

U. S. Leads in Financial Power

To Say That Our Prosperity Rests on War Orders Is Indefensible, Declares Secretary of the Treasury

By William G. McAdoo

Secretary of the Treasury.

WE have nothing to fear from the return of peace in Europe, because our prosperity is based upon the strongest financial system, the strongest economic fabric, and the greatest natural resources of any nation in the civilized world. But Mr. Hughes solemnly warns us that our prosperity is merely "temporary." How does he know that it is? How can he foretell the future? The very assertion discredits him, because he assumes a power of infallible prophecy which belongs to God alone. He is a candidate for the Presidency, the prize for which some men in this country have been willing to sell their veracity and their souls. Mr. Hughes has no convincing issue. He has advanced no reason that appeals to the judgment of his fellow-citizens for turning President Wilson out and putting Mr. Hughes in. What must he do, therefore, to make an impression?

His one hope is to excite the fears of the American people and make them believe that he is the only man who can save them. Mr. Hughes cannot guarantee the prosperity or the future of the country. Neither can the Republican Party. The Roosevelt panic of 1907, the worst in our history, is conclusive proof of Republican incompetence. We finite human beings can only prophesy as to the future upon the known conditions of the present. Every known condition favors a continuance of prosperity if we keep in power the experienced statesman who has with such signal ability re-established prosperity in the country and kept the nation at honorable peace. A few fundamental facts disprove Mr. Hughes's assertion that our prosperity is built upon sand.

The United States is today the strongest financial power in the world. This is shown conclusively by the fact that we actually possess more than \$2,636,000,000 of gold, which is about one-third of the entire gold stock of the world. If the war continues another year we may have one-half the entire gold stock of the world; if it lasts longer, there is no telling how much of the gold of the world we may own. We are no longer a debtor, but a creditor nation. We now hold, and can continue to hold, the dominant position in world finance. The other strong nations have entered the debtor class and must continue to be large debtors for years to come. So long as we are dominant in world finance we can dispense our credits in such a way as to protect more effectively than any tariff law could possibly do, the prosperity of our country. Our total interest bearing debt amounts to only \$972,000,000, and we have unlimited resources, amazing industrial development and unequalled economic strength.

We are at peace and the genius and energy of our people have full play upon industry and organization. We have never before reached such a high point in efficiency and productivity. We have not suffered the slaughter of millions of our skilled workers. We are not weakened by the wounding and maiming for life of other millions of our men. We are not obliged to carry the burden of

supporting many more millions of widows and orphans and cripples as every belligerent nation of Europe must do for generations to come.

But Mr. Hughes says our prosperity is based on war orders. This is again reckless assertion, merely.

For three years we have had the greatest crops in our history. Did the European war increase the productivity of

posits in our banks increased during the last three years \$6,238,000,000, and these increases are not shown in cities alone where war orders are taken, but are distributed throughout the length and breadth of the land. The resources of our banks have increased \$6,500,000,000 in the last three years.

But the most conclusive and significant facts are shown by the figures of our

secondary munitions such as horses, mules, automobiles, aeroplanes, boots, shoes, saddles, harness, wool clothing and blankets, brass, copper, lead, zinc in pigs, bars, and other manufactures, for the fiscal year ended June 30, 1916, amounted to a total of \$930,000,000 in round figures.

This is less than two-tenths of 1 per cent. of our total domestic trade.

Some economists say that our total domestic trade, excluding successive turnovers as The Annalist figures indicate, and basing it upon the total of our home production and one turnover, representing consumption, amounts to \$100,000,000,000 per annum. On this basis our exports of war munitions of all kinds for the fiscal year ended June 30, 1916, (\$930,000,000,) amount to less than 1 per cent. of our domestic trade!

How indefensible it is for any reputable man to say that our prosperity rests upon war orders! It is deliberate misrepresentation. When peace comes and war orders cease, the process will be gradual. We shall undoubtedly be called upon for other supplies to help restore the destruction of war in Europe that will more than offset the loss of war orders. We shall also regain our trade with the Teutonic allies, now wholly suspended, and amounting to \$431,000,000 per annum.

What of Europe? How formidable will she be as a competitor when peace comes?

It is a sad picture. There are now 25,000,000 men under arms in Europe, slaughtering and crippling each other by the thousands every day. Back of these vast armies, and to support them in the field, are the rest of the populations in each country—engaged in the production of what? The munitions and supplies upon which the existence of these armies and the lives of these nations depend. Every industry and every energy of their people have been reorganized and redirected for destructive purposes.

