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BIG BUSINESS

GROWTH AND FORMS

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History of our Country

Mazzy

Visualized American History

Dorf

The United States

a graphic history

Hacker, Modley, Taylor

Big Business

The half century after the Civil War saw the growth of big business and the reaction against it. These were the years when millions of acres were given to the railroads and charters bestowed with a free hand. The most valuable of the oil, lumber, and metal lands were occupied under Federal land acts, bought in or obtained by fraud. The public reacted against the wasteful appropriation of the country's resources and the illegal methods so commonly used, while cut-throat competition was so disastrous that some way out had to be found. Business consolidation and government regulation have been the outcome.

Consolidation of Business:-

At this time the trend of business was toward larger and larger units, because of cut-throat competition, the desire to eliminate needless costs, and eagerness to reap greater profits. Also, certain results of the American Industrial Revolution helped make big business possible. The invention of labor-saving machinery made large scale production possible and profitable. The heavy investment in expensive machinery and apparatus discouraged competition. The very growth of the nation's size and business tended toward consolidation.

Corporations:-

As the size of the business unit increased and competition became more reckless and exacting, the old

fashioned method of individual ownership, partnership became inadequate. Consequently the corporate form was adopted. The corporate form was an organization or association created by law under a charter which authorizes it to do certain things. Although not a person, a corporation is an artificial being which like a person may carry on business, break the law, sue and be sued.

Advantages of a corporation are that it makes the raising of large amounts of capital easier, many people by owning corporate stocks may share in the development of the country and profits of concerns managed by men of great ability without contributing anything but a limited amount of money, risk of stockholders is limited by the laws of the state, shares can be bought and sold, it is not disrupted by death or retirement of members.

Disadvantages of the corporation are that the number of stockholders is large and scattered and it is impossible to exercise any real control over their delegated agents, lack of control of stockholders on directors has often encouraged directors to promote personal interests, speculative management, fraudulent promotions, and overcapitalization. Corporations seem to promote monopoly. Whatever its disadvantages may be the corporation has become the dominant form of business organization.

The Forms of the Consolidation Movement.-

While some large concerns have grown by natural expansion, many others have grown through a consolidation of industries engaged in the production of similar commodities. The forms the consolidation movement has taken are: pools, trusts, holding companies, amalgamations and mergers, and "community of interest".

Pools.-

After the Panic of 1873, the period of pools arose and continued until about 1887. The pool system is an organization of business units whose members try to control prices by apportioning the business in some way. These pools were forbidden in the Interstate Commerce Act of 1887, but the practice was continued especially in the South. Also, there were "out-put pools" which sought to eliminate "ill regulated and unauthorized competition" by mutual understanding between companies in regards to output and price. Another form of pool is that of allotment of territory and market.

Trusts.-

From 1887 to about 1897 a new form of understanding arose, which appeared to be legal and at the same time much more efficient than pooling. A trust is an actual consolidation of interests. The stockholders are under a trust agreement deposit a controlling share of their stock with a board of trustees and receive in return trust certificates.

This form was used by Standard Oil in 1879 and 1882, followed by the "Whiskey Trust", the "Sugar Trust", the "Lead Trust", the "Cotton Oil Trust", and by many others in the following years. The trust form effected a monopoly, and opposition to it produced anti-trust laws by various states and the Sherman Anti-trust Act by the national government in 1890.

Holding Companies.

During the period of 1897 to 1904 the holding company was the popular form. This is an organization to dominate other corporations by owning or controlling a portion of their stocks. — The Pennsylvania Company and the American Bell Telephone Company had used this system before 1897. The movement toward the holding company was greatly facilitated by the laws of a number of states particularly New Jersey, West Virginia, Delaware, and Maine. These states allowed the organization of pure finance corporations. Most of the great corporations of today were formed during these years, including the United States Steel Corporation. The law affirmed that while the holding company was legal under the laws of the incorporating states, it was illegal when the intent was obviously to effect a monopoly.

Mergers and "community of interest". -

Although the holding company is still the most significant type of corporate organization in the United States, other methods of consolidation have come to supplement it. Amalgamation, ~~or~~ merger or the outright purchase of one organization by another is one method. Likewise anti-monopoly laws have developed control through "community of interest" usually achieved through the purchase of stock by individuals, holding companies, corporations, investment trusts, or "voting trusts". One company may buy stock in another of sufficient quantity to make its influence felt. The Clayton Act has forbidden interlocking directorates in competitive companies engaged in interstate business whose capital, ~~surplus~~ surplus, and undivided profits aggregate more than \$1,000,000; but here, even as stockholders, the same director may influence great exercise great influence.

The Standard Oil Company -

The rise and progress of the Standard Oil Company illustrates practically every phase in development and methods of monopoly under American conditions. (In 1867 while the oil industry was still in its infancy, John D. Rockefeller united the refineries of William Rockefeller and Company, Rockefeller and Andrews, Rockefeller and Company, S. V. Harkness, and H. M. Flagler, into the firm of Rockefeller, Andrews & Flagler. It was reorganized in 1870 into the Standard Oil Company of Ohio with a capital of

\$1,000,000 and a refining capacity of 600 barrels a day. Up to 1879 competition between oil men had been largely in production, but in the succeeding years it was for transportation facilities and favorable rates. This bitter war left the Standard Oil Company in complete control. This victory was won by the business acumen of Rockefeller and his associates, by the securing of favorable freight rates, by the unscrupulous and illegal methods by which they destroyed competition and won favorable concessions from railroads and legislatures. By 1879 Standard Oil gradually extended its controlled from 90 to 95 percent of the oil refined, and was able to dictate its rates to the roads. A scheme was worked out by which the stock holdings of fourteen companies and the majority of holdings in 26 others were placed in the hands of 9 trustees. The Sherman Anti-Trust Act of 1890 enabled the state of Ohio to break up the Standard Oil Trust into twenty constituent companies. In 1899 another attempt to bring the entire properties under a single control by the formation of the Standard Oil Company of New Jersey, a holding and operating company, so that in time one concern might own on and direct the whole industry. It was finally made untenable in 1911 and the business since then has been carried on by corporations which influence a dominant exercise a dominant control influence through a "community of interest".

Advantages and Disadvantages of Capitalistic Monopolies.

Large scale monopolistic production, it is claimed, effects savings both in production and in marketing. Large resources make it possible to use only the best located plants and most efficient machinery, large scale production allows more complete utilization of by-products and economies in division of labor, permits specialization of production at different plants, administrative expenses can be saved by the elimination of duplicated offices of high salaried officials, research may be pursued on a larger scale, waste and ineffective methods may be more easily detected, though there is greater strength in dealing with labor. In marketing expenses are reduced by the elimination of salesmen and advertising, by elimination of cross freights, by development of greater strength in the export business. The alleged advantages of monopolies may be applied to any large scale industry where there is no monopoly.

The Sherman Anti Trust Act.

The people were disturbed over the appropriation and the consolidation of the resources of the country, and they were thoroughly aroused over the dishonest means of competition. By 1890 public opinion had become so aroused over the subject of monopolies that federal legislation was demanded to supplement the state laws.

Some anti-trust bills were introduced in the Senate in 1888, but two years of discussion ensued before a bill was finally passed. The Sherman Anti-Trust Act said that: sec. 1. - Every contract, combination

in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states or with foreign nations is hereby declared illegal.

Sec. 2 - Every person who shall monopolize or attempt to monopolize or combine or conspire with any other person or persons to monopolize any part of the trade or commerce among the several states, or with foreign countries, shall be deemed guilty of a misdemeanor.

The Sherman act had little influence on business consolidation, but capital has succeeded in using it effectively against labor unions.

The "Muckrakers" and the Revival of anti-trust activity.

In books and numerous magazines, articles about the lawlessness and greed of big business and the venality of politicians were enlarged upon. Some of this "Muckraking" was exaggerated, but most of it unfortunately was too true. This helped to stimulate a healthy reaction for reform, in which President Roosevelt took the lead. In a campaign speaking tour in 1902 he attacked the "trusts"; and in the next year Congress passed three acts to control big business more effectively. These were the Expediting Act, Elkins anti-lobby act, and the third was to make "diligent investigation into the organization, conduct, and management of corporations". The Pure Food Law of 1906 marked a distinct step forward in the policy of government intervention to protect the welfare of the public; while the act of 1907 aimed especially to bring under supervision the meat-packing business.

The Clayton Anti-Trust act of 1914 made a more careful statement of unlawful practices, than the Sherman Act, so that legitimate business may know when it was within the law. The creation of the Federal Trade Commission set up new machinery to maintain competition, but laws had little, if any effect on preventing the consolidation of capital.

The "Money Trust".—

The increasing wealth of the country had naturally enlarged the size of the banks, and the banking interests have gone parallel to with the rapid consolidation of business. The same men that controlled the important railroad lines controlled the banking facilities. National City Bank became the Rockefeller Bank and Morgans controlled The First National, The Banker's Trust and others. There was a real danger in a situation in which the economic life blood of the nation was controlled by a small group of men using their power for private ends. As a number of recommendations, made by the Pujo Committee, in regards to bettering the banking facilities, breaking up concentration and supervising the stock exchange were used in the law creating the Federal Reserve System, the Clayton Act, and the Esch-Cummins bill.

