

AMERICA'S INTERNATIONAL TRADE AS AFFECTED BY THE EUROPEAN WAR

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It is substantially accurate to say that prior to the outbreak of the European war there were three great competitors for the international trade of the world whose position in that trade, measured by the respective shares of business done, were Great Britain, Germany and the United States. We do not ignore the fact that other nations held an important place in the same markets. France, Belgium, Holland, Italy, the Scandinavian countries, all had their share. The business of Belgium was large in proportion to her size. The share of France was one peculiarly individual. No one, however, will deny that the three great nations first named were preëminent among the rest. Each of these three showed certain marked and different characteristics in the competition which they carried on. America was potentially a large exporter of food. During recent times, indeed, when her own crops were short, she imported food largely, but this has been reversed as current records show. Germany was regularly an importer of foodstuffs. England imported a very large portion of her food supply.

The competition on the part of Germany was distinguished by the application of science to business to an unparalleled degree. Her commercial power was based upon research and upon the application of the facts found by research to an extent unknown elsewhere. To this scientific spirit she added thoroughness in organization and preparation. Her men were not only organized but were trained for the contests of commerce as they were for those of war. She presented a spectacle of organized competence, utilizing her resources in men and material more effectively than anyone else. She was steadily building up a great merchant marine as the servant of her commerce and was reaching her financial fingers out into every portion of the world. The commerce of Great Britain lacked the application of science to work. It was not

highly organized in the German sense. It was, however, backed by the largest masses of free capital that the world has ever seen, and her trade flowed normally from English owners in foreign lands to English producers in the home land. Abroad it was financed by British banks controlled by British owners; at sea it was transported by British ships; in London the British foreign banks kept their reserves, and in Great Britain the goods were made by British capital and British labor. It was a British net that was spread out all over the world to get within its folds all that was best commercially. It was backed by commercial courage of the highest order and by tenacity of purpose that was admirable. To both Great Britain and Germany foreign trade was the very essence of prosperity. The organization of the German Empire was operated in its favor. Each nation regarded it as the goal to which its best efforts should be directed. Control of the world's markets was to each of them a supremely important thing.

The third competitor, ourselves, looked on the matter in a very different way. We had neither the capital of Great Britain nor any comparable ownership of enterprises abroad from which we might draw commerce. We had no banks in foreign fields; and few lines of vessels under our own control. We did not use the scientific methods of Germany, and our commerce as a whole lacked organization. It is still the custom of some in our land to speak with a smile of the scientific man as if between him and the practical worker were a great gulf fixed. The union between science and industry is far from complete. One has but to look over the mail of the Bureau of Standards to see how far removed many if not most of our industries are from any touch with scientific research. In this respect there could be no sharper contrast drawn than that between Germany and ourselves, just as in the respect of financial power in the world's markets a similar sharp contrast might have been drawn between Great Britain and ourselves. It would almost seem upon the surface of things as if lacking the scientific application, lacking the organization and the men prepared by training for the work, wanting the investments abroad and the financial institutions in the foreign field which have been the strength of English commerce, trained in large part to believe among ourselves that we could not compete in the foreign markets for various domestic reasons, it would, I say, seem almost impossible for us to enter

the market of open competition with the giants of commerce and win for ourselves a place therein. This, however, would leave out certain elements in the American character quite as effective in their way as the methods and the means used by our competitors.

The American mind is singularly quick and alert. If we lack a highly organized commerce, we in a measure replace it with a highly individualized commerce. We are not bound by precedent or by tradition. For the way things have been done in the past we have as little respect as we have patience for the slow plodding research into final causes. We have a singular mechanical aptitude with great inventive capacity. To see a thing done awakens the desire in us to do it better. This inventive skill and mental alertness, combined with high individual initiative, have carried us far. If to them we shall ever add the scientific outlook and the financial power which our two great competitors have had, we shall go far indeed. It is because in both these respects we seem to be advancing that I feel more hopeful than ever for the building of a great structure of American commerce abroad on a substantial and permanent foundation. Such, briefly and inadequately described, were the three great competitors.