The claim that they are accumulating great stores of goods to dump in our markets or any other markets after the war has no support in truth or fact. The belligerent nations have neither time, raw materials, supplies, or surplus labor for such work, nor have they the capital to invest in such commercial operations. They are straining their credit to the limit to carry on the war. On the return of peace they must reorganize and redirect their industries for commerce at great cost and much delay. Millions of their skilled laborers have been killed. It takes years to grow men and make skilled workmen out of them. Many more millions of their men are invalids for life from wounds and sickness; millions will be hopeless cripples and charges upon the State. Other millions of widows and orphans must be cared for by their Governments. It is estimated that the number of killed, wounded, and missing has already reached the appalling total of 18,500,000 men.

The waste and destruction of war—prodigious beyond imagination—must be overcome. Meanwhile, each belligerent is piling up colossal debts, the interest



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(Cl. Harris & Ewing. From Paul Thompson.)

our soil? Railroad earnings have exceeded every previous record. Did the European war increase the volume of traffic, except for the relatively small tonnage of munitions, furnished principally by plants near the Atlantic seaboard? The Ford Automobile Company never built and sold as many automobiles as during last year. The company is 200,000 cars behind its orders, and it has never taken a war order. Did the European war bring prosperity to Ford and his workmen? Wages throughout the land in every line of business having nothing to do with war orders are the highest ever known. How did the European war produce that prosperity? De-

domestic and foreign trade. The New York Annalist says that our "Home Commerce," or domestic trade, amounts to about \$507,000,000,000 a year. Our total export trade, including all munitions of war of every direct and collateral sort, to all the belligerent and neutral nations of the world, for the fiscal year ending June 30, 1916, amounted to \$4,272,000,000—or about eight-tenths of 1 per cent. only, of our total domestic trade—a percentage so small that it is almost negligible. But the Government figures show that the total amount of exports of war munitions, including actual munitions such as explosives, guns, and cartridges, and also what may be called

alone upon which will prove a fearful burden. The national debt of Great Britain at last reports was in the neighborhood of fifteen billion dollars. At 4 per cent. interest the annual payment on this vast debt will be \$600,000,000! To this must be added the cost of Government, maintenance of armies, navies, coast defenses, public works, and all. Germany, France, Austria, all of them, must face like conditions. A terrible burden of taxation must be borne, and it will, of course, be a material factor in the cost of production.

It is a gloomy picture. It touches the heart of humanity. It should evoke the best instincts of our race to help those stricken people when peace gives them rest and hope once more instead of exciting ignoble fears to which crafty politicians may appeal for personal advantage.

I do not need to paint the picture in more detail. It is enough to show that our strong and virile and rich and unmaimed and organized and highly developed people have nothing to fear from the competition of stricken and broken Europe. Let us pity and help if we can those noble peoples instead of making a new war, in the form of a trade war, upon them after the horrors of this war have ended.

When Mr. Hughes insists that these devastated and suffering nations of Europe are going to crowd us out of the markets of the world and seriously invade our domestic markets after the war is ended, because they will be so wonderfully "efficient," what is the inevitable logic of his argument? It is this: that in order to become conqueringly "efficient" a nation must engage in a great war, kill off millions of its best men, maim and otherwise injure for life millions more of its men, bring widowhood and dependence upon millions of its women, make orphans and dependents of millions of its children, pile up a colossal public debt so that the burden of annual taxation may be most oppressive, and that then, having been thus weakened, the nation will be at the zenith of "efficiency" and can successfully compete with the strongest power in wealth, population and natural resources upon the face of the earth. This is the climax of Republican humbug and buncombe.

But if we are really endangered in the future we are prepared for it. We have created a nonpartisan Tariff Board to investigate and inform Congress as to the basis for intelligent legislation, and we have enacted anti-dumping and unfair competition laws that will protect every legitimate interest from hurtful combinations against us or unfair competition with our people.

Mr. Root is, by common consent of Republicans everywhere, the greatest statesman of the Republican Party. Statesmanship implies vision, even the gift of prophecy. If Mr. Root, the greatest Republican statesman, is a false prophet, isn't it likely that Mr. Hughes, who is not so gifted, is also a false prophet? I have already read to you Mr. Root's grave and unrealized prophecy of disaster if the Federal Reserve act were passed. Mr. Root and his colleagues have been, I repeat, discredited as prophets. They have been crying disaster ever since the Democratic Party took power, but their gloomy predictions have been falsified by the facts. The truth is that the Republican Party has no issue and that it has entered upon a deliberately organized campaign of humbug and misrepresentation, hoping that enough people may be scared or fooled to put it back in power.