Conclusion.—

Up to 1914 the attitude of the American people toward monopoly was that monopoly must submit to regulation or supervision by the government to protect the general welfare of the nation. Two rather distinct waves of opposition to monopoly since 1860. In the 70's and 80's railroad commissions were set up in many states, and in 1887 the

the Interstate Commerce Act was passed in an effort to regulate railroad monopolies. In 1890 the Sherman Anti-Trust Act was passed to try to prevent the development of railroad and industrial monopolies. Public Utility Commissions were set up to supervise such monopolies as gas, electricity, and telephones. The Clayton Act of 1914 made the anti-federal anti-trust law more definite. This concludes the growth of big business up to 1914.

BIG BUSINESS

DURATEX FOLDER
MEDIUM WEIGHT

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THE GROWTH OF "BIG BUSINESS", INDUSTRY,

AND PRIVATE CORPORATIONS, AND THEIR

VALUE TO AMERICAN LIFE

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Business in its simplest form means the exchange of one service or commodity for another.

Business has gone through greater changes since the War between the North and the South than in all the 250 years of our previous history. During the colonial period business was conducted on a small scale, and was carried on almost wholly by individuals, rather than by companies or corporations. For a quarter of a century after the close of the Revolutionary War there was little change in the character of American business. Agriculture continued to be the largest industry.

About 1808 the factory began to displace household manufacturing. The change was largely due to the use of mechanical inventions; to the discovery of new natural resources; to improved methods of transportation; and to the development of banking and the use of stock companies and corporations for financing large enterprises. Factory manufacturing began in the northern states during the period from 1808 to 1814, when European markets were closed against American foodstuffs and raw materials, or greatly restricted. In 1810 the value of products manufactured in the United States was about 200 million dollars. By 1860 their value had increased to almost 2 billion dollars.

Besides the textile and iron industries, American business shortly manufactured most of the goods needed for home consumption. Only about one-tenth of the value

of manufactures in 1860 was the output of the cotton and woolen mills. The others were the making of clothing, leather goods, tools, machinery, tobacco, paper, and household furniture.

The principal food products which went through manufacturing process were flour, meal, saltmeat, and fish. Everywhere the grinding of wheat and corn was widespread. The largest flour mills were in Oswego, New York, Richmond, Virginia, and New York City. Cincinnati and Chicago were the meatpacking centers, Cincinnati in pork and Chicago in beef. Fish was a New England industry.

The clothing business became a factory industry as a result of the invention of the sewing machine by Elias Howe. Patented in 1846 but was first put on the market three years later. By 1860 the output of three factories, of which the Singer factory was the largest was more than 100,000 machines a year. The importance of the sewing machine was social rather than economic. It freed women from the endless drudgery of making clothing by hand, and it opened up a new field of employment for women.

Iron manufacturing dates back to the colonial period, when iron was mined and smelted in eastern New Jersey, Pennsylvania, and Virginia. Early in the new century Pittsburgh began to be a center of iron manufacturing. Reason was the presence in near-by areas of abundant coal. By 1860 coal was used in all the furnaces in which the

ore was smelted and the iron was heated for working. The use of this cheap and readily available fuel was the foundation for advancement in the iron industry. The rapid increase in factory manufacturing, the increasing use of machinery, the building of railroads, the improvement of agricultural implements, the introduction of stoves into kitchen and parlor, all gave iron an importance that can hardly be exaggerated.

The factory used the raw materials of the farm and the factory workers consumed its food, while the farmers bought the output of the factories. But as the nation expanded and population grew, the marketing problem required enlarged and improved means of transportation. At the same time the increase in the number and complexity of the financial transactions of business men demanded the creation of a banking system.

The growth of business and industry in the South came later than it did in the North. The war had destroyed the factories of the South and had caused ruin and bankruptcy everywhere. It was many years before the South began to get back any of her former wealth. But in the 1870's Southerners began to build little cotton and tobacco and lumber mills, and the change of the South to a manufacturing country was under way. Soon the coal and iron mines of northern Alabama were discovered. Within a few years the South was manufacturing iron and steel, and Birmingham, Alabama, had become the "Pittsburgh of the South."

It was entirely natural that Southerners should build their own factories and mills and manufacture their own products. In the first place, the South was rich in raw material, in cotton and tobacco and pine wood, in coal and iron ore and oil. In the second place, the South had, in its mountains, wonderful resources of water power. Fast-flowing streams rushed down from the mountains to the sea. In the third place, the South had ready at hand a large body of laborers, the Negroes and the small farmers. /

This South of textile mills and iron and steel furnaces, of furniture and of tobacco plants, is often called the New South. It is a New South in the sense that it is interested in manufacturing as well as farming.

The rapid growth of industry and of foreign and domestic commerce made necessary the establishment of banks to assist the exchange of money and credit. The United States banks performed; 1. They served as places of deposit, thus keeping money in circulation which otherwise might have been hoarded. 2. Besides lending money, they acted as financial agents and found money for enterprises which they were not themselves able to finance. 3. Their notes and checks served as money and thereby enlarged the amount of money in circulation and stimulated business. Banks alone were not sufficient to finance the expansion of business by loans.

The cost of building turnpikes, canals, railroads, telegraph lines, and other large enterprises was beyond that of anything heretofore undertaken by American business. No one man, nor any bank, was rich enough to finance such enterprises. They were financed, therefore, in two ways--by the formation of companies and by government aid.

The joint-stock company--a company in which individuals bought shares of stock--could finance large undertaking. Granted a charter by a legislature, it became a corporation.

The corporation has come to be the most common form of business organization when the undertaking develops beyond the means of the individual proprietor. Each state has its own laws regulating the formation and operation

of corporations. Some states define the powers and limitations of the corporation rigidly, while some are rather liberal.

A corporation is made up of a group of individuals each of whom owns shares of stock in the organization. The stockholders elect officers to manage the business, and each shares in the profits and losses in proportion to the amount of his stock, and no further.

A trust is a form of organization. It is made up of a number of members. But the members are themselves corporations. The trust was devised to reduce competitive method of doing business and to increase thereby the profits of stockholders. To form a trust, each of the companies engaged in the same or similar business would surrender its business to a group of trustees. The trustees would then manage the combined business--that is the trust would economize operating expenses and abolish marketing competition, and finally would distribute profits to stockholders in proportion to their stock. The growth of the hundreds of industries and businesses in the U. S. were developed along much the same lines.

In some respects, society benefited by the growth of trusts. Trusts provided better management and, therefore, gave the public better service.

But there were many inconveniences. Before the trust

movement had gone on very long, thoughtful men began to complain that it was harmful to society. They objected to the control of the natural resources of the nation by a few men. Second, Americans came to fear the control of industry, of business, of transportation, and of banking by the directors of a small number of corporations. Third, the growth of trusts hurt the small business man. Many of the trusts had waged war on small business men and had put many of them out of business, sometimes by using unfair methods.

In the beginning, the separate states tried to regulate the trusts, but they soon found that the trust problem, like the railroad problem, was a national one.

Because the states could not handle the trust problem, Congress stepped in. The result was the Sherman Anti-Trust Act of 1890. This act declared that all business combinations or trusts that interfered with commerce passing from one state to another were illegal. It made it a crime for any trust to get so large a part of the trade in any one article that it could control the price of that article.

For some years this anti-trust act had very little effect. But when Theodore Roosevelt came to office, he began to enforce the anti-trust act. He started a period of so-called "trust-busting." One trust after another was broken up--the Standard Oil Trust, the Tobacco Trust, the Packers Trust, and others equally large and powerful.

President Taft continued the work that Roosevelt had begun.

President Wilson was just as strongly opposed to trusts as Roosevelt and Taft had been. To carry out his wish, Congress passed additional anti-trust laws. These laws were designed to keep up competition in business and to discourage the growth of great industrial or banking trusts.

But none of the anti-trust laws brought about the desired results. Laws or no laws, trusts and business combinations continued to grow. Industrial and banking trusts were larger and stronger in 1930 than they had ever been before. It was clear that laws merely forbidding certain practices were not enough. It was too easy to get around such laws.)

When Franklin D. Roosevelt came to office, he started a new policy of dealing with big business and the trust problem. At his request, Congress passed the National Industrial Recovery Act to regulate business practices. Before the law could be fully tested and improved, the Supreme Court declared it unconstitutional.

THE NATIONAL INDUSTRIAL RECOVERY ACT

The law for the improvement of manufacturing conditions gave the President large powers of control over business. The plan was for the President, or someone appointed by him, to work out agreements with different groups of manufacturers and businessmen. These agreements, called

codes, were designed to limit production and, at the same time, to increase the wages and reduce the working hours of the employees. The shorter working hours would enable more men and women to find work, and would reduce unemployment. The production of less goods would enable employers to get better prices for goods and to pay higher wages. At the same time, it was hoped that most of the codes, when adopted, would forbid the employment of children in shops, factories, stores, and offices. The law was put in effect by the National Recovery Administration, called the NRA.

Congress responded with series of laws which placed trusts, railroads, and banks under the strict supervision of the government. These laws were not very successful in preventing the growth of trusts, but they were successful in regulating railroads and banks. And they were important because they established the principle that the government does have the right and the duty to protect society and to regulate business.

Some of the many problems brought by the change of the United States from an agricultural to an industrial nation are not yet settled.

