IOWA.

Daniel J. Adlum, Missouri Valley.
Ezra Bradford, Wellman.
Stephen M. Brinton, Brighton.
Jacob Kiefer, Hazleton.
Ozro J. Kramer, Schaller.
Hiram E. Morrison, Seymour.
Thomas J. Ochiltree, Morning Sun.
Alma G. Ott, Riverside.
William G. Ross, Fairfield.
Peter S. Narum, Waukon.

KENTUCKY.

Marvin W. Barnes, Elizabethtown.
Terry T. Hanberry, Eddyville.
Joseph Insko, Augusta.
D. U. Poole, Greenville.
Llewellyn F. Sinclair, Georgetown.
John B. Weller, Bardstown.
Wallace R. Wood, Elkton.

MAINE.

Vesta P. Carle, Woodland.

MASSACHUSETTS.

Charles E. Wallace, Fitchburg.

MONTANA.

Lawrence Hauck, Philipsburg.

NEBRASKA.

Gust Abrahamson, Holdrege.
Loree V. Styles, St. Edward.

NEW HAMPSHIRE.

Leander Patterson, Antrim.

OREGON.

William E. Tate, Wasco.

SOUTH CAROLINA.

Lawrence O. Harper, Honea Path.

WEST VIRGINIA.

John E. Houston, Davis.

HOUSE OF REPRESENTATIVES.

FRIDAY, *May 17, 1912.*

The House met at 11 o'clock a. m.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Almighty God, our heavenly Father, help us to realize the great responsibility of life, for "it is the truth of God, working through the personality of man, which has been the salvation of the world." Inspire us to put our personality into our work on the side of right and truth and justice, that we may enhance the real values of life and thus increase our efficiency for good to the honor and glory of Thy holy name, in Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

CONFERENCE REPORT—DAMS ACROSS THE SAVANNAH RIVER.

Mr. ADAMSON. Mr. Speaker, I ask the Speaker to lay before the House the conference report on the bill S. 5930. It will only take a moment.

The SPEAKER. The Clerk will report the title.

The Clerk read as follows:

S. 5930. An act to extend the time for the completion of dams across the Savannah River, by authority granted to the Twin City Power Co. by an act approved February 20, 1908.

Mr. MANN. I reserve a point of order.

Mr. ADAMSON. Mr. Speaker, I ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. For what purpose does the gentleman from Illinois rise?

Mr. MANN. I desire to reserve a point of order upon the report, and I would like to ask the gentleman whether in making the report the conferees have not changed the text of the bill as it passed both Houses?

Mr. ADAMSON. Well, I do not think we have. In fact, there was a proviso added to the Senate bill. We struck out by amendment in effect the most substantial and only thing in that proviso applicable to this case. The conferees receded by taking out the entire proviso.

Mr. MANN. But the gentleman did make a change. I do not know; I may make a point of order if I get a chance to examine it, but I would like to have a chance to examine it.

Mr. ADAMSON. I have no objection if the gentleman has not had time to examine it, and I will withhold the request.

The SPEAKER. The gentleman withholds the conference report.

ORDER OF BUSINESS.

Mr. ADAMSON. Mr. Speaker, I move, then, in order to test the pleasure of the House about a matter I am not at all contrary about myself, that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 21969) known as the Panama Canal bill.

Mr. POU. Mr. Speaker, I would like to ask a question. The gentleman is well aware that this day is set apart under the rules for the consideration of bills on the Private Calendar. I would like to ask if he is not willing to yield to-day for the consideration of the Private Calendar. I will say to the gentleman that there are a large number of bills from the Committee on Claims, and the gentleman is well aware this session is drawing to a close, and while his motion, we all know, is a preferential motion, if the committees which have charge of these appropriation bills and bills like that of which the gentleman has charge now continue to insist upon displacing the Claims Committee, why all there is to it is that these matters will not have consideration during this session of Congress.

Mr. ADAMSON. Mr. Speaker, while I am not aware, as the gentleman suggests, that the session is rapidly drawing to a close, I do hope and trust he is correct in his supposition to that effect. As to my willingness to withdraw this motion and yield to the Claims Committee, it is not a question of my personal pleasure. So far as I am concerned, I would yield anything personally to the distinguished gentleman from North Carolina [Mr. POU]. I stated in making the motion that I simply wished to take the pleasure of the House. I will state, however, and it is no betrayal of secrets, that there was a kind of conference among a number of us the other day, looking to the very purpose that the gentleman suggests as to early adjournment, and those present thought if we could pass this canal bill and the appropriation bills, and get them over to the Senate, that pending the consideration of the conference reports there might be ample time to consider the matters that the gentleman from North Carolina refers to and many others.

The SPEAKER. The question is, Shall the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 21969?

The question was taken, and the Speaker announced that the ayes seemed to have it.

Mr. POU. Division, Mr. Speaker.

The House divided; and there were—ayes 28, noes 13.

So the motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 21969) to provide for the opening, maintenance, protection, and operation of the Panama Canal, and the sanitation and government of the Canal Zone, with Mr. LLOYD in the chair.

OPERATION OF PANAMA CANAL.

Mr. ADAMSON. Mr. Chairman, the situation at present is that I am about three hours ahead in the distribution of time on this side of the aisle, and I will ask the gentleman from Minnesota [Mr. STEVENS] to consume some time.

Mr. STEVENS of Minnesota. Mr. Chairman, how much time has the gentleman from Georgia taken?

The CHAIRMAN. Five hours and 27 minutes.

Mr. STEVENS of Minnesota. How much time has been charged to me?

The CHAIRMAN. One hour.

Mr. STEVENS of Minnesota. I yield an hour to the gentleman from Wisconsin [Mr. ESCH].

Mr. HUMPHREY of Washington. Mr. Chairman, I would like to inquire of the gentleman from Minnesota [Mr. STEVENS] if he feels that is carrying out the agreement? There have been five hours in favor of the bill and two against. What is the object of the gentleman in exhausting all the time in favor of the bill and dividing up the last part of it?

Mr. MANN. The last two speeches were made on the gentleman's side.

Mr. STEVENS of Minnesota. Whatever has been charged to my side has been used by the gentleman from California [Mr. KNOWLAND]. I am willing to carry out the agreement, but necessarily prefer members of the committee.

The CHAIRMAN. Will the gentleman from Minnesota [Mr. STEVENS] withhold his statement until the bill is reported? The Clerk will report the bill.

The Clerk read as follows:

A bill (H. R. 21969) to provide for the opening, maintenance, protection, and operation of the Panama Canal, and the sanitation and government of the Canal Zone.

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Mr. MARTIN of Colorado. I do not understand that the time of the gentleman from Michigan [Mr. DOREMUS] is charged up to the support of the bill.

Mr. ADAMSON. Oh, yes. Each side of the House has to divide between the two factions.

Mr. MARTIN of Colorado. The time so yielded to the gentleman from Michigan [Mr. DOREMUS] by the gentleman from Georgia [Mr. ADAMSON] at that time was used against the bill.

Mr. ADAMSON. I will keep the division straight between the gentleman from Michigan and myself.

Mr. FOSTER. What the gentleman from Colorado [Mr. MARTIN] is getting at is that all this 5 hours and 27 minutes has not been used by those who favor the bill entirely.

Mr. ADAMSON. I understand that. I am keeping account of that.

Mr. KNOWLAND. I think the situation is this: The agreement was that the time should be equally divided between those who signed the majority report and those who signed the minority views. The agreement with the chairman of the committee was that half of his time should be given to the gentleman from Louisiana [Mr. BROUSSARD] and half of the time on this side be given to me. Now, there has been used up to this time 4 hours and 27 minutes by those in favor of the bill, but at least in opposition to one section there has been used but 1 hour and on the other side but 1 hour and 10 minutes, so that in reality this side has still 2 hours more, divided between the Democratic and Republican sides, before the majority should really get in again.

Mr. STEVENS of Minnesota. Mr. Chairman, the time can not be divided that way. As the Chair and the committee have noted, I have tried to keep my agreement faithfully. I yielded an hour to the gentleman from California, and I now yield an hour to the gentleman from Wisconsin, on the opposite side. The next hour will be controlled by the gentleman from California [Mr. KNOWLAND] and the next hour by myself, and the gentleman from Georgia will then deal out the time as agreed with his colleagues. I think that is in a spirit of utmost fairness. It gives them the same time as on the other side of the Chamber. On the other side I can not control the time. But I think the gentleman is doing the best he can under the circumstances.

Mr. HUMPHREY of Washington. Does the gentleman think this is in harmony with the agreement with those in favor of the bill who consumed so much time at first? Have you seen it done before on the floor of the House? I never have since I have been here.

Mr. MANN. The gentleman from Georgia [Mr. ADAMSON], in charge of the bill, consumed 4 hours and 27 minutes nominally. A large share of that time was really consumed by gentleman opposed to the bill, because the gentleman from Georgia was in charge of the bill.