The only thing that will endanger the prosperity of this country is a Republican victory at this time. The country would immediately be thrown into a state of uneasiness and uncertainty, and the Government would be practically at a standstill until March 4, next. The Government would be without power to protect the country fully in its foreign relations, because all of the foreign powers would assume that a change of policy would be inaugurated on the 4th of March, 1917, and they would undoubtedly temporize with matters until that time. A chill would be felt throughout the business world, and after the 4th of March there would be an upheaval over the tariff and financial questions.

Mr. Hughes has declared for the standpat Republican doctrine of a high protective tariff of the old reactionary sort. Upon what basis could business proceed until new tariff legislation has been adopted? Mr. Hughes does not tell us wherein the tariff needs reform; he does not tell us what particular lines of in-

dustry need additional protection, so that the country would be in the dark as to the new basis upon which business could proceed with safety and confidence.

An effort to break up the Federal Reserve system and to establish in its place a central bank, located in Wall Street, would also be a disturbing element of the most serious sort.

Why should business men now enjoying unexampled prosperity, farmers who have never before received such large returns for their toil, laboring men who have never before been so steadily employed at such high wages, deliberately vote to exchange the present certainties under President Wilson for the uncertainties under Mr. Hughes? It would be equivalent to exchanging the good money of Democratic prosperity now circulating at par throughout the land for the mere promises to pay of Mr. Hughes.

The Federal Farm Loan act, or Rural Credits bill, approved by the President on July 17, 1916, is another measure which will greatly strengthen and sustain the country's present prosperity. The Farm Loan System will organize and make effective a great volume of farm credit now lying idle because unorganized and unavailable, amounting to hundreds of millions of dollars. The organization of the Federal Farm Loan Banks and the mobilization of this idle farm credit will have the magic effect of bringing into circulation within a few years a vast amount of new wealth. It will increase farm development and add hundreds of millions of value to the productive wealth of the farms of the United States.

This bill provides for the division of the United States into twelve farm loan districts, and the establishment in each of a Federal Farm Loan Bank. Each bank is to have a capital of \$750,000, or \$9,000,000 in all. These Farm Loan Banks have the right to issue bonds, secured by first mortgages on farm lands, to an amount equal always to twenty times their capital stock. The Government will subscribe the full amount of the capital stock, or such part of it as is not subscribed by the public.

We are now establishing these rural credit banks. They ought to be in operation in January or February, 1917. They will provide credit for the farmers of this country on long-time mortgages,

ranging from five to forty years, at low rates of interest, in no event exceeding 6 per cent. It is one of the greatest measures ever enacted by an American Congress. In the hearings the Farm Loan Board has held throughout the Northern and Central States it was everywhere disclosed by the testimony of farmers that it was practically impossible for them to secure loans below \$1,000 upon farm mortgages at any price, and that the great mass of small farmers in this country were unable to improve and develop their farms and to increase the agricultural wealth of their country because they could not get essential credits. It was also shown that on farm loan mortgages above \$1,000 the rates ran all the way from 5 to 60 per cent. per annum, and it was difficult always in most of the States to secure mortgages on farms even where the security was unquestionable.

This really splendid piece of beneficial legislation, ranking, as it does, with the Federal Reserve act, and making farm credit as available to the farmer as commercial credit to the business man of the country, is denounced by the Republican Party in its platform adopted at Chicago in June, 1916, in the following language: "We favor an effective system of rural credits as opposed to the ineffective law proposed by the present Democratic Administration."

Will Mr. Hughes, if elected, repeal this Federal Farm Loan act? If he stands by his party's platform he must either repeal this legislation or substitute something for it. Are the farmers of this country, who have fought for fully a century to get a rural credits bill, going to turn the Democratic Party out of power just as they have won their great victory and the banks are actually being established, and put in power an Administration which is hostile to this great law?

If the American people want to assure the maintenance of honorable peace so long as it is possible for human wisdom, patience, and courage to maintain it; if they want to secure a continuance of our present prosperity, and to have their Government genuinely conducted in the interest of the masses of the people, they will re-elect President Wilson and support him with a Democratic Senate and House of Representatives.