(Large-scale combinations among manufacturers began in about the 1880's.) The Standard Oil trust, was formed in 1882, and it was followed shortly by the sugar trust, the tobacco trust, the rubber trust, the leather trust, and others of the same kind. The great period of combination began just at the end of the nineteenth century, with the organization of such trusts as the United States Steel Corporation and the International Harvester Company. From that time to the present, combination has gone forward increasingly in every department of American manufacturing.

) The result of this process of combination is that many small businesses have been swallowed up or ruined by large corporations, because they could not carry on the work of a factory or store as cheaply and as well as could the corporations. In time, a handful of corporations came to control most of the natural resources and most of the business of the country.

By 1936, eight companies owned and controlled four-fifths of the hard coal of the country. One company controlled over half of the iron ore of the country. Four companies controlled over half of the copper in the country. One company controlled almost all of the nickel in the whole world. Five companies controlled one-third of the production of oil in the country. Three large companies manufactured over nine-tenths of all the automobiles that were made.)

In the beginning there was a very large number of independent railroads. Many of these were unable to earn their expenses. Soon the stronger ones began to take over the weaker ones. A few great "railroad systems" came into existence. Thus, the New York Central Railroad took over scores of smaller railroads to make the great New York Central system. By 1900 there were nine or ten great railroad systems, made up of hundreds of smaller roads that had lost their independence. This was good for the public in some ways, because it increased efficiency, but it meant that a handful of men controlled the railroads of the nation.

What was true of railroads was equally true of such businesses of communication as the telephone, telegraph, radio, electricity, and moving pictures. These things which affected the life of every person in the country were controlled by a small group of great corporations. The American Telephone and Telegraph Company controls almost all of the telephone and telegraph business in the country.

Combination went on in banking as in industry and in railroads. The small banks were taken in by the larger and stronger banks which were located in the cities. In 1930 there were about 25,000 banks in the country, but 250 of them had half of all the bank money.

These great banking houses had enormous sums of money to invest. When they invested their money in an industry

they could control that business. In time, the banks of the country came to control and even to own many of the largest businesses. Banking houses like that of J. P. Morgan and Company in New York controlled hundreds of separate businesses and industries and railroads, with wealth running into tens of billions of dollars.

Beginning about 1900 the small independent store or shop was threatened by competition from chain stores and mailorder houses. That competition did not become serious until the 1920's, but by the 1930's independent grocery stores had lost about half their business to chain stores such as the Great Atlantic and Pacific Tea Company or the National Tea Company. Tobacco shops gave way to chains like the United Cigar and the Schulte stores, and notion stores to chains like Woolworth and Kresge. Independent carriage shops changed into gas stations run by the great oil companies. Little dry-goods stores lost business to chain stores like Penny's or to great mail-order houses like Montgomery Ward and Sears Roebuck. Laws passed by many states in the 1920's and 1930's checked this chain-store development for the time being. In the 1930's the outlook for the independent store improved. However, in industry and in business most workers, instead of setting up a shop or business for themselves or working for some small, independent owner, came to work for some large corporation.

(The government regulate the railroads.) People demanded regulation of the railroads because the railroads were the first big business to build up enormous wealth and power. Second, farmers and small shippers began to feel that the railroads were treating them unfairly. They felt that the railroads charged too much for hauling wheat and corn and cotton and other products to market. They believed that the railroads were giving low rates to big companies and high rates to the small shippers. Third, they felt that the railroads had altogether too much influence in politics and used this influence against the welfare of the people. Fourth, the railroads were clearly national in character. The same railroads ran through a large number of states. Such railroads could not well be regulated by individual states. If they were to be regulated at all, they would have to be regulated by the Federal government at Washington.)

The demand for the national regulation of railroads was met by Congress in the Interstate Commerce Act of 1887. This act provided that all rates charged by the railroads should be fair and reasonable. It provided further that all rates should be equal for all. There should no longer be one rate for the great steel or oil company and another rate for the small farmer.

The Interstate Commerce Act was a good beginning, but it did not go far enough. Railroads continued to grow in size and power, and continued to charge rates

that farmers and shippers thought too high. When in 1901 Theodore Roosevelt came to the presidency, he said that there must be still more regulation of the railroads. Congress then passed a law which gave the government the right to say what rates the railroads should charge.

The regulation of banks and banking has always been a matter of special concern to our government. At the very beginning of our history Congress established the first United States bank which came to an end after 20 years. The second United States bank came into existence in 1816, but in the 1830's President Jackson succeeded in destroying it. Finally, during the War between the North and the South, Congress set up a new national banking system.

/ This national banking system worked efficiently and honestly, but it was disliked by many farmers and small tradesmen. They did not like it because they felt that it worked for the benefit of the bankers and speculators of the large cities, and because they thought that it neglected the welfare of the people. They wanted, instead, a banking system that would be controlled by the government for the benefit of the common man.

When President Wilson came into office passed a law providing for an important change in the banking system of the country. This law gave us the Federal Reserve Act of 1913, setting up twelve Federal Reserve Banks.

The Federal Reserve Act had two purposes. One was to bring all of the national banks in the country under the more direct control of the government. Second was to make it easier for borrowers to get money.

All through the last quarter of the nineteenth century the growth of business and of industry increased. By 1900 the United States had passed Great Britain in the manufacture of iron and steel; twenty-five years later American steel mills turned out six times as much steel as did those of Great Britain. The same thing happened in one industry after another. By the time of the World War the United States was without question the foremost industrial nation in the world. America produced more coal, more iron, more oil, more gas, than any other nation. Americans manufactured more machines, more farming tools, more cotton goods, more tobacco, than any other people. American goods began to find their way everywhere in the world. Today, Englishmen ride in American automobiles, Russian farmers use American reapers and tractors, Chinese coolies wear American cotton clothes. American business has spread throughout the world.

The World war greatly disturbed the business of all countries, those that were not engaged in the war as well as those that were. In this country, as in others, prices rose enormously, for two reasons: First, the government demanded great quantities of supplies, food, clothing, and other things, regardless of cost; and second, it took millions of men from the mines and factories and farms, not only to serve in the army, but also to manufacture munitions, and thus too few were left to produce enough to supply the usual demand. The scarcity of goods caused prices to soar, and the scarcity of men had the same effect on wages. The people were lavish in spending money; merchants found it no trouble to get high prices for whatever they had to sell.

When millions of men were released from the army and when the munition factories were closed, the labor world was overcrowded and wages had to fall. Large numbers of men were thrown out of employment. The stagnation in business continued on through the winter and spring. Conditions became somewhat better by the summer of 1923, and by the following year industry had reached a normal stage.

The leader in doing business on a large scale was Andrew Carnegie. He bought up scores of steel companies, continuing some but closing down many and concentrating their business at his great plant at Homestead, near Pittsburgh, Pennsylvania. In the 1890's Carnegie's Homestead, steel mills were the largest in the world. When his leadership created the United States Steel Corporation in 1901 it was made up of 251 formerly independent steel companies. Another outstanding leader in consolidation was John D. Rockefeller. His Standard Oil Company, however, was not located at one plant but was spread out over the country. For many years it was the largest company of this kind in the country, if not in the world. In many industries the bigger enterprises began to seek to bring under their control everything they needed for their main business, all the way from raw materials to retail stores. Henry Ford, somewhat later, bought coal and iron mines, railroads, forests, and even glass factories. The General Motors Company created its own insurance and credit company. The chain grocery and clothing stores began to manufacture, or have especially made for them, the goods they sold.

There were men like the Astors of New York who made money in the increased value of real estate, due to the growth of cities.

After the panic of 1873, many railroads became bankrupt. Financiers began to buy up all the railroads of a

certain region and put them under one management. J. P. Morgan secured control of a line from Washington to New Orleans, with many branches. Vanderbilt brought together the northern roads from New York to Chicago.

Electric power companies and automobile companies have risen to first importance within the last fifty years.

Thomas A. Edison's inventions were rivaled by those of George Westinghouse. Both Edison and Westinghouse organized electrical power companies which developed into huge corporations to furnish power for a multitude of industries.

The manufacture of automobiles began to assume noticeable proportions in 1905, when 24,000 cars were built in the United States. In 1937 the manufacture of passenger cars, trucks, and busses in the United States and Canada had increased to 5 million, valued at just a little less than 3 billion dollars.

Automobile was introduced to the United States in the early 1890's by Charles Duryea and Henry Ford. The automobile industry came about because of the vastness of the country, inviting automobile transportation; the increase of leisure time due to shorter working hours; the application to the manufacturing process of the idea of standardization of parts; the development of allied industries such as rubber, steel, and oil; and the governmental policy which led to the expenditure of hundreds of millions of dollars by state and federal authorities for
good roads.

Ward's Defies F.D.R. Order To End Strike

Store Head Claims Government Seizure Would Be Illegal

CHICAGO (UP) — Montgomery Ward and company, defied President Roosevelt's order to recognize the United Retail, Wholesale and Department Store Employees' union Tuesday night and said that any government effort to take over operation of the huge retail mail order concern would be in complete disregard of the constitution. The President, in a back to work plea made Sunday, ordered the 5000 strikers to return to their jobs by noon Tuesday, and the company to recognize the union as the employees' bargaining agent until a national war labor board election could be held.

Sewell Avery, president of the company, said that "although Ward's welcomes an early election, Ward's cannot under the law, grant special privileges to the union pending the election."