Mr. SIMS. Certainly it was.

Mr. ADAMSON. Two-thirds of my time was consumed in that way.

Mr. MANN. I do not see how the gentleman can complain.

Mr. HUMPHREYS of Mississippi. Those who are in favor of the bill want to take the time first, and it ought to be divided up equally.

Mr. MANN. I think the gentleman's statement is a very unfair statement.

Mr. STEVENS of Minnesota. Mr. Chairman, I yield an hour to the gentleman from Wisconsin [Mr. ESCH]. The next hour will be controlled by the gentleman from California [Mr. KNOWLAND], who opposes a provision of the bill.

Mr. ESCH. Mr. Chairman, I shall not in this address devote much time to the contentious sections of the bill, namely, sections 5 and 11. I wish now to call attention to the larger aspects which this legislation presents, and to that end I wish to consider the effect of tolls on the world's traffic using the Panama Canal.

This legislation ought to have been passed a year ago. There is great need of its speedy enactment now. The chairman of the Isthmian Canal Commission ought to be given speedy authority to mould the present labor force on the Isthmus into the operating force which is to take charge of the work when the canal is opened to traffic. This authority should be given to him early, so that he can select out of the present labor force the most efficient men to constitute the permanent operating force.

Another reason for the speedy consideration of this legislation arises out of the fact that the shipping world is entitled to at least two years' notice as to the tolls and the regulations affecting traffic through the Panama route. We are advised that merchant ships will be able to pass through the canal by the latter part of 1913. There is therefore now barely time enough for the world's shipping to make contracts for the construction of new ships, the establishment of new lines, and complete trade arrangements. The Isthmian Canal Commission and the Secretary of War have been receiving urgent appeals to know what the tolls are to be on the Isthmus, so that the shipping lines can guide their course accordingly.

I stated that I wished to consider this matter in the wider and broader aspect—the relation of tolls to the world's traffic—and in considering this phase of it I wish to present a map on which are marked the routes of travel now carrying the majority of the world's commerce and the new routes which the Panama Canal will make available. There is no doubt in my mind but that the Panama route will secure a monopoly of the traffic on the west coast of both North and South America. The greatest fact connected with the canal is the shortening of distance and the lessening of time; and time and distance are the elements to-day which largely control the routes of ships. When it is realized that the construction of this canal will save the circumnavigation of South America in traffic between the North Atlantic and Pacific seaboards, its importance is at once realized; and when that saving is reduced to miles, and the amount is known to be about 8,000 miles, the monopoly of the Panama route as against any other competitive route also becomes readily apparent.

In order more clearly to realize the importance which the shortening of distance and of time will have on commerce it is necessary to reduce it to dollars and cents. That brings us to the consideration of the unit of toll charges at the canal. What shall that unit be? Vessels are measured by different systems. There is the displacement measurement, which represents the weight of water in tons which a vessel will displace when fully loaded and equipped and ready for sea. This is the system adopted by all maritime nations in the measurement of warships and is the system we will apply at the Isthmus of Panama.

There is the gross tonnage measurement of ships, which represents in cubical contents of 100 cubic feet per ton all the inclosed portions of a vessel. There is also the net tonnage measurement, which represents what is left of gross tonnage after there has been deducted the spaces for coal bunkers, engines, boilers, and shafting.

The net tonnage system of measurement is the one used by most nations in the fixing of tolls. It is the system applied at the Suez Canal, and as a result of the testimony presented before our committee by experts the committee feel inclined to favor the net-tonnage system as the basis for the measurement of tolls at the Isthmus.

Besides these several systems of measurement there is what is known as the weight or measurement tonnage, the weight tonnage representing the number of long tons which can be carried in the net tonage of a vessel; measurement tonnage being the amount of the cubical space expressed in tons, allowing 40 cubic feet to the ton.

The net-tonnage system is the one which concerns us in the administration of the Panama Canal, and it is the system which will be adopted there without doubt, although this bill gives the President the discretion of adopting gross or displacement tonnage, net tonnage, or any other form as, in his judgment, seems best. He also is given the discretion of using displacement tonnage in the measurement of war ships using the canal.

Having thus determined the unit of measurement for the tolls at the Isthmus, it will be necessary next to determine the cost of that unit per day for vessels at sea, in order to determine in dollars and cents the advantage in using the Panama route over any other competitive route.

Dr. Emory Johnson, the special commissioner on Panama traffic and tolls appointed by the President, than whom there is no more reliable expert, has made an exhaustive examination of this subject, and has consulted with shipowners and shipbuilders and has deduced this formula, that the cost per net register ton per day at sea is 10 cents for the average vessel of 10 knots per hour. He found that 10 knots, a knot being equal to 1⅛ statute miles, was the most profitable speed of freight-going ships the world over. This unit cost embraces not only coal cost, cost of victualing the ship, and wages of the crew, but also the proportionate cost of interest, depreciation, maintenance, and insurance. In fact, he took into the calculation all possible elements of cost and deduced therefrom the formula of 10 cents per net registered ton per day at sea.

The testimony also shows that vessels which can most profitably use the canal will be vessels of 4,000 tons net register or more. Those of less tonnage can not use the canal to best advantage.

If then we take a vessel registering 4,000 net tons, the dues or tolls at the canal, if fixed at $1 per ton, will amount to $4,000, and her cost at sea per day $400. Having gotten some idea of the cost of the ship per day, and the cost of the tolls at the

canal, we are more readily able to understand the advantage in dollars and cents resulting from the use of this canal as against competitive routes.

In this connection we can declare without fear of contradiction that $1 a net registered ton will give to the Panama route a monopoly of the traffic between our Atlantic and Gulf seaboard and the Pacific coast of North and South America and the Hawaiian Islands.

I wish to call attention to the further fact that the Panama route can not expect to receive any tonnage developing on the north coast of South America, and in fact but little developing on the entire east coast of South America. In other words, the great ports of Rio Janeiro, Montevideo, and Buenos Aires will have little or no use for the Panama route. The territory in South America which will be benefited by the canal is that narrow strip extending from Panama to the Straits of Magellan, a distance of 4,000 miles, and lying between the summit of the Andes and the Pacific Ocean, a strip small territorially, but extremely rich in minerals and other resources.

The Pacific coast of North America will use the Panama route for its commerce with the Atlantic and Gulf seaboard. At present the Tehuantepec route, crossing Mexico, is a rival of the Panama Railroad; but that rivalry will cease upon the opening of the Panama Canal. It now costs $3.50 per cargo ton to cross the Isthmus of Tehuantepec, which will amount to about $7 per net registered ton. The Tehuantepec Railroad gets one-third of the through rate. Therefore the rate at Tehuantepec being $7 per net registered ton, as compared with $1 per net registered ton at Panama, the difference in favor of Panama will be $6 per net registered ton. There can be consequently no competition between the Panama Canal and the Tehuantepec Railroad route. The extremely large percentage of wastage and breakage resulting from twice breaking bulk still further handicaps the Tehuantepec route.

I have here Table I, prepared by Dr. Johnson, showing distances and time saved via the Panama Canal as compared with the Straits of Magellan between the Atlantic-Gulf ports of the United States and the west coast of South America.

TABLE I.—*Distances and time saved via the Panama Canal as compared with the Strait of Magellan between the Atlantic-Gulf ports of the United States and the west coast of South America.*

To—	From New York.						From New Orleans.					
	Distance saved.	Days saved for vessels of—					Distance saved.	Days saved for vessels of—				
		9 knots.	10 knots.	12 knots.	14 knots.	16 knots.		9 knots.	10 knots.	12 knots.	14 knots.	16 knots.
	Miles.						*Miles.*					
Callao	6,250	28.4	25.2	21.2	18.1	15.7	7,245	33.0	29.7	24.7	21.1	18.4
Iquique	5,139	23.3	20.9	17.3	14.8	12.9	6,134	27.9	25.0	20.8	17.7	15.4
Valparaiso	3,747	16.8	15.1	12.5	10.6	9.2	4,742	21.4	19.2	16.0	13.6	11.8
Coronel	3,296	14.7	13.2	10.9	9.3	8.1	4,291	19.4	17.4	14.4	12.3	10.7

A vessel from New York to Callao, on the west coast of South America, would save 6,250 miles as against the Strait of Magellan route. In days saved this would represent 28.4 days for a vessel traveling 9 knots per hour, 25.2 days for a vessel traveling 10 knots, and 15.7 days for a vessel traveling 16 knots. Fourteen and sixteen knot vessels are, as a rule, passenger steamers, and these will not to any large extent in the early years of the Panama route use that route. As the per diem cost of such steamers is much higher than that of the freight steamers, it will take a less number of days saved at sea to pay the canal tolls; hence in time we may expect fast vessels to use the canal.