Let us now for the moment consider on what economic basis foreign trade rests. It goes without saying that international trade is of a highly competitive character. The best brains of the most highly developed peoples are active in it. It is an arena for commercial athletes. It calls for the best of brain and body.

Therefore, before going either into review or forecast let us consider some facts about the basis of competition. There are many men who think, or of whom it would perhaps be just to say that they talk as if they thought, that competition is solely a matter of price. The cheapest goods, say they, get the market. Unless, as they believe, one can sell as cheaply as or more cheaply than others, one cannot compete with them. When one hears this view which appears in many forms in press and in talk, one is reminded of the proverb: "All generalizations are false, including this one."

There is so much of truth in the suggestion that price is the essence of competition, and so much of current custom in it, so much of trade actually centers around it that it is easy to overlook the grave errors which so sweeping a generalization involves. There is no one of you who does not frequently buy an article at a higher

price than that at which it is possible to obtain a substitute which might be made to serve. There is no one of you who does not at times prefer cake to crackers. This is because you like the taste of cake. Now the relation of the cake to the crackers is one which illustrates an economic truth. The crackers may do, but you prefer the cake. Stated differently, the element of taste has come in to affect the matter. Undoubtedly it was possible for every one of you to have purchased clothing at less cost than that in which you now make so good an appearance. With the choice before you, however, you have decided to buy that which you now wear. The element of design in fabric and in cut and style of garment, the element of color, the whole wide-reaching element of quality has come in to cause you to pay more than you need have paid for that which would actually serve the physical purpose of clothing. Already in so simple a matter as eating one's supper or attending this meeting there have been developed certain factors in competition other than price, and these factors daily affect your purchases and those of everyone else. You do not always buy the cheapest thing that will serve the purpose. Hence there are different grades of goods, and in saying grades one means not only grades of quality but grades of design and suitability in various ways. If of two articles which are submitted to you for purchase one pleases you and the other does not, you and all your fellows here and abroad will pay more, or at least more willingly, for that which pleases you than you will for that which pleases you not. It follows, therefore, that if I am manufacturing goods for the foreign market there are many things for me to consider beside the sole question—can I undersell my foreign or domestic competitor? As a matter of fact, since you and I choose the thing which pleases us, it is probably true that if one is wise he tries to make that which will please the foreign customer, knowing that by so doing an enhanced price may be had. If one is sure he can please the foreign buyer he may be able by that very fact of pleasing him to ignore at least partially the question of price competition.

We may state the matter differently by saying that in some markets certain designs or colors or widths or textures or weights would not sell at any price at all. The best of men's heavy worsteds or overcoatings would not find a market in Java at five cents a yard. It is appreciated that these statements are elementary, but they are

stated here because it seems as if a number of those who discuss these matters require certain elementary truths. It is not, therefore, the fact that in a factory here or elsewhere it needs to be true in order to develop a foreign trade that one shall make his goods cheaper than goods of a similar class are made by the person or in the country with which one wishes to compete. If it is true, as you all know it to be true, that you will pay for an article which suits you more than you will for one which does not suit you, then it becomes wise for the factory that wishes to compete to find what its customer wants and furnish him that. In so doing it will modify, if not remove, the priority of price as a competing factor.

There are industries in America which do a good foreign business chiefly on the basis of other elements in competition than the price at which the goods are sold. I have always thought it to be a weakness of the protection theory that it necessarily ran on the line of price and could not profess or attempt to be protective of competition as regards quality, design, and many other similar elements which enter constantly and at times controllingly into the processes of trade. One need not be hopeless, therefore, about a future for American international trade even if it were true, which it is not, that American cost of production per unit was equal to or greater than that of every country to which we desire to sell.