"To grant maintenance of union membership before the election is held, as the war labor board has ordered, would not only violate the employees' fundamental liberty of free choice but it would also permit the union to demand the discharge of all employees who have resigned from the union since Dec. 8, 1943," Avery's statement said.

"Any seizure of Ward's plant or business (as intimated by the President should the union or company fail to comply with his request) would be in complete disregard of the constitution which the President has sworn to uphold and defend. Congress has given the President no power to seize the non-war business of Montgomery Ward," Avery added.

"Ward's has violated no law, nor denied to the union any privilege to which it is legally entitled. Ward's will continue to observe the wage, hours and related terms of employment as they were before the expiration of the former contract Nov. 16, 1943. Ward's has made no change in any of these conditions since Dec. 8, 1942, and could not do so under the wage stabilization law without prior government approval."

Henry B. Anderson, president of the union's local, said the union stood ready to co-operate fully with the President in any way he deemed necessary, and that the employees expected Mr. Roosevelt to carry out his promise to take such further action as the interests of the nation require" should the company refuse to recognize their bargaining agent.

Women's Unit Charges Wage Favoritism

By Edith Gaylord

WASHINGTON, July 3 (AP)—Some women in war industries are underpaid—simply because they are women, Miss Mary Anderson, director of the women's bureau of the labor department, asserted Saturday, but she predicts a bright future for the working woman.

At a press conference marking the twenty-fifth anniversary of the establishment of the women's bureau, Miss Anderson looked to the past and the future with these observations:

Chief accomplishment in employment standards of women since 1918 is the raising of their wage level.

In World war I most women didn't get more than 25 cents an hour, which was from 25 to 50 per cent less than men received for identical work.

The work of the bureau and gradual legislation culminating in the wages and hour law has made it possible for the majority of women to receive equal pay for equal work.

("But we still have lots getting as much as 20 per cent less pay just because they are women," she asserted.)

Biggest present need for working women is state legislation protecting their wages, hours and working conditions in service industries which are not subject to federal labor legislation.

She expects to see women as presidents of labor unions and holding key union positions because young officials are being drafted.

In the postwar period there will be room for women to continue working even after fighting men have returned to civilian life.

("Men are learning skills in the combat field which they will

want to pursue and there will be a great expansion in the manufacture of civilian consumer goods to build up inventories which will be very low after the war is over.")

Dean among women in key appointive government positions, Miss Anderson has headed the women's bureau under Presidents Wilson, Harding, Coolidge, Hoover and Roosevelt.

Draft Threat Aids Industry

BOISE (P) — The announcement last month that deferred workers guilty of absenteeism in Idaho's big three industries would be drafted caused a definite improvement in the labor situation for mining, lumbering and farming, Brigadier General M. G. McConnel, state selective service director, said Tuesday.

"We already have processed several men for induction—men who previously had been deferred, but who abused their deferments by staying away from their jobs without legitimate reasons," McConnel reported.

"We intend to adhere strictly to that policy and if a man does not stay on his job for which he is deferred, he is not entitled to a continuation of his deferment."

McConnel said that during the next few months calls on married men, including some with children, probably will be increased.

U. S. Workers Dictate to Their Bosses

Man Power Dearth Puts Employer On Real Hot Spot

SAN FRANCISCO, July 3 (UP) —American workers celebrate Independence day Sunday—and, oh boy, are they!

The wartime employment millennium has made many of them as independent as a chorus girl with seven fur coats, a nationwide United Press survey indicated Saturday night.

A Gary, Ind., steel worker showed up drunk on the job, dared the boss to fire him. The manager cautiously suggested that he go home and sleep it off.

Industrial revolution, 1943, has brought that pie right down from the sky and in the golden day of less work and more pay employers have to tread lightly lest they offend the new spirit of independence.

A Missouri farmer advertised for a "good porch-sitter," having learned that many new farmhands wouldn't farm, but he stipulated that, although there was "no work to do, the porch-sitter will have to be able to eat unassisted."

Old Promises Surpassed

Yesteryear's promises of "a full dinner pail," "a chicken in every pot," "\$30 every Thursday" and the assorted pension plans pale before today's \$50 a week or more for everybody.

Furniture movers wanted, \$290 a month; shoe repairmen, \$80 to \$115 a week; barbers guaranteed \$65 a week; cafes seeking waitresses coax, "plenty of tips, good music," a look at the classified ad pages showed.

Life is just a bowl of cherries, with the employer holding the bowl and the help demanding he remove the seeds before they dip their fingers into them.

Girls, there's "plenty of men" at the factory near Los Angeles where a secretary is needed.

A San Francisco radio operator turned down a boat ride and a job in Honolulu at \$340 a month, "but I'll take it for \$450."

A Chicago housewife would let a maid use her home one night a week to entertain.

Customers Warned

Taxi drivers, \$50 a week; boy, 17, for grocery delivery, \$35 a week; a sign in a San Francisco cafe warns, "Be kind to our employees; they are harder to get than customers."

A Salt Lake City amusement park boasts "pleasant surroundings" in its quest for cashiers; a factory qualifies for consideration with "first class equipment"; everybody but the cows at a dairy is on the 40-hour week and new hands are offered their butter and milk wholesale.

A Chicago drug store subtly appeals to youth: "Soda dispensers—all the sodas you can drink."

A Los Angeles aircraft factory appeals to patriotism and adventure: "Men and women wanted to help invade Europe. . . . You can help build the airplanes for the long trip to Berlin."

An Albany, Cal., policeman found a railroad watchman asleep on the job; he was reported but not discharged, so the city council framed a lengthy resolution asking the company to replace the watchman.

Appeal to 1-A Men

Lockheed and Vega Aircraft digs into the bottom of the barrel, appealing to the industrial wallflower—the 1-A in the draft who is afraid to take off his hat so near is that bugle call.

Chiko Marubashi
Core 1 & 2 11th

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THE

TARIFF

Frank Aoyama

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Tariff

A tariff is a list or schedule of duties levied on goods sent to or arriving from ~~a~~ foreign countries. Originally a tariff was just a list of articles on which duties were levied. However, for many years the legal meaning of the word has included both the list and the rate or duty.

These duties are levied in two ways. (a) *ad valorem*; these are based on the value of the goods brought into the country. They are expressed in terms of percentage, such as ten percent duty, 20% duty, 30% duty and so on. (b) *Specific*; these are levied in terms of measurements as five cents a yard, two cents a pound, five dollars a ton and so on.

There are three kinds of tariffs, (1) a revenue or free trade tariff. The purpose of this is to bring revenue to the government. A revenue tariff may be levied on goods that cannot be produced in the country. For many years a large part of England's revenue came from a tax on tea, coffee, sugar, and cocoa none of these were produced in England.

Another type of revenue tariff is a tax on imported articles and an excise or internal tax of about the same amount on the same

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Tariff in the U. S.

The tariff has been the chief source of income since 1789 until 1917 when the income tax took the lead. In some years it produced six hundred million dollars in income for the government.

Since the beginning of the American nation, certain circumstances seemed to favor protective rates. The bitterness between Great Britain and America led both Englishman and American to keep each others goods out of the country. To discourage the importation of foreign goods was an act of patriotism in America.

The debt after the revolutionary war and the War of 1812 was so large that it was necessary to collect every available penny of revenue.

The first tariff law which was passed in 1789 placed a duty of five percent on all imported goods. The purpose of this law was to raise revenue and to protect American industries. Only little protection was afforded because the rates were so low. This act was followed by the tariff of 1816, a distinctly protective measure. This act protected the woolen and cotton goods. President Monroe in his message to Congress recommended a tariff

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for protection only.

The tariff was fast becoming the most important political question. Henry Clay proposed the "American system" which included a high protective tariff. The "tariff of abomination" was passed in 1828. It was called this because its economic features were so bad. This led to the question of nullification. Congress lowered the duties in 1832 still retaining the principle of protection. This was still unsatisfactory to the south so in 1833 a compromise was made. The duties were to be gradually lowered until 1842 when a duty of 20% was to be placed on all exports. However the Whigs passed a new law in 1842 providing high duties. When the Democrats returned to power they passed in 1846 the Walker Act which was called the free trade measure. This act lowered some duties but kept many which had been the subject of controversy. In 1857 the duties were lowered again. There was no opposition because of the growing surplus in the Treasury.

When the War of Secession began the policy of lowering the duties was abandoned. In 1861 Congress passed the Morrill Act which raised the average duty. This was for the purpose of protection, and also to get revenue to meet increased expenses. It was increased from

thirty six per cent to forty six per cent in four years. It was thought that the duties would be lowered after the war but no marked reduction was made. A rapid growth was enjoyed by the manufacturing industries of the country. There was widespread feeling that protection was necessary and beneficial.

The governments surplus began to increase about 1880 and Congress spent it wastefully. The demand for this remedy, was the lowering of the tariff. This led the appointment of the Tariff commission in 1882. They were to find the effects of the tariff and recommend changes in them. In the campaign of 1884 the tariff became one of the main issues. In this election the Republicans were defeated and Grover Cleveland the first Democratic President since the civil war was elected.