If it costs a 4,000-net-register-tonnage ship $400 per day, then 10 days saved in sailing time would equal $4,000, or the amount of tolls the ship would have to pay. A vessel from New York to Callao, which is 6,250 miles nearer New York by the Panama route than by the Strait of Magellan, saving 25.2 days if a 10-knot vessel, would have an advantage of 15.2 days by way of profit by reason of the use of the Panama route, or over $6,000.

The next port south of Callao of importance is Iquique, 5,239 miles near New York by way of the Panama route than by way of the Strait of Magellan, representing a saving of 23.3 days for a 9-knot ship and 20.9 for a 10-knot ship. This port of Iquique is important, because it is the great nitrate port of South America; near by and within easy reach of tidewater are the great nitrate fields of northern Chile.

Last year 2,500,000 tons of nitrates were shipped from this port, 500,000 tons coming to the United States to be made into fertilizer and 2,000,000 tons being sent to Europe. These 2,500,000 tons of nitrates required in their shipment a vessel capacity of 1,000,000 net registered tons. At $1 a ton the export of nitrates alone through the Panama Canal would have developed a revenue of $1,000,000.

To Valparaiso, the great port of the west coast of South America, the distance saved via the Panama route over the Magellan route would be 3,747 miles, representing a saving of 16.8 days for a 9-knot ship and 15.1 days for a 10-knot ship.

Coronel, the southernmost port in Chile, except Punta Arenas, 400 miles south of Valparaiso and about 1,000 miles north of Magellan, is important because it is the only port on the west coast of South America where native coal can be secured. I hope, if I have time, to discuss the importance of coal and coal costs as affecting the traffic that can use the Panama route.

If Table I be examined, it will be found that New Orleans is nearer these South American ports on the west coast via the Panama Canal than from New York by about 1,000 miles, giving to New Orleans and other Gulf cities just that much advantage in the saving of time and distance.

Remembering that 10 days saved in sailing time will equal or make good the canal tolls with a 10-knot ship, every one of these South American ports to which I have referred can profitably use the Panama route as against the route through the Strait of Magellan.

I wish next to direct your attention to Table II:

TABLE II.—*Distances and time saved via the Panama Canal as compared with the Strait of Magellan between European ports and the west coast of South America.*

To—	From Liverpool.						From Antwerp.						From Gibraltar.					
	Distance saved.	Days saved for vessels of—					Distance saved.	Days saved for vessels of—					Distance saved.	Days saved for vessels of—				
		9 knots.	10 knots.	12 knots.	14 knots.	16 knots.		9 knots.	10 knots.	12 knots.	14 knots.	16 knots.		9 knots.	10 knots.	12 knots.	14 knots.	16 knots.
	Miles.						*Miles.*						*Miles.*					
Callao	4,043	18.2	16.3	13.5	11.5	10.0	3,905	17.6	15.8	13.1	11.5	9.7	3,327	14.9	13.3	11.0	9.4	8.1
Iquique	2,932	13.1	11.7	9.7	8.2	7.1	2,794	12.4	11.1	9.2	7.8	6.8	2,216	9.7	8.7	7.2	6.1	5.2
Valparaiso	1,540	6.6	5.9	4.8	4.1	3.5	1,402	6.0	5.3	4.3	3.5	3.1	824	3.3	2.9	2.3	1.9	1.6
Coronel	1,089	4.5	4.0	3.3	2.7	2.3	951	3.9	3.4	2.8	2.3	1.9	373	1.2	1.0	.8	.6	.05

The distances are longer than between the Atlantic and Gulf seaboard and this west coast, and the savings in days are less, but the demonstration of advantage in favor of the Panama route is almost as conclusive. For instance, from Liverpool to Callao—Liverpool, representing a typical port of England, is nearer to Callao by way of the Panama route than by way of the Strait of Magellan by 4,043 miles, representing a saving of 18 days for a 9-knot ship, 16.3 days for a 10-knot ship, and exactly 10 days for a 16-knot ship, while Iquique, the great nitrate port, is nearer by 2,932 miles, representing a saving of 13.1 days for a 9-knot ship and 11.7 days for a 10-knot ship.

Valparaiso, the objective port for most of the west South American trade, will be nearer to Liverpool by way of Panama than by way of the Strait of Magellan by 1,540 miles, repre-

senting a saving of 6½ days for a 9-knot ship and 5.9 days for a 10-knot ship. You will notice, therefore, that as to Valparaiso there is a saving in time of less than 10 days, practically only 6 days, representing $2,400 in money equivalent. But as the canal tolls on our typical ship of 4,000 tons net register would be $4,000, there would be a handicap of $1,600 against the ship using the Panama route. The question is, Would that ship go through the Panama Canal instead of going to Liverpool by way of the Strait of Magellan?

I believe, and the experts declare, that the Panama route will be preferred for the following consideration: The Strait of Magellan is over 200 miles long. The shores are rocky and precipitous and there are few aids to navigation. In the winter time floating ice abounds and there are dangerous cross currents. It is a dangerous passage at any time. The rate of marine insurance on vessels from Europe to the west coast of South America is higher through the straits than it would be through the Panama Canal. It is impossible now to give the amount of this difference, but it will be appreciable. Whatever it will be, it ought to be deducted from the $1,600 handicap on the vessel that uses the Panama route. Again, a vessel leaving Liverpool or Antwerp or Gibraltar for Valparaiso by way of the east coast of South America would have few ports of call, and would, therefore, have less opportunities for taking on or discharging cargo, whereas if it took the Panama route it would have ports like Guayaquil, Callao, Iquique, Valparaiso, Coronel, and even Punta Arenas on the Strait of Magellan.

Mr. MARTIN of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. ESCH. Certainly.

Mr. MARTIN of South Dakota. The gentleman concludes, I take it, that practically all the traffic with western South America and northern ports would pass through the Panama Canal.

Mr. ESCH. What does the gentleman mean by northern ports?

Mr. MARTIN of South Dakota. I mean Atlantic and Gulf as well as European ports.

Mr. ESCH. Yes.

Mr. MARTIN of South Dakota. What sum does the gentleman consider, figured in net registered tonnage, might reasonably be expected in the first year?

Mr. ESCH. In 1910 the foreign commerce of the west coast of South America with Europe amounted to 3,128,000 net registered tons, and it is safe to assume that that entire tonnage would use the Panama route, thus developing a revenue of $3,128,000. Another advantage in using the Panama route between Europe and Valparaiso or return is the fact that coal can be gotten cheaper than by way of the east coast of South America and through the Strait of Magellan. In fact, from the figures that are given the saving in coal alone by the use of the Panama route might be enough to pay the canal tolls. On this account we conclude that the Panama Canal, with a rate of $1 per net registered ton, will secure practically all of the traffic developing along the west coast of South America with Europe, barring possibly a portion from Coronel down to the straits. It is easy to conceive that if a vessel at Valparaiso can secure a full cargo it might go home by way of the Strait of Magellan, or if it could secure part or full cargo at Montevideo, Buenos Aires, or Rio de Janeiro for Europe. Another fact to be considered is this: Passenger traffic with Valparaiso from Europe might go down the Atlantic coast to Buenos Aires and then go over the trans-Andean railroad, which has been opened within the year, to Valparaiso and Santiago, but the cost for railroad fare from Buenos Aires to Valparaiso would be so great as to make this route practically prohibitive for all save emergency traffic.

Mr. MANN. Mr. Chairman, will the gentleman yield?

Mr. ESCH. Yes.

Mr. MANN. In the comparison which the gentleman has made I notice he has not called attention to the matter of the amount of vessel space required for coal by the two routes. Would it not require much more vessel space for coal going down the east coast of South America than it would going by way of the Panama Canal and recoaling at these different points?

Mr. ESCH. Mr. Chairman, the gentleman's suggestion is a proper one, and I had intended to develop it in connection with another branch of the subject. However, the idea suggested is this: If a vessel coals at Southampton for Valparaiso by way of the Magellan route it would have to take on a large supply of coal, thus diminishing its freight capacity. If a vessel can coal frequently at near-by stations it need use but a small space for coal and leave a large space for freight tonnage, thus increasing its freight earning capacity.

By use of the Panama route a vessel, say from Southampton, can coal at St. Thomas in the Danish West Indies, or St. Lucia in the Bahama Islands, and proceed to Panama, where it could take on coal at either Cristobal or Balboa and then cruise down the west coast and get coal at any of those ports. That is an added argument why vessels from Europe will be induced to use the Panama Canal.

Mr. MADDEN. I would like to ask the gentleman about the difference in the cost of the coal as between the starting point of the ships and the various coaling points to which he has called our attention. Would the difference in cost be sufficient to recompense the ship for the loss of freight that might be earned by reason of taking a full cargo of coal to supply it for the whole trip, as against coaling at the different points?

Mr. ESCH. I think that the best practice among shipowners is to seek to leave the port of clearance with a small cargo of coal and reload at intervals, thus permitting it to carry the maximum of freight-earning tonnage.

Mr. MADDEN. The point I want to get the gentleman to tell us about, if he will or can, is whether the difference in the price of coal at Liverpool or Southampton and Valparaiso is sufficient to offset the freight receipts which might be secured by a ship on account of leaving the port of Southampton with a small quantity of coal.

