiling the motor the machine required no attention whatever. The union, nevertheless, under the rules declared that the pump must have the constant attention of an engineer. For the time thus "worked" the builder of that structure had to pay by that interpretation \$168 a week.

The union painter these days must use a brush of union dimensions. The narrower a brush the longer it takes to cover a surface or the more men must be put on a hurry job. So the union decrees that no brush more than 4½ inches wide shall be handled by any member of the union—which is only an indirect way of limiting output. Also the union rules say that no paint-spraying machine shall be used on a union job. Sprayers save time, so the union prefers to have painters do the work with brushes of prescribed dimensions. Not long ago in this city an employer began on a rush order to whiten some big walls with a sprayer. The union's watchman came in a hurry with his ultimatum: "Stop the machine or I order off the man." These sprayers, very useful for saving time and money on surface needing only a plain and protective covering, may not be used on any union job.

Other suggestive illustrations of union conditions are easy to cite. A deck hand on a lighter or pile driver in use in wharf building may do nothing whatever but watch an anchor rope, but he must be a member of the Wharf Carpenters' Union and be paid, not as a deck hand, but a wharf carpenter. Concrete, of course, is poured into wooden forms and the forms are later stripped away. Any laborer could take the planking down, but under the rules a union carpenter must do it, and he gets the pay, not of a laborer, but of a carpenter. Once the materials used in the work of a plumber have reached the first floor of a building only a plumber may handle them. Plain labor may unload them from car or truck and deliver them on the first floor, but then only a highly paid craftsman may touch them. The electric wiring for a concrete building is passed through simple light tubing concealed in the concrete. To handle, bend and place the tubing is an unskilled job, but it must



be done by union electricians, with results that loom large upon the pay roll. Similar conditions are true of the placing of concrete reinforcing bars and of sprinkler pipes.

Further: On a big Boston job a man on a concrete mixer and another on a derrick sat idle and a man on a pump had little to do. The employer needed a man two hours for a second mixer. He tried to switch one of the idle men. He could not do so without fracturing a rule. If a man had shifted he could not have gone back to his first job. Violation of the rule would have cost him \$5. So the employer had to order a fourth man from the union. He came, worked two hours, and got a half-day's pay. If an employer fires an engineer he cannot employ another without an O. K. from the union's business agent, who in turn must have time to see if he shall order the first man back on the job as "wrongfully discharged."

A plumber sent out to do a job, although an experienced automobile driver, may not drive the employer's car to carry himself and tools. A regular chauffeur must be employed, and the job must be charged with his services as well as those of the plumber.

These are a few instances of many that might be given to show why rents are high and capital is scarce for building operations. It takes approximately twice as much capital to do the same amount of building as before the war, and so much capital is absorbed by taxation and high living expenses, largely resulting from policies similar to the above, that the needed supply is not available.

#### Examples in the Railroad Service

While the railroads were under the control of the Government the classification of the employes was extended in a manner similar to that described above in the building trades.

Under the rules of the shop crafts in order to change a nozzle tip in the front end of a locomotive it has been necessary—

- 1.—To call a boilermaker and his helper to open the door, because that is boilermakers' work;
- 2.—To call a pipeman and his helper to remove the blower pipe, because that is pipemen's work; and
- 3.—To call a machinist and his helper to remove the tip, because that is machinists' work.

Before Federal control a machinists' helper or any handy man put in locomotive tips alone.

Similarly, railroads are required to employ members of three crafts—machinists, sheet-metal workers and electricians and their helpers—to make a repair to a locomotive headlight which was formerly handled by one or two men.

Mr. L. F. Loree, Chairman of the Executive Committee of the Kansas City Southern Railway Company, in a report to the stockholders of that company, dated April 5, 1921, describes the labor conditions on that road as follows:

The labor conditions growing out of the national agreements work to extremes that can only be described as absurd. For example, in going out of the shops at Pittsburg I met a workman coming in. As he approached the gateman, he reached up and took off the board a brass tag bearing his number. The gateman took a slip, punched the clock and handed

the slip to him. I was advised that at the close of the day's work the workman entered on the slip a memorandum of the work on which he had been engaged and hung it on a hook on the side of his locker, where it was collected by the time clerk. For this he is paid one hour extra each week, and that whether he works a full week or a half day. This practice costs the company something like \$50,000.00 annually.