The Mills Bills which contained the lower tariff ideas of Cleveland was passed by the House but failed to pass the Republican Senate. In the campaign of 1888 the issue was the tariff again and Cleveland was defeated by Harrison a Republican who endorsed a high tariff. The McKinley Tariff Act of 1890 raised the duty to a higher point than ever before. The Democrats gained power again in 1892 and Cleveland was re-elected. In 1897 the Wilson Tariff Act was passed. It was the second "tariff of

abominations." It pleased no one. It became a law without Cleveland's signature.

In 1897 in President McKinley's Administration the Dingley Tariff Act was passed, carrying rates even higher than the McKinley Act. As prosperity followed it was popular.

In 1909 the Payne Aldrich Tariff was passed by the Republicans which reduced many rates. This did not satisfy everyone who wanted a downward revision of rates. In 1914 Congress passed the Underwood-Simmons Tariff Act. This act lowered many rates and enlarged the free list. To offset the money falling off in revenue and income tax was imposed.

In 1922 the Fordney-McCumber Tariff was passed by the Republicans. In its purpose and rates highly protective. An attempt was made in 1916 to take the tariff out of politics by a permanent tariff commission being appointed which was to study the problem and give Congress advice.

Arguments In Favor Of Protection

(1) An infant industry needs protection. That is an industry which is just beginning needs the protection of the government to keep the cost of production down. Since foreigners have started before us and have the machinery and the trained workers they could sell their goods cheaper. If a tariff was to be put on for several years the manufacturers could get on their feet. After the industry was well established the tariff could be removed. This argument was one that was advanced by Alexander Hamilton. It was valid under the circumstances that existed in his time. This argument is correct if (a) the protected industry is especially adapted to our country! (b) that the tariff is temporary and (c) that the industry will be able to stand on its own feet when protection is removed. Even today we have developed some industries which cannot stand on its own feet, and there are some that consider themselves not grown up yet. The steel industry is an example. The stronger it became the more protection they wanted. Today there are a very few infant industries in America. The motive of this argument is to get protection and continue to get protection for the sake of increased profits. This argument sought to show that the building

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up of these industries was beneficial to the whole nation since it would enable the consumers to get their products on more favorable terms than from foreigners.

(2) Protection gives us new industries. It is claimed that new industries are begun since the tariff shuts out foreign competition. It is true that a protective tariff causes new industries to develop but it does this at the expense of old industries. As we all know most people in any country work and people who have money to invest, do not keep it lying idle. Therefore when a new industry develops it must take its workers and its capital from other industries. In other words capital and labor are diverted from other industries. People must buy as well as sell so if a protective tariff shuts off goods the buying power of the foreigner is reduced or cut off. Soon they will not be able to buy our exported goods, because they cannot sell to us and pay for purchases. A protective tariff diversifies industry, but does not add to industry.

(3) A protective tariff gives a favorable balance of trade. This is an old idea which means a country should sell more than it buys. It will then have a favorable balance of trade and this balance will be paid in gold. This reasoning has two errors. The first is that a nation cannot keep selling more than it buys, just as people in

America cannot keep on selling to each other more than they buy. To whom would he sell if everybody else was selling more than he bought. The second error is that gold is not the only really desirable form of wealth. Gold represents only one per cent of the total national wealth. And how can each nation import gold when the world supply is so small.

(4) The protective tariff keeps wages high. It is said that without the tariff to keep out cheap foreign goods, American manufacturers could not pay the wages that they are now paying, but would have to reduce wages or go out of business. The answer is that many industries have always been productive without protection. They have no trouble paying high wages. The less productive industries demand protection because they cannot pay the wages to attract highly paid workmen.

(5) The protective tariff helps to develop industries needed in time of war. This is an important argument. Certain industries are necessary to a nation's safety in time of war. If these industries do not develop ^{by} themselves a tariff must be used to bring it into being. So long as there is a possibility of war between nations this argument holds much wisdom. However it should be proven that (a) this industry to be protected is vital to the nation's safety and

(b) that this industry cannot be developed without protection.

(6) Anti Dumping Argument.

By dumping is meant the practice of selling goods abroad at less than the prices at home.

A protective tariff will stop this on the part of the foreign country. That fact that a foreign country can flood our markets with cheap products does not mean dumping. It is dumping only if the price of the goods is lower than that of the foreigner.

Dumping has three purposes (a) to get rid of temporary oversupply of goods, which if sold at home would ruin the home market. (b) to create a regular outlet for the surplus so that the manufacturer could continue to run his plant at capacity. or (c) to put the rival manufacture out of business. If the last is used there is some merit in the argument.

(7) Protection promotes nationalism. By nationalism is meant, furthering the interests of the country as a whole; it is a clever appeal to patriotism. It is said that domestic trade tends to draw people together, while international trade tends to separate them. When the federal government was created state tariffs were abolished and national tariffs which were made to protect the whole of the country against the rest of the world took its

place. Protection against foreign competition has its main object the creation of a strong national economic unity. The truth of the argument depends on the truth of the assumption that the development of a strong feeling of national unity is something to be desired.

(8) The protective tariff should be used to equalize production here and abroad. This modern and scientific basis of protection is to equalize the differences in the cost of production in the United States and the competing country. This formula has been accepted as "the policy of the Congress by this Act intended."

From an economic standpoint it has some good features. It recognizes that some taxation on imports is necessary, but abandons the Chinese ideas of protection and also aims to keep competition between domestic and foreign producers.

Theoretically it is all right but ^{is} practically unworkable. The difficulties are: How can you figure out the cost of a joint product or a by-product. The task of determining costs is made harder by the fact that costs vary from place to place and from producer to producer. The last is how can the cost abroad be obtained.

Arguments For Free Trade

(1) Free trade is in harmony with the law of comparative costs. This is the case of the free trader in a nutshell. So long as there are differences in the cost of producing cheap portable articles in the countries of the world there will be international trade in these articles.

It is claimed that protective tariffs are artificial barriers built up to force trade into unnatural channels. Protective Tariff Acts thus divert capital and labor from more productive to less productive industries.

(2) Protection is not necessary in order to diversify industry in a country with such varied natural resources as the United States. Free trade within our borders has not prevented manufacturing industries to grow in other parts of this country, other than New England and Pennsylvania.

Internal free trade has not prevented the diversification of American industry. If this was so the free traders say why fear free trade with all the world.

(3) The home market argument is essentially weak. It is said that the home market is surer than the foreign market because it cannot be destroyed by hostile tariffs or international complications. This would be true if all lines of industry

produced only as much as we could consume, but since home products seek foreign markets to dispose of surplus production that we cannot consume it is false. Any nation that sells abroad must buy abroad. If we raised high tariff barriers against foreign goods, we only injure ourselves.

(4) The protectionists appeal to the wage earners is two faced. Those who favor protection say that high tariffs make high wages. The free traders say if this is true how can you account for the fact that wages are higher in free trade England than protected Germany.

There is another inconsistency in the wage argument. France demands high tariffs to protect her low paid workmen against the greater skill and efficiency of high paid workmen in America.

United States it seems must have protection to protect her high paid workers against the pauper labor of Europe. So long as American labor is more productive than European labor, Americans do not have to fear about competition from poor paid Europeans.

(5). A protective tariff is a poor tax for raising revenue. It is uncertain and variable. The free traders claim that to the extent that a tariff does not prevent importation it affords no protection and in so far as it does protect, it yields no revenue.

articles produced in the country.

(2) A protective tariff. The purpose of this type of tariff is to help the domestic producer. Thus it must be levied on goods that can be produced in the country. To be protective the rates must be high enough to really protect the domestic producer, that is to enable him to charge a higher price than he could get if he were to compete with a foreigner and still retain his market. (3). A tariff with incidental protection. In this kind of tariff the rates levied are not raised above the point where the most revenue can be obtained.

Leading Industries Injured By the
Protective Tariff in the U. S.

A. Exporting Industries

1. Agriculture
2. Meat Packing
3. Machinery
4. Automobiles
5. Petroleum
6. Coal Mining

B. Domestic Industries

1. Railroad Transportation
2. Municipal Utilities
3. Lake and River Transportation
4. Building Industry
5. Trade (Wholesale and Retail)
6. Hotels and Restaurants
7. Bakeries and Confectionary
8. Publishing and Printing
9. Educational Institutions
10. Government Service

The Tariff Commission

The Commission was created in 1916 as a fact finding body. Up to this point in American history tariff acts has been put together by Congress. This Commission was to give advice and compile reliable economic information. The aim was to take the making of tariffs out of the political field and put it on a scientific laboratory. The Commission has no tariff making powers. It exists to furnish facts when called upon by either Congress or the President.

One of the duties of the Commission by law is "to investigate the administration and fiscal and industrial effects of the customs laws of the United States and the operation of the customs laws, including their relation to the Federal revenues, industries and labor of this country".

This Commission also has duties to perform in connection with agricultural aid programs undertaken by the Government. When requested by the President the law requires the commission "to investigate the imports of commodities to find out whether it interferes with agricultural aid programs which have been undertaken".

Another of the duties by law is "to invest-

igate tariff relations between the U. S. and foreign countries; commercial treaties; economic alliances; the effect of export bounties, the volume of importation compared with domestic production and consumption, and the conditions, causes, and effects relating to competition of foreign industries to those of the United States."