Mr. ESCH. Well, it would be very difficult to determine that in dollars and cents, owing to the fact that rates of freight vary very materially and the coal cost varies very materially.

Mr. MADDEN. But the gentleman must remember that freight has to be paid on the coal that is taken on board ship at Valparaiso, and freight must be paid on coal taken on board the ship at Panama or paid on coal taken on board at any other point of the West Indies—St. Thomas or any other place. Now, that freight must be added to the cost.

Mr. ESCH. I have figures here giving the coal cost at the various stations of the world and along the four great competitive routes which I will describe, and if I have the time I will be glad to take up that phase of it.

Mr. MADDEN. That side of the question is one that is very interesting.

Mr. ESCH. Yes; it is interesting. I wish next to call attention to Table III, showing the relation of Panama Canal tolls to the traffic between the Atlantic-Gulf seaboard of the United States and Australia and New Zealand.

TABLE III.—*Relation of Panama tolls to the traffic between the Atlantic and Gulf seaboards and Australia and New Zealand.*

To—	From New York.						From New Orleans.						Remarks.
	Distance saved.	Days saved for vessels of—					Distance saved.	Days saved for vessels of—					
		9 knots.	10 knots.	12 knots.	14 knots.	16 knots.		9 knots.	10 knots.	12 knots.	14 knots.	16 knots.	
	Miles.						*Miles.*						
Adelaide	1,746	7.5	6.7	5.6	4.6	4.0	3,258	14.6	13.1	10.8	9.2	8.0	Difference between routes via Panama, Tahiti, Sydney, and Melbourne, and via St. Vincent and Cape of Good Hope.
Melbourne	2,770	12.3	11.0	9.1	7.7	6.7	4,282	19.3	17.3	14.3	12.2	10.7	Difference between routes via Panama, Tahiti, and Sydney, and via St. Vincent, Cape of Good Hope, and Adelaide.
Sydney	3,932	17.7	15.8	13.1	11.2	9.7	5,444	24.6	22.2	18.4	15.7	13.7	Difference between routes via Panama and Tahiti, via St. Vincent, Cape of Good Hope, Adelaide, and Melbourne.
Wellington	2,493	11.0	9.9	8.1	6.9	6.0	3,488	15.6	14.0	11.6	9.9	8.6	Difference between routes via Panama and Tahiti and via Strait of Magellan,

The commerce of Australia and New Zealand is developing with very great rapidity. In 1909 the foreign commerce of Australia amounted to $550,000,000, an increase of $200,000,000 over the preceding decade. New Zealand's foreign trade in 1909 amounted to $175,000,000, an increase of $75,000,000 over the preceding decade. The commerce of our Atlantic and Gulf seaboard in 1910 with Australia and New Zealand amounted to $46,000,000, an increase of 68 per cent over the preceding decade. The importance of our canal securing an increasing share of this traffic between our Atlantic and Gulf seaboard and Australia and New Zealand ought to be apparent. I have here Table III, giving the saving in distance and days from New York to Adelaide on the south shore of Australia by using the Panama route as against the Cape of Good Hope route. The difference is 1,746 miles, showing a saving of 7½ days for a 9-knot ship and 6.7 days for a 10-knot ship. If Adelaide were the port of destination a saving in time of 6.7 days for a 10-knot ship would not be a large inducement for a vessel to pass through the Panama Canal and pay tolls. It might instead go around the Cape of Good Hope. At the present time our traffic between the Atlantic and Gulf seaboards and Australia is by means of line vessels around the Cape of Good Hope. That is a much longer route than even the Straits of Magellan. The Panama route will be the shortest. From New York to Melbourne, on the southeast shore of Australia, the saving, by using the Panama route as against the Cape of Good Hope route, would be 1,710 miles, represented by a saving of 12.3 days for a 9-knot ship and 11 days for a 10-knot ship. From this it would appear that a vessel could profitably use the Panama route and have one day's saving of time at sea to its credit. Sydney, on the east coast of Australia, and its greatest city, a city of 500,000 people, will be 3,932 miles nearer to New York by way of the Panama route than by way of the Cape of Good Hope, represented by a saving of 17.7 days for a 9-knot ship and 15.8 days for a 10-knot ship. Sydney, therefore, which all line vessels and most chartered vessels or tramps make, would determine the homeward route and not Adelaide or Melbourne.

It is thus seen that it would be profitable to use the Panama route, because there would be a margin of profit or of saving of 5.8 days for a 10-knot ship, after deducting 10 days saving in time to neutralize or compensate for the canal tolls. Wellington or Auckland, in the New Zealand Islands, would be nearer to New York by way of the Panama route by 2,493 miles over the route by the way of the Straits of Magellan, representing a saving of 11 days for a 9-knot ship and 9.9 days for a 10-knot ship. Even as to Wellington, the Panama route would be preferable to the Magellan route. What course a vessel will take after arriving at one of the ports of Australia for the home journey will depend not merely upon the saving of distance and of time, but upon other factors, such as facility of securing traffic and cargoes en route and on the cost of coal. However, Dr. Johnson believes that New Zealand could stand a toll of a dollar per net registered ton and the Panama Canal get at least 50 per cent of its traffic. A vessel in a south Australian port which had to leave Australia in ballast or with partial cargo would doubtless sail up to the East Indies, to Java or Sumatra or Singapore, for a cargo of Java coffee or sugar and then proceed through the Suez route back home, or it might possibly return home by the way of the Cape of Good Hope.

Table III shows that New Orleans will be nearer these ports of Australia via the Panama route by about 1,500 miles over New York, amounting to a saving for a 10-knot vessel of about 6 days. Even with Adelaide, such vessel would save 13.1 days as against the Cape of Good Hope route. The Panama route ought to secure in traffic between our Atlantic and Gulf seaports and Australia a fair percentage of that commerce and ought to secure at least 50 per cent of the growing commerce of New Zealand.

I next wish to call your attention to Table IV, showing the effect of tolls at the Isthmus of Panama on the traffic between Europe and Australia and New Zealand.

TABLE IV.—*Effect of tolls at Isthmus of Panama on traffic between Europe and Australia and New Zealand.*

To—	Via—	From Liverpool.							Remarks.
		Distance.	Distance saved via shorter route.	Days saved via shorter route for vessels of—					
				9 knots.	10 knots.	12 knots.	14 knots.	16 knots.	
		Miles.	*Miles.*						
Adelaide	Panama	13,478	2,336	10.8	9.7	8.1	6.9	6.1	Via Panama, Tahiti, Sydney, and Melbourne.
	Suez	11,142							Via Aden, Colombo, and King George Sound.
Melbourne	Panama	12,966	1,312	6.1	5.4	4.6	3.9	3.4	Via Panama, Tahiti, and Sydney.
	Suez	11,654							Via Aden, Colombo, King George Sound, and Adelaide.
Sydney	Panama	12,385	150	.69	.62	.52	.44	.39	Via Panama and Tahiti.
	Suez	12,235							Via Aden, Colombo, King George Sound, Adelaide, and Melbourne.
Wellington	Suez	12,989	1,564	6.7	6.0	4.9	4.2	3.5	Via Aden, Colombo, King George Sound, and Melbourne.
	Panama	11,425							Via Panama and Tahiti.

Here the distances are longer and the percentages will be less. A line which is equidistant from Liverpool by either the Panama or Suez route runs through Yokohama, about 200 miles east of the island of Guam and about 150 miles east of Sydney, Australia. All east of this line, therefore, would be nearer Europe by way of the Panama route, and all west of it, which would include the continent of Australia and most of the east coast of Asia, would be nearer by way of the Suez route. The question arises, will Australia and New Zealand give any of their commerce with Europe to the Panama route? It may expect to get some portion of this tonnage, but the Panama route would have to meet sharp competition with the Cape of Good Hope route and with the Suez route. The question of tolls and coal costs will be largely determinative as to the route.

Mr. BOWMAN. And some difference in insurance.

Mr. ESCH. There is some difference in insurance. At present the bulk of cargo from Europe to Australia passes around the Cape of Good Hope and does not pass through the Suez Canal. The Suez Canal is used largely by line steamers carrying fast mail and passengers. The 10-knot vessel carrying cargo prefers the Cape of Good Hope route to the Suez route, because it will have no tolls to pay, because of the cheap coal of Natal, South Africa, and because the Cape of Good Hope route is only about a thousand miles longer than the Suez route. We may expect some vessels outbound from Adelaide or Melbourne or Sydney, and especially New Zealand, to return to Europe by way of the Panama route.

New Zealand furnishes much cargo tonnage, especially in the line of frozen meats, and cargoes of frozen meats—refrigerated cargoes—will seek to go to Europe by the cooler route. The cooler route would doubtless be by way of Panama as against the route through the Suez Canal. The Red Sea, 1,300 miles in length, has almost torrid heat and is swept by the blasting winds from the desert, hence it is more difficult to carry refrigerated tonnage through the Suez route. We can expect a small tonnage from Australia and a considerable tonnage from New Zealand to pass through the Panama route to Europe.