The line between Pittsburg and Watts runs through the northwest corner of Arkansas. That State has a law requiring three brakemen to be used on freight trains. A freight train leaving Watts going north is provided with such a third brakeman. At Lanagan, the first convenient point in Missouri, he is taken off the train and put on the first southbound train and returns to Watts. He is, as you will note, simply a passenger. Human nature being what it is, a large part of the injustices and inequalities of railroad labor is due to the existence of a great mass of law-made and labor union-made jobholders on the pay rolls. This so-called Full Crew Law in Arkansas costs the Company about \$50,000.00 annually.

We pay our sectionmen from 42½ cents an hour on the south end to 48 cents an hour on the north end of the line for 8 hours work, and time and one-half for the additional 2 hours where they work 10 hours. Labor is plentiful in the territory served at from 20 to 25 cents an hour for a 10-hour day, and less than this is being paid by farmers and other employers. This means that where labor can be secured for \$2.00 a day we must pay \$4.67½, and where labor can be secured for \$2.50 a day we must pay \$5.28. It is estimated that by a readjustment of wages of our Maintenance of Way employes upon a scale more liberal than that prevailing in the territory served the cost to the Company might be reduced by about \$150,000.00 a year.

On one of our branch lines we run a passenger train making two round trips each day. On this train we employ a colored porter, who also acts as a brakeman. In 1909 we were paying this employe \$44.80 per month. In 1914 we were paying him \$47.80 per month. Due to the various changes made by the Director-General and continued by the United States Railroad Labor Board we paid him in—

November, 1920.....	\$266.71
December, 1920.....	281.07
January, 1921.....	271.89
February, 1921.....	237.83

He could readily be replaced at \$75.00 per month, were we freed from the shackles of the laws which fix both conditions of employment and rates of pay.

It is estimated that these abnormal rates of pay, with the allowances known as "feather bed" practices, "punitive overtime," etc., involve the Company in an expense in excess of \$1,250,000.00 annually, for which there would seem to be no economic justification whatever.

The Chicago, Rock Island & Pacific Railway Company states that the number of its employes at the beginning of Federal control was 40,326; at the end of Federal control, 45,950, and on February 28, 1921, eleven months after return to private control, 34,531. Its total pay roll in the year 1917 was \$40,195,210, and in the year 1920, exclusive of back-time accruing in previous years, \$84,315,395.

This company has published a statement showing specific instances of how the classification of labor under Federal control has affected its pay roll. A few cases are given herewith:

On December 31, 1917, there were two stationary engineers at the 47th Street shops, Chicago, whose duties consisted of starting machinery which operates the shops as well as starting the electric generator and operating circuit breakers. The salary of the day man was \$100.00 per month and that of the night man \$115.50 a month; both of them stayed on the job until the work was done. During Federal control they



were reclassified as electricians and placed on an 8-hour day basis with overtime at the rate of time and one-half. One man received back pay amounting to \$1,467.59, and the other received back pay amounting to \$1,846.86. Their present pay is 85c. an hour, and since they are on an 8-hour basis it is necessary to employ three men at the 85c. hourly rate to do the work formerly done by the two; and the monthly pay of each of these three men averages \$204.00, plus overtime—a total of \$612.00, plus overtime, for work formerly costing \$215.50.

On December 31, 1917, the last day prior to Federal control, we had two call boys at Estherville, Iowa, whose duty it was to notify the crews of the time to report for duty. One of these boys received \$49.50 per month and the other 22c. an hour, or about \$63.00 a month, for a 12-hour day. They have been reclassified under the so-called Clerks' National Agreement, and each now receives approximately \$190.00 per month.

Engine Watchman, Sherrard, Illinois. Sherrard is the end of a branch. In December, 1917, the laborer who was paid to watch the engines received 25c. an hour, and earned in that month a total of \$87.00. Under various wage awards the pay was increased to 53c. an hour, and the amount paid the watchman in January, 1921, was \$196.43.

Shop Engineer, Manly, Iowa. Formerly paid \$115.50 per month. As he did a certain amount of switch-board work, he was re-classified as an electrician, was granted an electrician's rate of 68c. an hour with overtime, received \$1,393.19 back-pay and is now paid 85c. an hour, or \$176.80 a month, with the usual overtime.