In operating the flexible tariff this Commission is an important agency. The principle of the flexible tariff provisions which was first used in the tariff of 1922 aims to equalize costs of production here and abroad. Until the flexible tariff the process of changing the rate was long and tedious. The Tariff Commission upon request of the President or by a resolution of either Houses of Congress, or on its own motion, may investigate any product with a duty other than those covered by trade agreements imported into the U. S.

This Commission may raise the rates of a tariff act by fifty per cent or lower it by fifty per cent. The Second World War has changed the work of this Commission. This Commission has been used as an official agency by emergency defence organizations.

The statements surrounded by quotation marks has been taken from the book American Government by Haskin.

Reciprocal Trade Agreements

Our government by encouraging trade among nations attempted to relieve the economic stresses and strains which they believed were the great cause of wars.

High tariffs and other trade restrictions are great barriers of international trade. Reciprocal Trade Agreements are an effort to remove these barriers to some extent. The principle of the trade agreements is simple. The United States agrees to lower the tariff on certain articles if the other country with which the agreement is made agrees to lower the tariff on other articles. A reduction of the tariff made to one country is granted to all other countries that are eligible, as it is our policy to levy the same tariff duties on a given product. Thus by the end of 1939, the United States had lowered its tariff on about twenty per cent. of its imports. The trade agreements have been made to twenty-one countries. The most important were Great Britain, Cuba, Brazil, Sweden, Canada, and France. Both exports and imports had risen. Part of this is due to the reciprocal trade agreements.

Improving by these methods makes good will and friendly relations between

nations. The United States has made a fine start in this direction. The war in Europe in 1939 brought a standstill any further efforts involving European nations.

This picture
copied from
your Government
Today and
Tomorrow
O'Rourke



Reciprocal trade agreements break down the barriers that are erected between nations by high tariffs.

The Price of Self Sufficiency

The minimum price that we would have to pay for economic self sufficiency is.

"The government would give up the interest and principal of war debts. The private investor would have to give up the greater part of the present and potential value of his foreign securities. The housewife would have to find substitutes for tea, coffee, chocolate, tropical products and certain food luxuries. The states would have to help financially the production of sugar, synthetic rubber, and manganese. To keep prices within bounds. Tin, mercury, mica, tungsten and copra would be imported for a period. Their commercial use would be forbidden. The shipping industry would collapse. The railroads would lose the traffic they now carry to ports. Commercial banks and middlemen would lose the business they are doing on goods of export. The motor industry and its related units would be limited with resulting unemployment. Copper and oil producers would either have to cut down to the amount required for local consumption or else the accumulating surplus would suffocate their business. Some two million American families who are dependent on industrial

export production, in normal times, would have to quit work. At the same time forty million acres of cultivable land would have to be removed from production and the families who are dependant on those acres would have to leave them and they cannot go into industry"

Some of this was taken from Modern Economics by Corbett Colvin.

Conclusions

Since the beginning of our existence as an independent nation we have had the tariff problem with us. At first our tariffs were only slightly protective. But with a few exceptions we have steadily maintained a rather high tariff for the purpose of protection. Protection has been maintained for many reasons. It protected infant industries, it developed home markets, it brought high wages to the laborers, it helped us to make our country self sufficient in time of war, and it prevented the dumping of cheap goods by foreign nations. These arguments have been proved to be weak but they still persist.

It seems that the importance of the tariff has been greatly exaggerated because it has been a political issue. The United States has prospered under high and low tariffs. Once the industries of the U.S. become accustomed to a certain tariff, the abundant resources of the country, the productive capacity of the people are sure to bring prosperity under normal conditions. Frequent changes in the tariff as tariff tinkering is called slows up industry because it creates uncertainty and unrest. To keep one plan for a number of years is better than shifting from one plan to the other.

The experiment of creating a Tariff Commission has been tried. But Congress too often ignored the findings and recommendations of the Commission. Another method of adjusting the tariff rates has been the flexible clause which authorized the President to raise or lower rates in accordance to recommendations of the Commission.

The tariff has taken on international significance since the World War. The United States is a creditor nation to the extent of many billion dollars which can only be paid with commodities and services. We do not wish to have too many goods coming in from foreign countries to compete with our own goods so we have raised the tariff to unusual heights. The other countries have raised their tariffs also and have discriminated ^{against} our goods. It has also made it impossible for foreign countries to pay us back. The tariff problem is still far from solution and will continue to be a sore spot in the world unless some Nation lowers its tariffs in the interest of world peace and trade.

Looking beyond the immediate future, however, we expect the next half century will record a movement towards freer trade. The conditions which made high protection have changed. We are rapidly entering the economic stage where protection is a hindrance instead of a help. That is we have built up an extensive export

trade in manufactured articles. Year by year raw materials are a large part of imports, and we have become the greatest exporting country in the world.

At the World Economic Conference held by the League of Nations in 1927 at which the United States was well represented, a resolution was made to put an end to the increase of tariffs and to start in the opposite direction. A draft convention was to be created to serve as a basis of discussion at such a conference. This is a real promise that in the near future a number of important countries will agree not to increase protective tariff duties.

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Shun Hsueh-kaiwa

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Shun —

I feel this is good work.
your English is weak and you
should do something about it.
you omitted a bibliography!

Early Transportation

The coach was the first transportation drawn by horse. The transportation at this early ~~day~~ ^{date} ^{was expensive} ~~were~~ high at this time.

You could get from New York to Philadelphia in a day if you could stand it. Rival stage lines were competing with each other for business, and the mania then - as it is today - was speed. You could board a stage at Amboy, New Jersey, down the bay from New York, at three in morning, and by changing horses every five or six mile be in Trenton for lunch. At Trenton you would be loaded aboard a ferry, be poled across the Delaware, and make the thirty mile into Philadelphia by sunset. But it was a back-breaking sixteen-hr. journey.

From Boston to New York took 6 days. To make ~~that~~ time you had to travel from three in the morning to ten at night, with an occasional stop to change horse and refresh yourself at a tavern. As you careened along the narrow road, the coach tipped perilously. When it was about to sway to the right, the driver called out. "To the left!" and all the passenger threw their weight to the left to help keeping the coach on its wheels. Going downhill the driver usually galloped his horses to make up for lost time. When the coach became stuck in the mud, the passengers got out and pushed.

*Most coaches of the day were plain wagon with heavy leather side curtains to let down in case of rain. Inside were four or five benches ~~to let down~~ without backs. You entered the coach at the front and crawled over the crowded front seats to find a vacant place at the rear!

You were lucky to get aside in one of the newer coaches in which the seats rested on springs. The comfortable stagecoach such as you see in the Wild West show, with its upholstered seat and its outside rack for baggage - called the Concord coach - was still some distance in the future.

The fare from Philadelphia to Baltimore was \$6.25 with your lodging and meal at the ~~tavern~~ extra. Between Boston and New York the cost of stage \$10, travel expense extra, and \$8 by sailing Packet, meal included!

Since people didn't earn the salaries then they do today, those prices may be considered fairly high.

From New York to Boston and from New York to Philadelphia, mail went three times a week in summer and twice a week in winter. It was carried by horse back, and two saddlebags per trip sufficed to transport all the letter the people were writing in those days.

Meanwhile, other parts of the country were speeding up their stage travel. The trip would cost \$3.00 of distance forty mile took five hour from Boston to Providence. Today it takes an hour. You could go from Boston to New York in forty-one hour, traveling night and day for \$11.00 and this was considered remarkable and uncomfortable. Today it take six hours and cost \$6.00.

Christopher Schultzy, one of the greatest travelers of the day said facetiously that if you were riding a horse and the mud didn't reach beyond your boot top, the road could be called Good.

One of the most interesting facts about the National Road is that it was built by the government as part of an extensive system of internal improvements that was to include canal and river ~~states~~ navigation. In other words, the United States started out to create Government-owned transportation system, and there were no objections from anyone. It seemed like a good idea.

Inland Waterway

The Erie Canal was begun by turning over a spadeful of earth at Rome, New York, July 4, 1817. The year before the National Road was officially opened to Wheeling. It was completed seven years later at a cost of nearly eight million dollars, a long ditch running from Water-vlet on the Hudson River, eight miles north of Albany, to Buffalo on Lake Erie. In its 363 miles of length it had to ascend and descent approximately 500 feet by means of 83 locks. It was America's greatest engineering feat up to that time for a state of a million and a half people, with a country side largely wilderness, it was a courageous undertaking.

The idea of the Erie Canal can be traced back to young man named Elkanah Watson who carried messages to Benjamin Franklin in Paris during the Revolutionary war. The usefulness of Europe's canals impressed him, and when he returned to this country he actively promoted waterways here. Especially did he like the idea of connecting Lake Ontario with the Hudson River by way of the Mohawk, which slanted into the Hudson above Albany. Under Watson's leadership, as early as 1796 the Mohawk was made navigable with lock.

From Watson day to 1817, New York had dreamed of a canal to Great Lakes. In 1810 the state had tried to induce the Government to build the canal. Then, without success, they

had urged the Ohio and Indiana Territories to cooperate. The war of 1825 intervened for a few years, and finally, after the war, the state decided to undertake the project alone.

The more ambitious Santee Canal, bringing trade to Charleston, S.C. from the middle of the state, was completed in 1800 at cost of \$75,000. The Middlesex, connecting Boston with the granite quarries and timber of New Hampshire, was finished in 1803 and cost \$525,000.