Mr. LEWIS. Will the gentleman yield?

The CHAIRMAN. Will the gentleman yield to the gentleman from Maryland?

Mr. ESCH. Yes.

Mr. LEWIS. You are just referring to the Suez Canal and the probability of some Panama traffic being diverted from that point.

Mr. ESCH. Yes.

Mr. LEWIS. May I ask the gentleman the character of the rates fixed for traffic on the Suez Canal, whether they are law-made rates or statutory rates that may not be changed by an administrative tribunal, and in that respect do they differ from the rates proposed in this measure now?

Mr. ESCH. The Suez rates are made by the company that practically owns and operates the Suez Canal. They are not statutory rates. The rates put in force on the Suez Canal on January 1 of this year were 6¾ francs per registered ton, amounting to about $1.30. But the Suez tonnage is measured by the Suez measurement, which differs from the British and American measurement in that it does not allow as large a deduction for bunker, engine, and other space as is allowed under

the British and American measurement. Therefore the net registered tonnage at Suez is higher than it would be at Panama, and the same ship going through the Panama Canal would pay less tolls than if it passed through the Suez Canal. In other words, the $1.30 per net registered ton at Suez would amount to $1.53 at Panama.

Mr. MANN. Does not the Danube measurement which is used on the Suez Canal include 80 cubic feet to the ton, while the American measurement allows 100 cubic feet?

Mr. ESCH. Yes; that is also a factor in making the net-tonnage rate at Suez higher than our proposed rates at Panama, and this difference of $1 Panama rate and $1.53 equivalent Suez rate will be quite a determining factor in the routing of vessels.

I wish next to call attention to Table V, showing the relation of tolls on traffic between our Atlantic and Gulf seaboards and the region between Yokohama and Singapore, on the east coast of China, including the Philippine Islands.

TABLE V.—*Effect of tolls on traffic between Atlantic and Gulf seaboards and Yokohama and Singapore, including Philippine Islands.*

To—	Via—	From New York.						From New Orleans.						Remarks.
		Distance saved.	Days saved for vessels of—					Distance saved.	Days saved for vessels of—					
			9 knots.	10 knots.	12 knots.	14 knots.	16 knots.		9 knots.	10 knots.	12 knots.	14 knots.	16 knots.	
		Miles.						*Miles.*						
Yokohama	Panama Suez	3,768	16.9	15.2	12.6	10.7	9.3	5,705	25.9	23.3	19.3	16.5	14.4	Via San Francisco. Via Colombo, Singapore, Hongkong, and Shanghai.
Shanghai	Panama Suez	1,876	8.1	7.3	6.0	5.1	4.4	3,813	17.1	15.4	12.7	10.8	9.4	Via San Francisco and Yokohama. Via Colombo, Singapore, and Hongkong.
Hongkong	Panama Suez	18						1,919	8.4	7.5	6.2	5.2	4.5	Via San Francisco, Yokohama, and Shanghai. Via Colombo and Singapore.
Manila	Panama Suez	41						1,978	8.6	7.7	6.4	5.4	4.7	Via San Francisco and Yokohama. Via Colombo and Singapore.
Singapore	Panama Suez	2,484	11.0	9.8	8.4	6.9	5.9	547	2.0	1.7	1.4	1.1	.9	Via San Francisco and Yokohama. Via Colombo.

Mr. RAKER. If the gentleman will permit me, the discussion came up yesterday that England had to do with this Suez company and owned the majority of the stock in it; that is, the Suez Canal. Is there anything in that?

Mr. ESCH. English citizens own some of the stock.

Mr. RAKER. But the English Government itself has nothing to do with the company?

Mr. ESCH. I think not. It is not owned by the Government.

Mr. MARTIN of Colorado. The English Government owns a lot of the stock, but the company is under the control of a private company.

Mr. ESCH. This trade area between Yokohama and Singapore is largely within the influence of the Suez route. However, the northern portion of it may safely be considered as within the influence of the Panama route.

Mr. MARTIN of Colorado. From where?

Mr. ESCH. For instance, from New York to Yokohama it is nearer by 3,268 miles through the Panama Canal than by the Suez route, representing a saving of 17 days for a 9-knot ship and 15.2 days for a 10-knot ship; while Shanghai, on the Chinese coast, will be nearer via Panama than via Suez by 876 miles, represented by a saving of 8.1 days for a 9-knot ship and 7.3 days for a 10-knot ship. Hongkong, down the Chinese coast, will be nearer New York by way of Panama than by way of Suez by only 18 miles, and Manila will be nearer by only 41 miles.

In other words, the line equidistant from New York by way of Panama or Suez runs through Peking, China, through Hongkong, practically through Manila, and through the west-central part of Australia. Everything, therefore, on the east coast of Asia east of that line would fall within the influence of the Panama route, and all west of it, from Hongkong to Singapore, would fall within the influence of the Suez route. Can we hope for or expect any traffic from this region to use the Panama Canal?

Yes, we can, for the reason that the distances to Yokohama and even Shanghai show a saving in days of travel at sea almost equivalent to the number necessary to offset the canal tolls, but Hongkong and Manila are practically the same distance by either route, and therefore other factors, aside from distance, would determine the course of the vessel outbound from either of these two ports. As Manila is a possession of the United States, and as the coastwise-trade laws apply to it, we may expect to get most of the traffic of the Philippine Islands across the Pacific through the Panama Canal to our Gulf and Atlantic seaboard.

Mr. MARTIN of Colorado. Will the gentleman permit a question?

Mr. ESCH. Yes.

Mr. MARTIN of Colorado. It would be impossible to state this matter of distances any more clearly than the gentleman is stating them; but I will ask if it is not the fact that all ports in western Pacific waters, not only the Asiatic ports, but the Australasian islands, are in the Suez Canal zone from all European ports?

Mr. ESCH. The next table will give the distances and show that very fact.

Mr. MARTIN of Colorado. I assume that that is what your chart will show, that all Asiatic and Australasian ports are in the Suez zone from all European ports.

Mr. ESCH. This red line shows that all west of it is within the influence of the Suez route for European ports.

Mr. MARTIN of Colorado. In addition to that, as a practical proposition, these ports are nearly all in a competitive zone as between New York and European ports?

Mr. ESCH. Yes; there is an overlapping territory along the coast of China.

Mr. MARTIN of Colorado. Even from New York we have got to fight Europe for all the traffic that we get in this zone?

Mr. ESCH. Yes. Another thing: The Suez influence is well established, because it is a route that has been traveled since 1869. The banking facilities and trading companies along it also tend to attract and hold the traffic with Europe through the Suez route, so that, as the gentleman from Colorado [Mr. MARTIN] well says, we will have to fight for whatever traffic we are able to get from, say, Shanghai down to Singapore; but Table V also shows that New Orleans would have an advantage over New York of about 2,000 miles to Yokohama, Manila, and the great ports of China, permitting her to offer strong competition to vessels using the Suez route.

Mr. SIMS. In case the Suez Canal should reduce its charges the competitive zone will naturally move east to that extent.

Mr. ESCH. Certainly; and it will be, to the extent of the reduction, a potent influence in determining the course of vessels, except line vessels, which can not deviate from their course. It would have a large influence on chartered vessels or tramps.

Mr. LEWIS. I wish to inquire as to the character of rate making on the Suez Canal. Is it entirely free, as it would be with a private railroad company, to change the rates? If so, has there been much change in rate making through the canal in the last generation?

Mr. ESCH. The directors of the Suez company—I think it is the Suez Maritime Co.—fix the rates from time to time. From 1869 to 1884 the rates remained practically at 10 francs a registered ton. After 1884 changes were made every few years, until in January, 1912, the rate was reduced to 6.75 francs a net registered ton, and the directors will doubtless in the near future make a still further reduction to meet the competition of the Panama route, so that I look to see the time when they

will reduce the rate to $1 a net registered ton, as we have proposed to fix it at Panama.

Mr. LEWIS. They can make those reductions without regard to any governmental action.

Mr. ESCH. Without regard to any governmental action——

Mr. LEWIS. Or action of the British Parliament?

Mr. ESCH. Or action of the British Parliament.

Mr. KENT. Are they under any sort of obligation to levy uniform tolls?

Mr. ESCH. Yes; under the Suez agreement the tolls are equal to all nations, without discrimination.

Mr. FOWLER. Will the gentleman discuss the dangers attending the navigation through these two great highways?

Mr. ESCH. Which two does the gentleman mean?

Mr. FOWLER. I mean the Suez Canal and the Panama Canal.

Mr. ESCH. I have already described the Magellan route.

Mr. FOWLER. Yes; I know the gentleman has.