Commenting on cases of this character, Eugene Davenport, Dean of the College of Agriculture, University of Illinois, in a letter to the Association of Railway Executives, said:

What would happen if the farmer took the same attitude in his business that labor takes in rail-roading?

Suppose, for example, that no farm hand would cultivate corn without a helper.

I cannot see how we can live as a country and get ahead when a large share of our people are intent not upon seeing how much can be done in a given length of time, but rather how much money can be gotten for a nominal service.

#### The State of Mind

The significant thing about these cases is that they reveal an attitude of mind. Similar practices are being systematically extended in all branches of industry where union labor is strong enough to establish them. The policy is based upon the theory that it "makes work," or, in other words, creates a larger demand for labor. This is a fundamental fallacy, opposed to all industrial progress. Unionism has done good things and has fine possibilities, but this fallacy if cherished will defeat all of its good aims and aspirations. It is not a minor fault, to be passed over lightly. It forbids the extension of confidence, for it is a disqualification that goes to the very heart of the question whether organized labor as now directed is entitled to the confidence and support of the public. Its wisest friends will not mince matters at this point.

We have frequently directed attention to the fact that the most responsible labor leaders are aware that this policy is short-sighted and ruinous. They disclaim responsibility for

it and frequently endeavor to correct the tendency, but much of the time they have all they can do to keep their seats without doing very much to guide the steed they are riding. In the past, labor has been much more productive in the United States than in other countries, largely because of the better equipment of machinery, but also because the "go slow" policy had not been developed to the extent that it existed elsewhere. Since the radical agitators have been "boring" into organized labor in this country the deadly infection has spread.

#### An Intelligent Labor Leader

Mr. J. T. Brownlie has been for many years head of the Amalgamated Society of Engineers in England, and one of the most respected labor leaders. A year or so ago he felt so concerned over the tendency in labor ranks to curtail production that he wrote a letter to Mr. Bowerman, Secretary of the Parliamentary Committee of the Trades Union Congress, setting forth the social necessity for greater production and the importance of having organized labor cooperate heartily to secure such increase. He took his text in part from a quotation from a statement made by Mr. Hoover, which was as follows:

Unless productivity can be rapidly increased, there can be nothing but political, moral and economic chaos, finally interpreting itself in loss of life on a scale hitherto undreamed of.

Mr. Brownlie's letter made him at once a target for the radicals, and having stood it for a time, Mr. Brownlie came back with another letter, in which he re-stated the argument and used the comparative figures of production per head in England and the United States. We quote from the second letter below:

I do not know whether it is the intention of Mr. Bowerman's Committee to do anything in this matter, but I consider it is the proper body to do so. Throughout its long and creditable career the Parliamentary Committee of the Trades Union Congress has time and again awakened the mind and stirred the conscience of the nation in regard to social and industrial questions. Therefore the question of arousing the nation to the urgent importance of increasing the supplies of the vital necessities of life is a natural corollary to the work which it has undertaken in the past.

During the past five years nominal wages have increased considerably. In most trades the workers have received wage advances of 100 per cent, and in some trades of over 100 per cent. Notwithstanding these advances in nominal wages, real wages have fallen, owing to enhanced prices. Therefore, to enable the present nominal wages to become real wages, it is imperative that the essentials of life should be produced in abundance and thus lower prices, and at the same time help to avoid the sufferings and miseries anticipated by Mr. Hoover.

During the war the Government found it necessary to organize the man-power of the nation for the purpose of accelerating and increasing the production of the tools of the war. To enable the nation to recover from the ravages of war, to stabilize the advantages of peace, to make the world safe for democracy, to avoid national bankruptcy, to realize as rapidly as



possible that better state of society which has been promised by the powers that be, it is imperative that the nation's man-power should be organized to produce the requisites of peace in the interests of the community. So long as the present social and industrial system obtains; until such time as the people awaken to the necessity of democratically organizing the wealth-producing resources of the nation for the production of wealth, for use and not for profit, wages must necessarily be a matter of vital importance. It would appear from letters received that many of the writers are under the impression that wages are paid from some imaginary fund, as they give no indication that they appreciate that wages are paid out of production. Low production must inevitably mean low wages.