Yet these early ones were short. The Middlesex was only $27\frac{1}{4}$ mile long. The Erie Canal was to be 363 mile long! No wonder skeptics called it "Clinton's big ditch, and "Clinton folly."

DeWitt Clinton was the man around whom the canal enthusiasts rallied. He was born in Little Britain, New York, March 2, 1769, was graduated from King College, now Columbia University, in 1786. He was admitted to the bar, but instead of going into private practice he became secretary to his uncle, George Clinton, then governor of New York.

These three men, a county judge, a surveyor, and a young army officer, became the engineer of the nation's biggest project. To a considerable extent they were forced to write their own textbook and develop their own methods.

*Previous canal in this country had been built with a wheelbarrow and a shovel. These three and their helpers used the plow and the scraper and the work went much faster.

The canal had to be cut through dense forests. The resourceful Erie engineers developed special machine for pulling down trees and uprooting stumps - machine consisting of drums and cables that had never before been used for such purpose. They designed a plow with a sharp cutting edge to slice through the tangled roots of forest ground.

In June, 1825, the gates near Buffalo were opened and the water of Lake Erie were let into the western end of the canal. On October 26, 1825, the final triumphant ceremonies were held.

These ceremonies deserve a short description. There were speech in Buffalo, after which Governor Clinton and the canal commissioners were escorted to the basin where a line of gaily decorated canal boats waited - the Seneca Chief, the Superior, the Commodore Perry, Buffalo, Lion of the West & others.

From the very start, the financial success of the canal fulfilled the fondest hopes of Governor Clinton. The tolls in 1825 were \$56,000, and in 1826, \$965,000, and within a few years the receipts not only met operating cost and interest on the debt but began to pay off the principal itself.

As early as 1825, 13,110 boats were reported on the Erie and a branch canal that run north to Lake Champlain. The Erie became a funnel through which freight and humanity poured east and west. Good that had been rafted down to New Orleans - corn, pork, hams, beeswax, cattle, meal, chicken, fruit, lumber - now began going eastward via the Erie.

* Although canal travel was slow anywhere from a mile and one half to five mile an hour it speeded up travel between eastern and western New York. The time from New York City to Buffalo was reduced from twenty days to six. Most important, the canal lowered the cost of freight. By wagon it had cost around \$125 ton to ship goods from Buffalo to New York. By Canal the charge was \$5.00. Flour from Lake Erie could be delivered to New York for about \$1.50 barrel. Prices like these opened up an entirely new market to the farmer and millers of Ohio, Indiana, and Michigan.

For people who had little money there the line boats, a sort of second - class service. Travel on line boats was unpretentious and cheap, and at a rate of about a mile and one-half an hour. The cost was around a cent and half a mile and meals were served for a quarter and up.

The best passenger service was by packet. By putting two horses on a packet and changing them frequently, speeds of five miles an hour were achieved and soon the state was forced to pass speed laws because of damage to the banks when the packet bumped and gouged into the clay. The very names of packet - Flying Cloud, Greyhound, Lightning, and Whirlwind - expressed speed.

Packets were from ~~from~~ seventy-five feet long, eleven feet wide, and not much more than eight feet from waterline to roof. The crew was quartered in the bow and behind the crew quarters was a small cabin for ladies. Back of that was a large cabin that served as a lounging room during the day, a restaurant at meal times, and the men's cabin at night.

When nighttime came, porters brought in narrow frames of metal or wood with canvas stretches on them. These they affixed to the side of the cabin by rods, suspending them along their outer edge by means of a rope hooked to the ceiling. They worked busily until they had both sides of the cabin lined with narrow bunks, three feet deep. Most packets had twenty-one bunks to the side, or forty-two in cabin. If there were more than twenty-two passengers, the extras were put to bed on the table or the floor.

Rail Road

*The first railroad was by horse power
A railroad is merely a track on which some kind of mechanical power both developed invention before the dawn of railroad era.

*Track came the first. For several hundred years came men used wooden track to connect mines & quarries with waterway and they surfaced the wood rail with iron straps to prevent wear. United States had several such tracks long before they had steam train.

In 1801, Richard Trevithick put steam engine on wheel & run it on highway. In 1804 he built another engine & put it on rail. People at the time thought of it merely as a stunt but Richard Trevithick had actually, for first time in history, operated a railway locomotive. For 20 yrs. England experiment with idea, but from 1821 on it began to build railroad in earnest.

*For 1812, fairly good description of railroad. It specified track flanged wheel, and steam locomotive. But Steven was prophet ahead of his time, and could imagine anything so new and strange. It was seventeen year after Steven vigorous proposal that United States took railroad seriously

The first railroad to provide public rides in this country was the Baltimore & Ohio. The merchants of Baltimore had profited greatly from western trade that came to them over National Road.

On Feb. 28, 1827, after completion of Erie Canal the B. & O. was chartered. In twelve day the citizen of Baltimore & Frederick, Maryland subscribe for two million stock & the city of Baltimore subscribed another half million.

The first question was to use steam power and horse power. The track to Ellicott's Mills, thirteen miles away, over these track one horse drew a car containing 24 people at a speed of 15 miles an hour.

*The train schedules were not exact, Railroad were merely short line making connection with stagecoach & canal, & the train patiently waited until the stagecoach arrive. Nobody knew when train arrive destination. There was no telegraph to announce what station a train had arrive.

*In this early locomotive had wood block ~~brake~~ operated by foot pedal, many train had no brake at all. When a train approach the station, a crew of men run out, grabbed it wherever a handhold was available and pulled to a stop.

* One of the first sleeping cars came into use between Baltimore and Philadelphia in 1838. As in the packet these bunks were little more than narrow wooden shelves over which a thin straw mattress was laid. But this car crude as it was, raised people to high pitch of enthusiasm.

People were more enthusiastic about the speed of travel on train. If you lived in Worcester, Mass. in 1830 and wished to go to Boston on business, you would spend a day on stagecoach going the forty-four mile between the two towns. You spend another day transacting your business, and a third day getting home.

If you were resident of Washington in 1830's and wished to go to Boston, this is how you would do it. You bought ticket at Baltimore, forty miles away for \$1.60. The tiny engine and car whizzed along at an average 16 miles an hour, landing you in Baltimore in two and half hours.

You wait waited a half hour in Baltimore then boarded a train for Philadelphia, ninety-seven miles away. This trip took six hours and cost \$3.00 at Philadelphia you had a one and half hour wait before getting the New York train. The eighty-eight miles to New York consumed another five hours and cost \$4.00

In New York you stay overnight and get up early to catch the eight oclock for Boston. This trip until six in the evening but cost only \$3.00. The entire trip took two day and a night and cost \$11.60 in rail road fare.

Rail Road Transportation Today

*We have approximately 250,000 of railroad of thirty per cent of the worlds mileage. Texas has the longest mileage with 16,700, Illinois is next with 12,200, and Pennsylvania is third with 11,000. Our passengers and freight are carried by 42,000 passenger cars and 2000,000 freight, with 50,000 locomotives to do the pulling.

The car in which you are sitting is built of steel. The air draw from the outside. In summer time it is cooled by being passed over cold water pipes and in the winter it is heated by steam pipes running along the side of the car close to the floor, the steam being supply by the locomotive and being carried from car to car by hose connection.

*Electric light are supplied with current from a generator attached to the car axle. The generator not only light the car but fills a storage battery so that the car will remain light when the train stopped.

As we pull away from large cities, we may pass commuters trains consisting entirely of day coaches, carrying business men and office workers to the city from outlying suburbs. Some of these suburban train are electrified.

* The first of these trains put into service by the Union Pacific ~~and~~ In Oct., 1934, this train ran from Los Angeles, Calif., to New York City, a distance of 3,248 miles, in 56 hours and 55 minutes. It attained a maximum speed of 120 miles an hour and ran 506 miles at a average of 82.7 miles per hour.

The next streamliner to make its appearance was Zephyr belonging to Chicago, Burlington, and Quincy. The Zephyr was put into service between Chicago and St. Paul on a schedule calling for average of 66.3 miles per hour.

The streamline have introduced a new motive take the place of coal and steam. Their locomotive contain Diesel engine, an internal combustion engine that burns oil and explodes it through high pressure rather than the introduction of a spark. The oil-burning Diesels run generator which supply electric of the head car; looking through an unbreakable glass window instead of thrusting his hand out a side window into the buffeting wind.

These new wonder train have set amazing speed records. On May 17, 1937, the Santa Fe Super Chief average 60.5 mile per hour all the way from Los Angeles to Chicago, making 87.2 on one lap of 202 miles. A Burlington Zephyr went from Denver to Chicago, 1,017 miles, in 12 hours 12½ minutes, for an average speed of 83.33 miles per hour.

* The refrigerator car may be carrying dressed meat from a Chicago packing plant to an eastern city. Before the development of the refrigerator car by Gustavus Swift in the 1870's, meat could be carried any considerable distance without spoiling. Therefore, the live cattle had to be sent east and butchered in small packing plants close to the ultimate buyer. There had to be a packing plant in every town.

But in a refrigerator car meat be safely shipped thousands of miles, thus making large packing plants like Chicago close to the farms from which livestock comes. Because of the refrigerator car, packing plant have become larger & fewer, and people have benefited from the improved methods and economies of large-scale packing.

The refrigerator car may carry other things. Fresh apples from Washington or New York, orange, and grapefruit from California or Florida, fresh vegetable and butter from truck garden and dairy districts.