It forms no part of my theme today to discuss the broad subject of the relative cost of production in this country and in others. Let us be content with pointing out what nobody ventures to deny, that in many lines of activity we produce the desired result at a lower cost than elsewhere in the world. A striking example is the railway. It will not be denied that railroad wages in America are higher than those in any of the great industrial countries of Europe with which we compete, and that in some respects our equipment is more costly. Neither will anyone deny that American railway freight rates are lower than in any of those countries. There is much loose talk about the cost of operating vessels, but I believe it is correct to say that in three important spheres American vessels are now operating at the lowest cost per ton of freight carried that is known. I think there is no such low cost of carrying bulk freight for similar distances by water by steam as that upon the Great Lakes in the specialized steamers, with the specialized loading and unloading apparatus provided for them, by which our ore and coal and grain

on the Great Lakes are now carried. A possible exception to this may be the second instance, also an American one, namely the carrying of coal on our southern rivers and Gulf from Alabama to New Orleans in specialized power barges. A third instance is the large coasting schooner of the Atlantic which for distances of 250 miles or over is probably the cheapest known form of transportation of large quantities of merchandise. I have often thought that a fleet of steel schooners with auxiliary power constructed for transatlantic voyages would permit of our competing on equal terms as regards cost of transportation with anyone for the class of freight to which such vessels would be suited.

So well known, however, are the facts respecting American costs of production in the places where brains are thoroughly mixed with business and prejudice does not exist in favor of industrial "standing pat," that I need hardly weary you by dwelling on the subject.

American mining machinery is used by foreign-owned mines in the Transvaal. American locomotives pull trains on the railways of many foreign lands. Not long since I was in a factory making articles of women's clothing which sold its goods in fifty countries and which paid, by the way, nearly double the wages paid in certain mills whose owners allege they cannot compete with Europe. It is useless to tell our people that we cannot do that which is daily being done. One cannot see the cargoes outward bound in normal times in our great seaports and look with much patience upon the tales of our inability. I know of no nation of whose industries it can be said that all its factories always produce at lower cost than any factory anywhere else in the world. Neither do I know of any nation where in any industry there are not great inequalities in the cost of production between the most effective and the least effective establishment. There is no such thing as a German basis of cost or an English basis of cost. The costs of production in the industries of those countries are not alike and are changing, some going up, some going down. On the whole, it is true that the application of science to industry in Germany has favored low cost of production. It is because of this that Germany has prospered. She is not a land which, compared with ourselves or the British Empire at large, is one of great natural resources. She must needs draw raw materials for many of her industries from other lands.

It is her commercial triumph that by the application of science to the smallest processes of manufacturing she had won a great place in the world, despite numerous handicaps, by the pure power of brains applied to work. Much discussion proceeds on the basis that cost of production is a fixed thing. It is nowhere fixed. It varies in time and in place everywhere and always. It cannot be predicated that because it is one thing in one mill it is the same in a similar mill near by. This is as true of Germany, of Great Britain, and of France as of the United States.

The various factors described have so operated that both Germany and the United States in the last few decades entered largely into the foreign field and challenged the supremacy of Great Britain therein. It remains to be said that in our own case the change in character as well as in volume of our international trade was striking. We long ago ceased to be chiefly exporters of food and became exporters of manufactures. The group of manufactures in our foreign trade before the war broke out was the largest of all, and in this group the item of fully finished manufactures was the largest and the growing factor. We were, as a matter of fact, in many lands the wide world over competing successfully with Germany and Great Britain in the very field in which they were thought preëminent, namely, the field of manufactures.

Thus stood conditions when the war broke out. It came upon us with a shock and it wrought upon us revolution. The shock is long ago absorbed. The revolution is still going on, bearing us with it. Cautionary signals were not wanting before the stroke of war fell. For about two years before the war the currents of finance, which ordinarily flow out from the treasure centers of Europe into the arteries of commerce throughout the world, were chilled in their courses. The instinct of capital which makes it quick to take alarm felt vaguely that something might be afoot. Hence the arrest of the outward flow and the beginning of an inward one. The tentacles reaching out into all lands grasped such cash as was liquid in them and drew it home and the great reserves of the European continent began to expand and a corresponding depression began to be widely felt. People were not as well able to buy as they had been and therefore less could be sold; enterprise slackened its footsteps and business checked its career. Meanwhile the reserves of Europe grew as if expecting the thing which happened when August

of last year came. At this time we, unlike our competitors, were a debtor nation. They were creditors. It was not in our power to draw from the currents of trade the lifeblood of gold. We, on the other hand, were owing largely both in funded and in floated debt. When the blow smote us it found us unready.