Mr. ESCH. The Suez route would be more dangerous than the Panama route for oriental trade, on account of the terrific storms that sweep over the Indian Ocean. Crossing the Pacific we have comparative freedom from storms. We, however, would have the disadvantage of a stormy passage possibly across the North Atlantic.

Mr. MARTIN of South Dakota. Can the gentleman tell the committee whether the insurance rates as between these two competitive routes, where they are real competitors, would be to the advantage of the Panama route?

Mr. ESCH. Oh, certainly; and it would be an advantage to the Panama route as compared with the Magellan route and as compared with the Suez route where it crosses the Indian Ocean.

Mr. MARTIN of South Dakota. Will the gentleman state why the advantage will be with the Panama route in the oriental trade? It is on account of the voyage over the Pacific, is it not?

Mr. ESCH. That is comparatively a safe voyage as compared with the voyage by the Suez Canal and across the Indian Ocean.

Now, I wish to call your attention to Table VI, showing the relation of tolls at Panama on the traffic between Europe and Yokohama and Singapore, including the Philippine Islands.

TABLE VI.—*Relation of tolls on traffic between Europe, Yokohama, and Singapore, including Philippine Islands.*

To—	From Liverpool.						Remarks.
	Distance shorter via Suez than via Panama.	Days saved for vessels of—					
		9 knots.	10 knots.	12 knots.	14 knots.	16 knots.	
	Nautical miles.						
Singapore	6,946	31.6	28.4	23.6	20.2	17.5	Panama route via San Francisco and Yokohama. Suez route via Colombo.
Manila	4,421	19.9	17.9	14.8	12.6	11.0	Panama route via San Francisco and Yokohama. Suez route via Colombo and Singapore.
Hongkong	4,172	18.8	16.8	13.9	11.9	10.3	Panama route via San Francisco and Yokohama. Suez route via Colombo and Singapore.
Shanghai	2,776	12.3	11.0	9.1	7.8	6.8	Panama route via San Francisco and Yokohama. Suez route via Colombo, Singapore, and Hongkong.
Yokohama	694	2.7	2.4	1.9	1.5	1.3	Panama route via San Francisco. Suez route via Colombo, Singapore, Hongkong, and Shanghai.

As already stated, the red line on the map passing through Yokohama marks the line which is equidistant from Liverpool by way of either route, and as all the Chinese coast lies west of that line it is normally within the influence of the Suez route.

There are regions that we can not influence, so far as traffic goes, nor can we seduce traffic from the Suez route to or from such regions to the Panama route. The Suez route will have absolute monopoly of all traffic on the east coast of Africa and the east and west coasts of India, and the Malay Peninsula, Java, and possibly Sumatra. We can not hope to break into that zone of traffic. On the other hand, the Panama route will have zones where it will be supreme and where the Suez route can not encroach.

In regard to this traffic between the Chinese coast and Europe, both the Magellan route and the Cape of Good Hope, can be ignored because they are too long to enter into competition. We may expect some vessels outbound, securing cheap coal at Yokohama, to cross the Pacific on the arc of the great circle to Tacoma, Seattle, or San Francisco; thence down the coast to Panama and on to Europe. The reverse movement may also be true; that is, vessels may seek to cross the Atlantic from Europe in the hope of getting a cargo on our Atlantic seaboard and proceed through the canal to San Francisco or the Sound cities and cross the Pacific to Yokohama, Shanghai, or Manila.

At present there is considerable traffic across the Atlantic to European ports where cargoes are transshipped to vessels bound for the Orient through the Suez Canal. When the Panama Canal is opened that movement may be exactly reversed, and vessels from Europe may be willing to take cargoes at cheap rates across to New York, Baltimore, and Philadelphia and there have them transshipped to vessels passing through the Panama Canal bound for the Orient. So that even as to these two trade areas we may expect a small share of the traffic. This concludes my consideration of the relation of tolls to the traffic of the various trade areas affected by the opening of the new route at Panama.

But there is another potential factor which determines the route of vessels, namely, the cost of coal. The greatest cost of a vessel at sea is the cost of its fuel. Last year there were 75,000,000 tons of coal sold to ocean-going vessels, representing a cost of $250,000,000.

I wish now, if I have the time, to show coal costs along these various competitive routes in order to show the advantages of the Panama route based upon cheaper coal costs. A vessel starting from Southampton with Welsh coal, probably the best coal used by ocean-going craft, can secure that coal at Southampton for $5.06 a ton trimmed. It can take on a sufficient supply to carry it to the Straits of Gibraltar, where there is another coaling station, and it can buy Welsh coal there for $5.28 to $5.76 a ton. Then it can proceed to Algiers, on the north coast of Africa, and get Welsh coal there for $5.40 a ton. It could then proceed to Port Said, the northern entrance to the Suez Canal. Port Said is one of the greatest coaling stations in the world. Last year there was shipped to that port from England one and one-quarter million tons of Welsh coal. It is there sold to vessels by several dealers, and the competition between the dealers serves to keep the price down. Coal at the coaling stations along the older routes of travel is sold by contract from dealers, and vessel owners make yearly contracts with these dealers, securing a cheaper rate than is charged to the occasional vessel or tramp steamer. Good and ample coaling facilities can be found along the entire Suez route, and they are better than along any other route. At Port Said the cost of Welsh coal, 1912 contract prices, is $6.12 to $6.24 per ton. The occasional vessel or tramp steamer would have to pay about $6.50. Please bear this in mind when we come to consider the cost of coal at Panama.

Mr. MADDEN. Will the gentleman yield?

Mr. ESCH. Certainly.

Mr. MADDEN. What is the coal worth at the port of shipment?

Mr. ESCH. Five dollars and six cents at Southampton, which would be a little more than the cost at Cardiff.

At Port Said or Suez the vessel can take on coal enough to carry it to Colombo, on the island of Ceylon.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. ESCH. Can not the gentleman from Minnesota yield me a little more time?

Mr. STEVENS of Minnesota. The gentleman will remember that I yielded an hour to the gentleman from California, and I could not grant him any more. The gentleman will remember the colloquy that I had with the gentleman from Washington [Mr.

HUMPHREY], and how he insisted upon me yielding. I yielded an hour to the gentleman from California, and it is up to him. If he cares to yield time to the gentleman, very well.

Mr. KNOWLAND. Mr. Chairman, if the gentleman from Washington is willing to have it taken out of his time, I have no objection.

Mr. HUMPHREY of Washington. Oh, I do not want to have it taken out of my time.

Mr. BUTLER. But, as I understand, general debate has not been limited.

Mr. HUMPHREY of Washington. Mr. Chairman, I ask unanimous consent that the gentleman from Wisconsin be permitted to proceed for 15 minutes.

Mr. MANN. That can not be done.

Mr. HUMPHREY of Washington. Then I will ask the gentleman from Minnesota to yield the gentleman 15 minutes.

Mr. KNOWLAND. Mr. Chairman, I am willing to take it out of our time if it will not be taken out of the time of the gentleman from Washington. The gentleman from Wisconsin has not taken up the question of tolls, and I think it is no more than fair that our side should let him have the time. [Applause.]

Mr. STEVENS of Minnesota. Very well, with that understanding I will yield to the gentleman 15 minutes.

Mr. ESCH. Mr. Chairman, I am very grateful to the gentleman and to the House. At Colombo Welsh coal first comes into competition with foreign coal. At Colombo Welsh coal is sold, under 1912 prices, for $8.16 a ton. The Bengal or native coal is sold for $5.16 a ton, while the Natal coal, brought up from South Africa, can be had for $6.12 per ton, all f. o. b., trimmed. From Colombo the vessel could proceed, for instance, to Singapore, another of the great coaling stations along the Suez route. At Singapore Welsh coal can be obtained for $8.40 per ton. Australian coal, brought up from the Newcastle fields, near Sydney, can be obtained for $5.76 to $6 per ton, while Japanese coal can be obtained for $5.40, f. o. b. At Yokohama the cheap Japanese coal, known as Yubari lump, can be had for $5.40 a ton.

Let us now consider coal costs by way of the Cape of Good Hope route. A vessel would again coal at Southampton with Welsh coal at $5.06 a ton. It could coal again at Cape Vincent, where it would have to pay $7.50 for Welsh coal. It could then proceed to Cape Town or to Durban, South Africa, where Natal coal could be obtained as cheaply as $3.28 to $3.48 a ton, free alongside ship. It could then proceed to Australia and obtain coal at Melbourne, on the south coast, Newcastle or southern Australian coal, for $4.50 a ton, free alongside ship. Then it could proceed to Sydney, which is only 60 miles from the great Newcastle coal fields, and get the best quality of southern coal for $3.84 a ton.

Proceeding now by way of the Magellan route, the vessel would again coal at Southampton and recoal at St. Vincent, possibly, and go down to Montevideo, where it could get Welsh admiralty coal by paying $10.32 a ton. It could also get native coal at Coronel, Chile, over on the west coast of South America, at $5.60 per ton.