### Wages in America and England

The hourly wage rate for mechanics in the metal trades in the United States, as I am informed by the President of the International Association of Machinists, varies from 68 cents per hour to 80 cents per hour, or an average of 74 cents, or in other words, 3s. 1d. per hour; whereas in this country, the average hourly rate for 47 hours (including war advances and the 12½ per cent bonus) paid to the same class of workmen engaged in the same kind of work, is in the region of 1s. 8d. per hour, or 1s. 5d. per hour less than what is paid to our American brothers. The favorable position enjoyed by the American workmen in this respect cannot be said to be due entirely to trade union effort, as trade unionism in the United States is relatively weaker than it is in this country. What is the cause? The cause appears to me to be found in the following facts, taken from Dr. Stamp's interesting analysis of the estimated wealth and annual income of various countries at the outbreak of the war in 1914:

	National Income.	Amount per head of Population.
	£	£
United Kingdom .....	2,250,000,000	50
United States .....	7,250,000,000	72

Under the present industrial order, production is primarily the function of the employer of labor; and, though the workers are not entirely free from responsibility, it is unjust to attempt to saddle them with being wholly responsible for a low output. Many of the industrial establishments in the country are badly equipped in regard to modern machinery. It is possible to increase output without imposing an additional tax upon the physical energies of the workers, as much of the physical energy that is going to waste through using obsolete machinery and faulty workshop organization may be observed.

My concern in regard to this vital and urgent question, apart from the above, is that all the labor in the country should be fully employed on useful work; also that that section of the community which renders no useful service to society should be called upon to earn its daily bread. He that will not work, neither shall he eat. Thousands of skilled workmen are being discharged from Government arsenals and dockyards without any prospect of immediate employment. Thousands of men and women of other grades of labor are similarly situated. Doles are no remedy for unemployment. Again I say, if the world is to avoid the catastrophe anticipated by Mr. Hoover, all must work to increase production, for the benefit of mankind and not for profiteers.

It will be seen that Mr. Brownlie is himself a reformer, a critic of the existing order. He avows himself as in favor of "democratically organizing the wealth-producing resources of the nation for the production of wealth, for use and not for profit," but he sees the necessity for using the existing machinery as effectively as possible while it is the only machinery available.

We would add that the existing industrial order is susceptible of gradual change into any other system which Mr. Brownlie and others of like aspirations can demonstrate to be more effective for the ends he has in view. The great body of the people desire, with Mr. Brownlie, that industry shall be so organized and directed as to achieve the greatest results for the welfare of all the people. Profits are justifiable and necessary as compensation for useful effort and as providing capital for further improvements in industry, the ultimate end being service to society as a whole.

When labor leaders hold and set forth the views advanced by Brownlie as above they are on ground where all good citizens would like to work them.

### Colombian Treaty.

The subject of international relations has been much under discussion since the war, and most people have seemed to think that nations ought to be able to get along in a neighborly fashion, without war and without enormous expenditures in preparation for war. The fruitful source of war is misunderstanding. Why not give some consideration to the view which the other party naturally holds, and which you would probably hold if you were in his place.

The Colombian treaty has been a case in point. It has been ratified under the recommendation of President Harding, and Colombia will get \$25,000,000 in consideration of the fact that the canal is built through territory that long belonged to her and which she lost as an incident related to canal construction.

The payment of this sum is an act of good will and fundamental justice on the part of the United States. Strenuous objection was made in some quarters on the ground that we did not owe Colombia anything and that the payment would be an acknowledgment of wrongdoing on the part of the American Government, but it does not have that significance.

The facts, briefly, are as follows: the Government in power in Colombia in 1903 behaved in an unjustifiable manner in the negotiations over the canal. It was a one-man Government, the government of a Dictator, named Morroquin, who had been originally elected Vice-President, but who had unseated the President and put him in prison, where he died. This gave a certain regularity to Morroquin's occupancy of the Presidency, which he continued to hold. Under the constitution of Colombia it was his duty to call the Congress together, but he did not do it for five years, meantime exercising its functions as well as those of President.