It is not necessary to review the history of the critical months of August and September last. I can never think of this period without thankfulness to the men in private business and finance who with great courage and wise resource pulled us through those trying weeks. I hope they will acknowledge as freely that the government did what it was able then to do to the same end. We are concerned, however, chiefly to consider what the extraordinary change is which has come over the face of our foreign trade since these things were done. A floating debt of perhaps four hundred million dollars has been paid in goods and not in gold. Some of the gold we had exported to pay what we owed before the war has come back to us in payment of debts due to us. We have built up a huge balance of credit. It amounts since the first of December to over six hundred million dollars. We are not struggling now to pay what we owe. We not only owe less than we did but we are spending much less than we were. We are saving money as a nation at an astonishing rate. The nations of the world turn to us for cash. It is probably not too much to say that in direct loans and credits since the war broke out we have, in addition to paying our own floating debt, given financial assistance to others to an extent in excess of two hundred million dollars. The nations turn to us, both belligerent and neutral, not only to furnish them goods but to loan them the money with which to pay for the goods they buy from us. For the first time in your lives you have seen the advertisements of great foreign loans in our daily papers and have known that the money from those loans was to be expended among us for the purchase of the products of our factories. Only the superficial think that the mass of these loans and the bulk of these sales concern munitions of war, as they are called.

We are selling to the neutral peoples great volumes of goods to make good the shortage in the supply they have heretofore taken from other sources now cut off by the war and vast quantities of food both to warring and neutral peoples. Whatever the details, one fact remains clear. We are lending the world money and we are

selling the world goods, and both to such an extent that our foreign financial outlook and the condition of our export trade have taken on within ten months an entirely new significance. That which was strange is becoming familiar. Peoples whom we did not intimately know are borrowing large sums from us and tendering us large orders. A new spirit has come into our commercial life; a new sense of relationship to others and of our power to help them and of our ability to supply them. The change which has come over our commercial life is not unlike that which took place when with the close of the Spanish War we realized that a new vision of our own place in the world had come to us. That was a sense perhaps chiefly of a new political importance in the world's councils. This is a sense of a new financial and industrial power. Would that we had been fully ready for the opportunity. It is our misfortune rather than our fault that at a time when we were struggling hard to pay debts for which creditors were insistent, we were not able to loan largely to those of our sister nations who were needy and who could get funds nowhere else. Not so much in excuse is to be said for our commercial unreadiness to utilize the opportunity. There have not been wanting, indeed, men of light and leading, equipped with knowledge and experience in the foreign field, appreciating its value to our commerce, ready to deal with this crisis in a broad and intelligent way. It is fortunate indeed for us that there have been such and so many of them. The spectacle on the whole, however, has been too much that of industrial inertia—much more concerned with parochial pessimism than with a broad and courageous outlook. Training in national inability had done its work, and when the hour of opportunity struck, relatively few of us were ready to take the step of progress.

Try now, as we have tried, to find trained men of business speaking at least one foreign language well and familiar with the customs of other lands and see how sadly few there are. Go among our industries and test the knowledge of the great world and see how it compares with the thorough training in the German business world. We must not generalize too broadly or forget the many men whom this opportunity has inspired. Yet on the whole there is much that is supine. There is contentment with industrial dependence. If once there could be a year of that devotion which has sent the sons of the belligerents to the war directed in our

own land to pushing forward the power of American commerce and industry throughout the globe, we should alter the face of things in the world's markets. One cannot wisely be pessimistic however. It is perhaps too much to expect that the outlook of our people should change in the mass as rapidly as circumstances themselves have altered. It is a fact that we are looking outward more and more and are less and less nursing our inward and relatively petty troubles. We see in our every morning's mail the cry on the part of commerce and industry for knowledge; the outreach into untried fields. We note with gladness the placing of American banks abroad and we honor the courage and the foresight of the men who do this thing. We see that research is winning her place in our industries and we hope and believe her place is to be a large one. The days of the rule of thumb are passing and it is a good sign that men are sensitive about being inefficient. In all this there are the beginnings of a new and a better day whose sun will see the peaceful flag of America carried on helpful and commercial errands far and wide.