Let us now consider the coal cost by way of our proposed Panama route. The secretary of the Isthmian Canal Commission has just sent me the contract prices for the delivery of coal at Panama from Newport News. The contract made by the Government last month is at the rate of $2.70 per ton for coal at Newport, with a contract price of $1.39½ per ton to carry it down to Cristobal and unload it from the hold of the vessel. The cost, therefore, delivered at Cristobal for the current year will be $4.09½ per ton. If the Government makes an overhead charge of, say, 50 cents per ton to cover depreciation and a small profit, coal could be sold at $4.59½ per ton to passing ships.

Mr. NYE. Is that substantially the same quality of coal?

Mr. ESCH. Our New River and Pocahontas coal has 5 per cent less heat efficiency than the Welsh coal, the Welsh coal being the best bituminous coal used by steam vessels. Then it will cost 50 cents a ton to take this coal through the canal and deliver it at the coaling station at Balboa, so when the canal is finished, under present contract prices, we may safely state that coal can be sold at a small profit by the Government at Cristobal at $4.50 a ton and at Balboa, on the Pacific side, for $5 per ton. Proceeding through the canal and up the west coast the vessel can recoal at San Francisco. Comax coal from British Columbia at San Francisco is sold at $6.90 per ton. Carbon Hill or Washington coal can be gotten at Seattle for $4.15 and the best Comax lump, at Comax or Union, British Columbia, for $5 per ton. This gives the coal cost from the Atlantic seaboard to the Pacific coast. To-day coal is sold at New York for $3 to $3.25 per ton and at Newport News for $3 per ton. A vessel passing through the canal gets cheap coal at the Isthmus, and can get a fairly good supply at cheap rates at the Sound; it can then cross the Pacific and get a good supply of cheap Japanese coal at Yokohama or Nagasaki, taking on enough to make the trip down to Shanghai or Manila and return. Homeward bound it can secure a supply at the same rates. A review of the coal situation leads to this conclusion:

The coal cost along the Suez route will be probably higher than the coal cost along the Panama route, and the coal cost along the Cape of Good Hope route will be cheaper than along the Magellan route. In order to show what a factor the cost of coal is in determining the route of a vessel, I wish to give you an illustration. Last year a steamer of 4,640 gross tons—2,927 net tons—with a speed of 10¼ knots, made the round trip from New York to Manila by way of the Suez Canal. It consumed 4,475 tons of coal, costing $20,868.75. Maj. Wilson, chief commissary officer at the Isthmus, estimated what that same vessel's coal cost would be if it had gone through the Panama route by way of San Francisco and Yokohama. He estimated that according to the 1911 prices the total coal consumption would be about the same in amount, but the cost would be $18,222, a saving of $2,646.25. Had the 1912 prices prevailed the saving would have been $3,164, or more than the canal tolls on this vessel at the Isthmus. Finally, the relative efficiency of various coals can be shown by the daily consumption of a given vessel. The relative steaming value for a vessel of 3,550 gross tons is as follows: It would burn 22 tons per day of best No. 1 Cardiff coal; 25 tons of Tyne or Lancashire (English) coal; 29 to 30 tons of Indian (Bengal) coal; 29 to 30 tons of Japanese; 24 to 25 tons of Newcastle (Australian); 30 tons of Coronel (Chile); only 24 to 25 tons of Sterling, New River, or Berwind White (American); 26 tons of Alabama coal. From this it is evident that our American coals compare very favorably in heat efficiency with the coals produced elsewhere and sold on other routes. This concludes consideration of coal costs in relation to traffic on the Panama and competitive routes.

Mr. RAKER. Will the gentleman yield?

Mr. ESCH. Yes.

Mr. RAKER. In figuring these costs by the Panama route up north thence to Yokohama, the gentleman has not figured what it would be if we were able to develop the coal fields of Alaska, has he?

Mr. ESCH. That is a factor that can not be determined until we develop our coal fields in Alaska. I wish to call attention in that connection to this significant fact, that the arc of the great circle route passes only a few miles south of the available coal fields of Alaska, and in time it may be possible to develop these fields and establish a coaling station on one of the Aleutian Islands, thus aiding the traffic which we hope to get.

A word as to the probable traffic which will pass through the canal. In Dr. Johnson's first report, published in 1901, he gives an estimate of the possible tonnage which could have used the canal during the year 1899 had the same been open. He found that a possible net registered tonnage of 4,891,075 tons could have passed through the canal that year. In 1910 he made another investigation and found that a possible net tonnage of 8,328,029 tons could, or possibly would have used the canal that year, showing an increase of 66½ per cent in 11 years. He estimates that if the same percentage of increase were to continue during the five years from 1910 to 1915, a total traffic of 10,500,000 net registered tons would be available for passage through the canal during 1915. If, during the decade following the formal opening of the canal in 1915, a rate of increase of only 60 per cent is maintained, we could reasonably expect that in 1925 a total of 17,000,000 net registered tons would pass through the canal, but it is too much to expect that during the first year of operation, 1915, there will be 10,500,000 net registered tons of available traffic which will use the canal. It will take several years for steamship lines to fully establish themselves, and only actual trial can develop the full advantages of the Panama over the Suez and other competitive routes. Moreover, it will require time to fully establish and supply coaling stations along the new route. The traffic during the first few years through the Suez Canal was disappointing. During the first year, 1870, only 486 vessels passed through that canal, and in 1871 only 765. The average net tonnage per vessel for these two years was less than 1,000 tons.

At a dollar per net registered ton the revenue from tolls during the first year of operation, 1915, would amount to $10,500,000, provided the total net registered tonnage estimated as available for the use of the canal would pass through it, but such revenue can not be expected. It will fall short for the first few years. According to the testimony of Col. Goethals and other experts, the annual cost of operation of the canal, including sanitation, policing, and so forth, will amount to $4,000,000. The interest

on the bonds which have been and will hereafter be issued to meet the cost of construction will amount, at 3 per cent, to $11,250,000, or a total of over $15,000,000. Therefore, for some years after the opening of the canal, the total revenues will not meet the cost of operation and the fixed charges. This is taking no account whatever of the cost of maintaining an armed force on the Isthmus and manning the defenses which are now being constructed there. If such expenses be added, the total cost will approximate $30,000,000 per annum. Even if the cost of maintaining the armed force and the fortifications be entirely charged off, a large revenue will have to be derived from tolls to meet the cost of operation and fixed charges, and a charge of a dollar per net registered ton, including charges on vessels of the United States engaged in coastwise trade, will be insufficient for some years to meet the same. While our Government has no design to make the canal a revenue producer, good administration would dictate that such revenue be secured from its operation as would meet the cost of operation and of fixed charges with the least detriment or discouragement to commerce seeking to use the same.

The work of the great engineers on the Isthmus is about concluded, a work worthy of the admiration of the world. It remains for us as legislators to do our part to fittingly supplement their work to the end that the success of the canal may be complete.

Under the dome of St. Paul's Cathedral in the city of London is the tomb of Sir Christopher Wren, the greatest of English architects. On that tomb is a tablet on which is inscribed:

If you would see his monument, look about you.

If I had my way, I would construct on "a peak in Darien," on the summit of the Cordilleras, on the very brink of Culebra, a monument of brass or enduring granite in honor of Col. Goethals and his splended staff. [Applause.] And thereon I would engrave this testimonial:

If you would see their monument, look about you.

[Loud applause.]

MESSAGE FROM THE SENATE.

The committee informally rose; and Mr. FOSTER having taken the chair as Speaker pro tempore, a message from the Senate, by Mr. Crockett, one of its clerks, announced that the Senate had passed bills of the following titles, in which the concurrence of the House of Representatives was requested:

S. 6508. An act to exempt from cancellation certain desert-land entries in the Chuckawalla Valley, Cal.

The message also announced that the Senate had agreed to reports of the committees of conference on the disagreeing votes of the two Houses on the amendments of the House of Representatives to the bills of the following titles:

S. 5624. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent relatives of such soldiers and sailors; and

H. R. 19238. An act to amend section 90 of the act entitled "An act to codify, revise, and amend the laws relating to the judiciary," approved March 3, 1911.

OPERATION OF PANAMA CANAL.

The committee resumed its session.

Mr. KNOWLAND. Mr. Chairman, I yield one hour to the gentleman from Washington [Mr. HUMPHREY].

Mr. HUMPHREY of Washington. Mr. Chairman and gentlemen, I have just listened with a great deal of pleasure and a great deal of profit to the very able speech of the distinguished gentleman from Wisconsin [Mr. ESCH].

What time I shall take I shall devote entirely to the question of the tolls, as this is a question that vitally affects, in my judgment, not only the Pacific coast, but the use of the canal by the entire country.

This question of the Panama Canal tolls, it seems to me, can be stated in a single sentence: The People *v.* The Railroads.

