

FREEDOM FOR OUR FOREIGN TRADE

PAPER BY

MR. JAMES J. HILL

READ AT

Second National Foreign Trade Convention, St.
Louis, Mo.

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The one indispensable condition of the restoration, extension and maintenance of our foreign trade is the provision from some source of adequate ocean carriage. All other difficulties are in process of solution. But merchant ships must be had. Our need of them is almost, as great as that of other nations for munitions of war.

In the month of November the exports from the port of New York were \$12,000,000 more than the year before. There was an increase of about 300 per cent in exports of food products. The foreign demand must increase in direct ratio with the exhaustion of supplies in the warring nations. How are these goods, which we desire to sell and others are anxious to buy, to be carried to the oversea markets?

Such slight relief as was afforded by the wise removal of the prohibition of registry for foreign-built vessels has been given. It is hardly a drop in the bucket. Up to the week ended December 26, 1914, American registry had been granted to 105 vessels theretofore operated under foreign control, aggregating 373,840 gross tons. This is not enough to prevent present congestion, and hold out little hope for the supply of future needs.

At the beginning of this year all charters at New York had been taken for January, and February engagements were not easy to make. Rates had advanced from 40 per cent to 200 per cent above those prevailing before the declaration of war. Many ships are idle because of the risk and high rates of insurance. But, aside from this, it is true that American cost of ship construction is from 50 to 100 per cent higher than that abroad: and, according to a reported statement of Captain Robert Dollar, who operates ships in both domestic and foreign trade, it costs about 817,236 more a year to operate a ship of 3,000 tons under the American than under the British flag. These are the disadvantages under which our foreign trade labors. They must be removed before this country can hope to realize the great opportunities now before it, which are not likely to occur again if now permitted to escape.

The only practical, the only desirable policy for this country is the provision of a sufficient American merchant marine. To buy this by big subsidies is a

losing and, in the long run, an unsuccessful game. We cannot and we do not want to rely hereafter, as we have so long, upon foreign ships to carry American trade and thus control not only its profits but also its direction and its volume. There are but two resources; one a merchant marine owned and operated by the government, the other a merchant marine provided by and for the people.

The former, just now urgently advocated, is an unwise and would certainly be a disastrous experiment. Aside from the complications, almost certain to drag us sooner or later into the European conflict, owing to the uncertain and conflicting claims of national neutrality, this policy would be followed by the total destruction of the private shipping interest. Private enterprise cannot possibly compete with a government which pays no interest on the cost of its ships, and throws aside considerations of profit and loss. As Lincoln said that the nation could not continue to exist half slave and half free, so our merchant marine, if once this precedent is set, must, inevitably become a government monopoly.

What is the prospect, in this case, of economical management, and of those lower rates which the advocates of the plan hold out as a bait for its adoption? We have an exact measure of the fact in some comparative railroad statistics. The Panama Railway is entirely owned and operated by the United States. Like most affairs on the isthmus, it has been handled by honest and competent men in their several lines.

We have its official report for the year ended June 30, 1913, to be compared with the statistics of all the railways of the United States for the same period.

The average length of haul was 41 ton miles. There is, therefore, little but through business. But the rate on the Panama line was 3.48 cents per ton per mile, as against .7268 of a cent for all the railways of the United States. That, is, the government rate was almost five times the rate made by private enterprise over the entire country. The average expenses per mile of road were \$44,696, as against 38,939, or five times as great. Aside from the higher cost of coal this line presents few, if any, greater difficulties in operation than other managements have to overcome.

If the entire rate charged to American shippers were handed over to the Panama management to cover the cost of handling their freight at terminals, they would still receive almost four times as much as the railways of the country get. If the Panama rate were established in the United States, it would wreck the country. There is not enough money in it to pay such enormous amounts. If the rate charged by the government on the Panama railroad were applied to the entire railway ton mileage in the United States, our shippers would have had to pay, in 1913, more than eight billion dollars additional freight charges. Yet this is what the country would have to do, either directly in rates or indirectly in taxes, to meet the expenses of government operation.

One of the greatest difficulties of the railways is that of finding skilled men. That is still greater for the government, because it does not understand the business and because political pressure cannot be avoided. The average congressman, however able and sincere, has not the experience or the technical training required. A difference of one mill per ton per mile seems almost a negligible quantity. It amounts to no more than a paltry cent for hauling one ton ten miles. Yet that difference, applied to the ton mileage for 1913, would make a difference of \$300, 558,334 in the annual receipts of the railways and the amount paid by the public. Who is there, who can there be, in congress or in public life, competent to grasp and to master such economic trifles that are, in their ultimate effect, able to ruin the country? An attempt at public operation would be scarcely less disastrous financially than a war.

What is proved true for railways holds good for government-owned and operated ships. The purchase price is nothing as compared to the cost of operation, increased by the necessary weakness of political management, and loaded down at every session of congress by new laws for the lowering of rates, the raising of wages and the reduction of hours of labor for employees. Either the people would presently stagger under their new burden or our foreign trade would fall beneath the weight of rates such as those imposed on rail traffic across the isthmus of Panama.

This method of relief ought to be dismissed by every right-thinking man as a chimera and a menace. There remains, then, only the resource, as old as human experience and as unfailing, of dependence on private initiative. Give it a chance. It lms seemed inadequate only because it has been bound hand and foot by restrictions and regulations unworthy of this enlightened age. The American merchant marine needs just one thing, but that it must have if it is to revive. Put it on an exact equality with the other shipping systems of the world. Let the American citizen be authorized to procure and to operate vessels on the same terms as the citizen of any other country is under its laws, and his ability and enterprise will do the rest.

At the International Trade Conference of the Mississippi Valley and Central West which met in Memphis last November, the following resolution was reported: "Resolved, that congress be urged to enact maritime legislation looking toward placing the American shippers and ship-owners upon a basis more nearly equal with those of competing nations, thereby enabling American exporters and ship-owners to meet the competition of other nations in the ocean carrying trade." Not "more nearly equal", but absolutely equal should be the requirement of American ability and American pride: an equality secured neither by such protection as is accorded to the weak or by gift mone3^r in the form of a subsidy, but a privilege offered to the strong that he may conquer what is his by right, That is the key to an ample provision of American

ships. There is the necessary condition of that expansion in our foreign commerce which we all know to be possible, and which will be lost or won according to our wisdom or our folly.

A firm declaration for a merchant marine subject to no other restrictions than are imposed by the nations which have done the carrying trade of the world is the only demand worthy of this important body, and of our country which stands once more today, as to its foreign trade, at a dividing of the ways.