It is, perhaps, nay, it is doubtless, risky to foretell what the ultimate effects of the current war shall be upon our commerce. We know where we were before the war began—a great and growing competitor of others who had many advantages over us. We know where we are now while the war goes on—the one great industrial and commercial country which is at peace and certain to remain so. We know that there is no other land in which a foreign buyer can place an order requiring months for its execution with the reasonable certainty that the alarms of war will not delay it. We know that we are passing over from the debtor to the creditor stage; that our floating debt is paid and much of our funded debt as well, and that we are paying more interest to ourselves and less to others. These things we know and are glad that they are so. No one with vision to see but sees that the United States holds a unique position and one of great dignity in the world today. What shall the future be? This may not be answered broadly, but certain things we think we see are suggestive.

One of our great competitors has for eight months been out of the market. No one has suffered from her competition during that period. Another and a lesser competitor has also been excluded. A third great competitor has been so intensely occupied in the struggle

as to be unable to sustain at highest pitch in other fields the commercial enterprises which have made her great, and a fourth, having much of her industrial territory occupied by hostile troops, is in a measure crippled thereby in her foreign trade. We know that in an industrial organization continuity is a vital factor. One of the weak spots in the factories that pay small wages is the changing character of their working force normal to such conditions, which always means enhanced cost of production. Continuity of operation, keeping the staff together, holding the organization intact, these are cardinal principles of industry. Absence from the market is a hurtful thing. You insure your factory against direct loss by fire and against use and occupancy, but, if you burn, the loss of business during the months taken to rebuild is often serious. Those of our competitors who have been out of business will find it impracticable to pick up the threads just where they were broken. Those of our competitors whose continuity of operation has been broken will find it impracticable to operate soon just as they did before the break. The customers of these nations have not ceased consuming while the nations have been absentees. They have gone elsewhere for the goods they need and they may have found, and doubtless to some degree will have found, goods that please them in the new places. In such a case the work of commercial conquest must be done over if the business is to be turned back into its old channels. It will not be so easy to make the conquest anew if the organization that sustained it in the first instance has ceased to exist and must itself be re-created.

Two factors then will affect America favorably in the coming days. One is the loss of good will by her competitors through enforced absence from business. The other is the injury to her competitors through broken or suspended organization. This is not all. The organization in many cases has not only been broken or suspended but the units which composed it have been slain. It would be hard to find a factory in the belligerent lands which, were all its former staff called to assemble today, would not have many gaps in the ranks. This would be true both of the working and the managing staff. Many a trained hand and many a guiding brain are gone and others are going. Bad as are the loss of good will and the disruption of organization, far worse is the loss of the skilled hand and the trained mind. These are not to be replaced by going

into the market places. They must be found and taught anew. It must in this connection be remembered that the fighting forces have consisted of men, many if not most of whom were at the height of their earning power, and that the economic loss is not to be reckoned as so many human units merely but at the loss of productive power which these particular units represent.