* Stock cars with slatted sides filled with cattle, roll by. Some of these cars are fitted with two floors for sheep or hog. You know that these animal have been driven into the car at a small town loading chutes and are bound for the stockyards where they will stay a few hours before they are brought to packinghouse.

There are flatcars loaded with steel beams or huge machine. Flatcars are simply platforms on wheels for the transportation of bulky object that won't conveniently go into a boxcar door.

end

Automobile

* It was not until 1892, however, that the fumbling were to take new turn which was to result in modern automobile. Beginning in that year fine men in different part of the country were to produce flimsy horseless carriage, and these carriage were powered with gasoline motor not steam.

It was Charles Duryea, with help of his brother Frank who drove the first successful gasoline powered automobile on the street of an American town.

It was just what you would expect the first automobile to be a light, single seater buggy with small motor - four horsepower - under the seat. It steered with a tiller & weighed, engine & all 700 lb.

In April of next year, a tall man which wheeled another contraption out of the yard of his home onto Bagley Avenue. It was funny looking as the Duryea buggy. It had 28 in wire bicycle wheels supporting a buggy seat. Under the seat was a two cylinder engine that generated four horsepower. It had two forward speed, obtain by shifting a belt from one pulley to other.

* Henry Ford had been feeling his way along, building both expensive & low cost car. He produce a two cylinder car, retailing from \$850 up buying the engine from the Dodge Brothers, makers of stationary engine buying his springs, bodies, & wheel, elsewhere. This was in year of 1903.

In 1908 he produced, for first time, his famous Model T, car so simply built that almost any one could buy & run it. From the time on, for many years Ford automobile out numbered all other car on the high way.

Among the American pioneer of the automobile were Duryea, Ford, Hayes, Winton, and others, made their bow in about order, although to some extent their work overlapped.

Buses Transportation

Buses had replace the railroad in the short distance which it will cost short railroad 90¢ a mile when buses can provide the same service at 20¢ a mile. In the past generation the amount of railroad tackage in this country had decreased, and the decrease is for most part due to the replacing of short railroad with bus.

In one recent years, bus lines carried thirty six percent of total intercity passenger traffic of the country. With the increase in traffic, buses have become vastly improved over the crude homemade bodies World War times. There are swift, small busses little larger than elongated sedans, busses with glass tops and wide window for sightseeing purposes, and heavy 36 passenger buses for long trip.

The latest heavy buses are worth a short description. The thirty-six passenger sit in upholstered armchair that may be tilted to four position. The floor is higher than the wheel.

reclining chair," you travel all day through Illinois and Missouri, heading west. Every two hours the coach stops for a ten-minute stretch, and at noon and evening you have a half hour for meals. The restaurants that cater to bus traffic serve good food at low cost. Every two hundred miles or so, a new driver takes the wheel.

Ten minutes before midnight the bus arrives in Kansas City. The first leg of your journey is done, and you now transfer to something new in bus travel - the "nitecoach." It is your responsibility to see that your luggage is safely transferred with you.

The nite coach is a compact sleeping car on rubber tires. Down one side of the coach run a narrow aisle, and off this aisle are five large compartments. Each compartment has been converted into no fewer than three single beds and one double bed, each bed enclosed in sliding curtain. At the rear of the coach are tiled washrooms for men and women. A colored porter is on hand to serve you.

Comfortably stretched out in your berth, you sleep the hours away while the coach rolls smoothly through the wheat country of Kansas.

As you wash and dress the next morning you are passing through western Kansas. During the day your bus cuts a corner off Colorado and takes you into New Mexico. Your compartment has been converted into a room equipped

so high that passengers may look over the roofs of passing private cars. The luggage is stowed in weathertight compartment beneath the floor instead of on the roof of the bus, and there is a luggage rack for light handbags above the seats. Around the edges and down the middle of ceiling run a tube of frosted glass, bathing the coach in soft light. There is a water cooler at the front of coach.

The engine is in rear, thus eliminating exhaust and oil smells. The driver sits in front a full view of the road. Because of its duralumin construction this bus, in spite of its size, ~~is~~ isn't overheavy, and therefore can easily maintain the average speed of thirty-seven to forty miles an hour that is the standard from most lines.

Let's climb aboard of these buses at Chicago and take a trip to Los Angeles. You enter the bus terminal, which look like a railroad station with its newsstands, lunch counters and a long row of ticket windows. The main difference is that instead of a train shed there is a sheltered drive with diagonal concrete slabs in which the busses wait for their load of passengers.

A porter opens a hinged door in the side of the coach and stowed your baggage inside. You keep a small handbag containing a change of linen and toilet articles and place this on the luggage rack inside the coach.

At 7:10 A.M. your bus backs out of the slip and makes its way through the city streets, bound for Kansas City. Comfortably seated in a

with a radio, ash tray, and a wash stand with running water. A large observation window runs the length of the compartment.

The second night takes you through New Mexico into Arizona, and your third day of travel gives you the deserts and mountains of Arizona and California. You arrive in Los Angeles at 11:10 P.M. After ~~three days~~ and two nights of travel. Thus bus travel keeps pace with the railroad in passenger comfort and speed.

* Aside from the development of common carrier intercity lines, buses have become important in transportation student to and from school. More than three million students are carried daily between home and school in 80,000 buses at annual cost of more than \$50,000,000.

Airplane

One December morning in 1903, men stood out beside a strange-looking device on the side of a sandy hill at Kitty Hawk, North Carolina.

*The men were brothers, Wilbur and Orville Wright, and the device was a biplane. Its two wings ~~was~~ about thirty feet long and four feet wide, and the surfaces were slightly curved. The wings were braced by light wood, bamboo, and wire, and a 139-pound engine was attached to the lower wing near the center of its span. It was a gasoline engine developing twelve horsepower.

*Instead of landing wheels were sled-like skids under the lower wing, and the craft rested on a greased wooden rail sixty ~~to~~ feet long. With men at either wingtip to balance the plane, it was that the craft would slide down the rail and take off from the ground.

The engine was started and Orville lay flat on the lower wing, his hand on the controls that enable him to manipulate the flexible wingtips and rudder.

When the engine was started up, a wire holding the ship to the rail was released and the plane started down the greased rail with Wilbur at a wingtip. In forty feet it rose from the rail to a height of ten feet, dipped downward and rose again. About a hundred and twenty feet from the starting point it dipped again, a wingtip struck the ground, and the plane came safely to rest. This was world first successful ^{single} flight.

The air mail ~~service~~ in United States dates from May, 1918 when government established its first experimental air mail route between Washington and New York. The Post Office department borrow army flier and Army planes and set up its service, but soon found the between these two city the air mail was no faster than the railroad. The Planes could make only ninety miles an hour, and the airport were far from the town. By the time mail was trucked to the airport, flown to its destination, and trucked to the post office, a train could travel between the two cities.

Over these longer distances, the air mail proved itself. It could beat the train. Emergency landing field were constructed, and the mail tonnage grew.

* The air mail took another step forward when night flying was inaugurated. In 1921 overnight service was offered between New York and Chicago, and in August, 1923, the mail was carried from coast to coast in twenty-seven hours flying night and day.

In 1925, the Kelly Air Mail Act was passed, giving the air mail business to private companies. Contract were let to bidders, and the first commercial air route was born. The Contract Air Mail Route #2 was awarded the bid from Chicago and St. Louis and because the first private company to carry mail. One of the three pilots of the company was Captain Charles A. Lindbergh.

The Boeing Company took aviation on to its next step with a daring experiment. Instead of using the open-cockpit ship of the day it constructed a new type of ~~using the open~~ plane with an enclosed cabin between the wing capable of seating two passengers. Behind the cabin compartment was an open cockpit in which the pilot sat. The Boeing Company proposed to take passengers! It was unheard of, and other shook their head doubtfully.

But Boeing pointed the way that aviation was to follow. It broadened commercial flying to include the carrying of passengers on regular time schedules, flying by night as well as day, and the modern air transport was born. When we consider that this was as recent as 1926, we began to realize what giant strides aviation has taken.

Today there are club planes capable of comfortably seating twenty-one passengers and sleeper planes with fourteen berths arranged like those in a Pullman, uppers and lowers on both sides of a center aisle.

These ship have a cruising speed of nearly two hundred miles an hour. They have a wingspread of 95 feet, a length of 65 feet and a weight of 12 ton, loaded. They carry enough fuel to go 2,000 mile without landing.

Both pilot and co-pilot are highly trained men. They undergo regular physical examinations and must pass periodic tests for blind flying. In the old days, air mail pilots flew by watching the horizon and the ground. Today a pilot can fly for long distance by instrument alone.

If you were to sit in the pilots compartment which is kept locked so that pilots will not be bothered by inquisitive passengers - you would see on the dashboard a maze of dials and gauges. There are instruments that tell the pilot whether he is climbing, diving, or banking; what his engine revolution are; his airspeed; his altitude.

Many crashes have been caused by flying in fog and storm. Today, improved weather reports help the pilot to determine whether a flight shall be made in the first place, and other reports received in flight help him to avoid danger. All these improvements - light weight alloys, radio beacons, more powerful engines, streamlined designs, accurate instruments - have been the work of hundreds of men in this country and abroad, each contributing his bit to the science of aviation.