He was the head of the only Colombian government, and all there was of government in sight. President Roosevelt negotiated with him a treaty for the right to build the canal, for which the United States was to pay \$10,000,000. Then President Roosevelt opened negotiations with the French company to purchase their rights on the Isthmus for \$40,000,000,000, but by the time this agreement was reached Morroquin, who had granted the French company a year's extension on its grant, concluded to repudiate both this extension and the Roosevelt treaty, with the intention, as President Roosevelt bluntly declared, of trying to extort more money. He called the Congress together for the only time in five years, and the Senate, which President Roosevelt affirmed that he absolutely controlled, refused to ratify the treaty. The Congress acted upon no other legislation in this session. President Roosevelt was convinced of deliberate bad faith.

The United States had been balancing between the Panama and Nicaragua routes, each of which had strong advocates in the Congress and among engineers. The people of Panama, alarmed at the prospect of having the canal built in another place, which would have ended their hopes of importance, revolted, and declared Panama an independent republic. President Roosevelt promptly recognized its independence, and entered into a treaty with it for the Canal Zone, in which treaty the United States guaranteed the independence of Panama. The \$10,000,000 named in the treaty with Colombia was paid to Panama. All countries promptly followed us in the recognition of the independence of Panama, and the province and canal were lost to Colombia forever. Of course Colombia would have made short work of the Panama republic, but for the backing of the United States and that is the basis of any obligation that we have had to Colombia.

It was charged that the American government promoted the rebellion of Panama, but President Roosevelt positively denied this, and as a matter of fact the rebellion needed no promotion. The people of Panama were desperate, and rebellions were not an uncommon occurrence in Colombia.

President Roosevelt's action in taking advantage of the situation was provoked by the attitude of the irresponsible government of Colombia. It was justified for the time being and as a means of out-manoeuvring that government, but those considerations did not quite close the case. The people of Colombia were entitled to some consideration at the hands of the United States, even though they had a Dictator who was a law unto himself. He

was a temporary and passing incident in the relations between the two countries. That is the reason why there always has been a strong sentiment in this country in favor of a liberal settlement that would make the people of Colombia feel that they had not been flouted and contemptuously regarded by their big neighbor, and why the United States is paying, not the \$10,000,000, originally agreed upon between the two executives, but \$25,000,000, after paying the \$10,000,000 to Panama, besides giving Colombia all the rights in the peaceful use of the canal that we have ourselves.

This has been done because the people of the United States have had consideration for the people of Colombia and for their natural feelings, and have been resolved to do their full part in maintaining friendly relations.

### An Example of Reconciliation.

The newspaper report of the discussions in the recent sessions of the League of Nations at Geneva, Switzerland, contained a brief statement by Sir Robert Cecil which ought not to be lost. He is the son of the late Lord Salisbury, at different times Premier of Great Britain, and who held that position at the time of the Boer war in 1899-1900. General Smuts, one of the Boer generals in the war is now Premier of South Africa, and being unable to attend the sessions of the League, appointed Sir Robert Cecil to act as the representative of the "Union of South Africa," which is the dominion under the British Crown organized from all the South African colonies and the Transvaal, or old Dutch Republic.

The Council of the League had been discussing means of conciliating the several conflicts pending between nations, when Sir Robert is quoted as speaking as follows:

In conclusion, Lord Robert Cecil said that if he were disposed to be a hostile critic, it would be on the ground that the Council might have done more than it had done. "Undoubtedly we have begun well. Do not let us be afraid of our power. Let us go on from strength to strength. . . . I stand before you as a substitute of General Smuts. Think of that! General Smuts not very many years ago was one of the most redoubtable of the successful commanders of the forces of the Boer nation when they were in arms against the British Empire, and I was the son of the Prime Minister who conducted the war on behalf of the British Empire, and yet it now comes about that the General of the Boers comes to see the son of the British Prime Minister and asks him to appear before the Assembly of the League of Nations as the best exponent of the General's views on international subjects. How does that result come about? Not by timidity. Not by shrinking from bold action, but by an act of trust in the power of the people, an act which I do not hesitate to say at the moment seemed to me rash and perhaps premature. It has more than justified itself by results. Surely this is an example to us. Do not let us shrink from measures of pacification and reconciliation."



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