War has this stupendous folly that it destroys most rapidly those we need the most. This process has already gone on to a frightful cost. It continues. What the end may be no one can say save only this that so far as it goes it means growing a greater weakness. Every day means a loss of good will. Every day means more cost from the broken organization. Every day destroys the material with which alone that organization is in time to be replaced. In many an industrial center factories and their equipment have been physically destroyed, and where all was industry nothing tangible survives. Here must an industry be built anew from the very ground, and when it is built must take up anew the work of making its place in the world under the conditions we have described. There has been enormous waste of things which must be replaced, and, ere the normal currents of business can flow, millions must be spent to provide the means of transit and exchange. Some of the fighting nations have thus far escaped in any large measure the actual physical destruction of their industries. What shall be done to them before the war shall end one cannot say. So far as this goes it means building up from the bottom with painful steps and slow that which was before lusty and full grown. The circumstances under which this rebuilding shall be done, whether it be the rebuilding of the physical factory or of the entire good will or the broken organization, whether, I say, it be one or all of these, and it must in most cases be at least two of them and in many cases all, will be circumstances of peculiar hardship.

No one will deny that taxes will be heavier after the war or that before the war they were deemed burdensome and now are to be more so. The price must be paid and it can only be paid by taxation. More will therefore be taken out of purses that are more nearly empty than they were before with which to pay the cost of the frightful folly in which men have indulged. The purses will be more nearly empty, I have said, because capital—the people's savings, the nation's wealth—has been wasted in destruction as

never before. Even to the victor the cost of victory will be enormous, and to those who besides have lost home and furniture and workshop and equipment and many things else, who live in the towns or villages that have ceased to be, to them there must be poverty indeed. The debt must, however, be paid, and there will be less with which to pay it and capital will not be had at the same price to restore a ruined industry at which it could be had to keep that same industry moving in the prosperous days of yore. Say what he will, cheer himself as he may, the manager of industry in the belligerent countries knows very well that his future path is no easy one. If it be his ill fortune to be in the very seat of war itself, the task will be slow and serious indeed. How long it may take will depend upon the extent to which the process of destruction goes on. A single bomb may in a moment destroy that which a year will hardly replace. A single bullet may as truly destroy the highly specialized brain which cannot be replaced. We have no precedents on which to go, for there has not been a world-wide war since the industrial system was founded. But we may be reasonably sure that the recovery will be not sudden but slow and that its possibility and degree will depend upon the extent of exhaustion which the combatants permit themselves.

We may not deny that incidental advantages may come of great value to one or another of the belligerents which will in a measure compensate in time for the sacrifices made. We are, of course, familiar with the wonderful recoveries our own cities have made from overwhelming disaster. The new San Francisco, to which many are flocking now, is a marvel of the time. Nevertheless, the loss of the old remains a true loss, absorbed indeed by the abounding economic power of our people, but we should have been just so much richer had it not happened. I take it, the loss in San Francisco, great and painful as it was and not to be minimized or mentioned lightly, was yet by comparison trivial to that which weekly has gone on for many months abroad with added elements of economic weakness which make the situation worse than at first it seemed.

The suggestion of incidental advantages that may grow out of the war leads to some interesting speculations. How, for example, is Africa to be affected? The projected Cape to Cairo railway, now in operation for long distances northward from the south and south-

ward from the north, seemed to find an obstacle in the conditions near Lake Tanganyika. This great inland sea, four hundred miles in length and but about thirty wide, touches British territory indeed at both extremes, but its entire western front is Belgian territory (the Kongo), and its eastern shore was German territory (German East Africa). Were either of these powers hostile, the line of communication might be cut, and under present conditions it would be seriously threatened had it been built. Is one of the results of the war to be the removal of these restraints and the assurance that the great railway may safely proceed through its entire course? What about crossing Africa from east to west? The last link in the line of railway and steamship communication from the Atlantic to the Belgian frontier of the Kongo at Lake Tanganyika was completed but a few weeks since. A German railway through German East Africa now runs from Tanganyika to the sea. It is therefore now physically possible to cross the African continent by rail and steam. Part of the line, however, is in the territory of a nation hostile to that which owns the rest. Is one of the results of the war to be the setting free of this great transcontinental route from the restraints which are now imposed upon it?

Are we to see the release of Russia from the restraints that have hitherto always bound her? Are the Dardanelles and Bosphorus to be open doors, wide apart without restraint, to the commerce of the great Russian people? Are her wheat and oil and other products to be free from all hindrance henceforth by this route?

Finally, and not least important, turning to Asia, what is to become of the Bagdad railroad? Something like a thousand miles of it have been built by German capital. Its eastern outlet on the Persian Gulf is now held by the British. Cyprus and Egypt, British possessions, are near its western terminal. A glance at the map will show this to be a short line to India which would economize greatly over the passage through the Red Sea and around Arabia. Is India to be thus moved a day or two nearer Europe, and another portion of the burden of distance taken away?

It hardly needs to be said that any one of these things will have far-reaching importance and all of them seem to be among the cards on the table waiting to be played. If all of them are cast into the crucible of progress to come forth in useful form, they are quite as

likely to affect the commerce of the world and with it that of America as seriously as did the Suez or the Panama Canal.

What the effect of all these conditions upon American international trade is to be cannot be limited or defined, but it would seem plain that our resources are undiminished, our capital secure, our labor safe, that we are saving when others are losing, that we are living when others are dying, that with us the path is upward and with them it is in large measure downward. It seems certain that one result is to be our own greater industrial independence. We have learned that for us to depend upon any one foreign source of supply for articles of necessity is to be in a position at once dangerous, expensive and humiliating. We shall hardly be content to rest long in such a position now that our notice has been sharply directed to it. I hope we shall include among the humiliations thus to be thrown off that of depending upon others for the transportation of our sea-borne trade. It is not fit that the commerce which is of our very life should be in the control of others than ourselves. We have been of late, but we ought not to be, depending upon foreign navies for the privilege of transporting the goods which it was necessary for us both to buy and sell. This fact, once known and realized among us, will not long continue to exist among a proud and self-reliant people.

I do not forget the ideals for which the combatants fight nor underestimate the really spiritual forces which are the impetus to the strife for these ideals. There is a side of war in its devotion to cause and country, in its willingness to spend all for what that country needs, and in its heroism which is strong and fine. Nevertheless, we are speaking of trade, and economic destruction is not made good even with the highest ideals save over long years of atonement.

It seems clear to me that if we do our part we shall change our place among the great competitors. The world is never the economic gainer in the last analysis by war. The losses must be absorbed and we must do our share of absorbing, but in the process of absorption places relative to one another may be exchanged. No one, I think, would be surprised to find the United States second in the world's competition, nor, if the war shall long continue, be astonished to find her first. It depends, of course, not merely on what is destructively done yonder but on what is constructively done here.

If we are willing to lay aside passion and prejudice and partisanship, to look at things with an international instead of a parochial viewpoint, to realize that effectiveness is patriotism and that inefficiency is unpatriotic; if we are ready to give up inertia and take a step forward out of ourselves to the help of others; if we remember that commerce is mutual exchange to mutual benefit and not a species of industrial war; if we can learn the lesson that the well-paid workman is the cheapest producer and that science must be applied to industry if we are to win; if these things can be done I see no reason why, with our resources and intelligence and organization, we may not become the first among the world's great trading nations. We shall have to give up a good deal if we are to reach that goal. We must abandon mutual distrust and pull together. We must not think that gain made in any way that greed may dictate is a thing that the conscience and spirit of America will permit. We must remember that in industry a social wrong makes no economic right and that factories cannot be so operated as to injure our fellow creatures for our own personal gain. The men and the women in the mill and the children kept out of the mill must have their chance. We shall not gain by grinding, but by growing. The law of grasp and gouge is not the law of business permanence. That which is socially undesirable cannot continue commercially profitable. We cannot win in the world's markets by driving men and women employed at the lowest market rate that poverty requires them to accept, but by leading our fellow men in such wise that their responsiveness to our leadership will draw forth rewards for them adequate, yes, ample, and for those who lead returns beyond their dreams in personal power and in filled purses, too. For our beloved country the result of these conditions would be that supremacy in the world of which we dream, for which we pray, and of which we hope that it shall be peaceful because it is powerful and powerful because it is filled with the spirit of peace.