This is the entire case of the Panama Canal, so far as tolls are concerned. This is the case. The court is the American Congress. It is for us to decide this contest between the people and the railroads. I care not at what angle you may look upon the question. I care not in what shape the arguments may come. I care not from what apparent source springs the opposition. I care not what reasons may be given or what pretense may be advanced in favor of tolls for coastwise ships through the Panama Canal, it all comes back to this: The People *v.* The Railroads.

I have never belonged to that class of men who have denounced corporations because they were corporations; that have denounced great interests because they were great interests; that have believed that any great business was evil simply because it was large. I have never belonged to that class of men who seek every opportunity to stand upon the floor of the House and proclaim that they are the friends of the people. I have never been one of those who have condemned and denounced the railroads of this country.

I have never been one of those who have denounced those who have constructed and run our railroads. In fact, I have always believed, and believe now, that many of the men engaged in the building and construction of railroads have been great benefactors of the people; that this country owes to them a debt of gratitude. I would not to-day injure the railroads in the least degree. I believe that they should be permitted to make a legitimate profit. I believe that the prosperity of the railroads is largely the prosperity of the entire country, and that you can not injure the railroads without injuring the whole people of this Nation.

But believing all this is no reason why I should not be opposed, as I am unalterably opposed to the railroads controlling the Panama Canal. I believe that we have constructed the Panama Canal primarily for the purpose, from a commercial standpoint, of having competition between the railroads and the ships that shall run through the canal. Every attempt to impose tolls upon the coastwise trade is an attempt to throttle this competition and to that extent benefit the railroads.

Who has asked for tolls upon coastwise trade? The railroads. Who has appeared before the Committee on Interstate and Foreign Commerce and asked that tolls be placed upon our domestic trade? No one. What business interests have appeared before that committee opposing free tolls? No one.

It is most remarkable that this great committee of the House should make a report against free tolls when no one interested has appeared before them and argued against the proposition, when no interest in all this country thought it worth while to appear before that committee and protest that free tolls would injure them. What does canal tolls mean? It means that much obstruction to commerce. It means taking just that much from the people to give to the railroads. Every dollar paid in tolls means several dollars paid to the railroads. It is a dollar given to perpetuate the greatest and most powerful monopoly that ever existed in this country.

Canal tolls is an effort to take from the American people the benefit of the many millions that we have spent in the construction of the canal and transfer this benefit to the great transcontinental railroads. The railroads of this country did everything within their power to prevent the construction of the canal, and now, by the assistance of the majority of the Interstate and Foreign Commerce Committee, it is proposed to turn over to them the benefits of this canal after it has been constructed.

Many people of this country and perhaps many Members of this House may think that there exists to-day competition between the water and the rail transportation companies. That is a great mistake. No such conditions exist now, and no such conditions ever have existed in this country. Most of the regular steamship lines that ply up and down the Atlantic coast are absolutely controlled by the railroads. Most of the steamship lines that run up and down the Pacific coast are controlled absolutely by the railroads. Most of the steamship lines upon the Great Lakes are absolutely controlled by the railroads. Do you suppose that there is any competition between the railroads and these railroad-controlled lines of steamships? The statement of the fact answers the question conclusively to any sane man. No amount of subterfuge or evasion can conceal the truth. There never has been any real competition in this country between rail and water traffic. This is fully shown by an examination of the history of water transportation, and it is also fully shown by an examination of the interstate-commerce reports. The American people had hoped, and they had a right to hope, that the completion of the Panama Canal would mean the end of this complete monopoly of transportation, both on land and sea, by the railroads. People of this country hoped that, at least between the two coasts, we would have competition, and that at last we would have an opportunity by actual trial to see what would be the result of competition between rail and ship. Such competition will do more than all courts and commissions to regulate traffic and to produce a fair and reasonable rate for shipper and consumer. But now it is proposed, at the request of the railroads, and of the railroads alone, so far as the records show and so far as the hearings show, to forget the interests of the American people and, in violation of every principle heretofore followed by our Nation, to protect the railroads of the country by imposing a tax upon domestic traffic, which in the last analysis is the American public.

It is the first time, so far as I know, in the history of this Republic, except in time of war, that it is proposed to place a tax upon domestic commerce, and this proposal is made, not

because money is needed in the National Treasury, but to protect the greatest monopoly that exists in the Nation. The majority of the committee that made this report may think that they have deceived the American people by their arguments that the canal must be made to pay for itself, by the statement that our treaties prevent our giving free tolls, by the sophistry that a tax is not a burden upon commerce, but while they may deceive themselves and possibly may deceive the majority of this House, yet nine-tenths of the people of this country believe as I believe—they know as I know—that canal tolls are for the benefit of the transcontinental railroads, and for no one else.

All through the hearings upon page after page is found this line of argument in the form of questions submitted by those who favor the bill as reported: "Will not ships, if permitted to go through the canal free, be able to carry freight so low that the railroads can not compete with them?" The solicitude of the majority of the committee as shown by these hearings for the railroads was truly and touchingly pathetic. No one, so far as I know, has attempted to show that such competition would seriously injure the railroads. While Mr. James J. Hill, if he is correctly reported, has said, in his opinion, that such competition would not injure the railroads or seriously interfere with their business, it is my understanding that experts before the committee testified that not more than 10 per cent of the traffic carried by the railroads would be directly affected by vessels running through the canal. It can not greatly injure the railroads if we are to believe the only evidence we have upon the subject, and if we are to exercise common and ordinary judgment, but it might reduce their earnings.

This is the foundation of the objection to free tolls, if we have a free canal for coastwise trade it will take away from the railroads just that much of their power to arbitrarily fix freight rates. It will tend to destroy their absolute monopoly. It will give us an opportunity for the first time in the history of this Nation to know what is the result of real competition between freight carried by land and water.

But, suppose for the sake of the argument, that free tolls would bring a ruinous competition. Suppose that a large portion of the traffic could be carried so much more cheaply by ships than the railroads that the railroads could not compete. Would that be a public evil? Is not the public entitled to the cheapest rate obtainable? What are we building the canal for? To reduce rates as much as possible or simply to reduce them to a point where the railroads can profitably compete? When before in the history of this Nation has it been proposed to ask the assistance of Congress by way of law to protect one domestic industry from the competition of another domestic industry?

Many enlightened people of this Nation protest to-day, and always have protested, against protecting by law an American industry even against the competition of a foreign industry. The most radical protectionist has never gone so far as is now proposed by this majority report—to exercise the power of the Government to protect one American industry from another American industry.

As I have said before, I have never been one of those who have denounced what is called the "interests," but in the 10 years that I have been a Member of Congress the proposition that comes from the committee to impose tolls upon domestic traffic passing through the Panama Canal is the most indefensible and the most shameless attempt that has ever been made to turn over at the expense of the people a great public work for the benefit of the private interests.

BENEFIT OF TOLLS.

Who will be benefited by free tolls and who will be injured? Who has appeared before the committee and pointed out, or attempted to point out, that if free tolls are granted they will be injuriously affected? No one. It has been secretly circulated about the Halls of Congress that if free tolls are given some unusual calamity, like the San Francisco earthquake or the sinking of the *Titanic*, will befall somebody and somewhere. But who and where and why? This awful foreboding is so appalling that no one speaks of it except in whispers, and none has been so bold as to commit to print his thoughts upon the subject. From day to day those favoring a free canal have been assured that if we only knew the facts, that if we only understood the situation, we would see the error of our way, but none has yet had the courage to attempt to enlighten us. Two fearful things have been whispered: First, that the railroads have threatened to increase interior rates if free tolls are given; second, that free tolls will injure the jobbing trade of Chicago.

If there is anyone who believes that this is true, they should long since have given their reasons to the House and to the public, and they should do so now. As to the railroads increasing their rates, it is self-evident that this is not true. Who ever knew a case whereby one competitor lowering his rates compelled the other to increase his? It is just as true as the law of gravitation that the lowering of the water rate tends to lower the rail rate. To say that free tolls—that is to say, lower water rates—will mean higher rail rates will be as absurd as to contend that the apple Newton saw did not fall but ascended. The action of the majority of the committee all the way through the hearing distinctly showed that they did not believe that rail rates would be increased, for their actions demonstrated that they constantly saw the appalling shadow of a rate so low that it would injure the railroads if they were compelled to meet it.

Will the jobbing interests of Chicago suffer by a free canal? I doubt it. No evidence, at least, has been made public so far as I know to prove it. It is true that the head and front of the opposition to free tolls has come from the railroads and Chicago interests; and the Chicago interests, like the railroad interests, have not seen fit to take the public into their confidence and show to them how they would be injured. But suppose it would limit the Chicago field of jobbing trade. Suppose that the field of trade of New York, Boston, and Philadelphia should be extended westward. Suppose that the field of trade of New Orleans, Galveston, and other Gulf cities should be extended northward. Suppose that the field of trade of San Francisco, Portland, and Seattle should be extended eastward. Would this be any reason to keep up freight rates and place an additional burden upon 80,000,000 of people to benefit a few in the jobbing business located in Chicago?

If it be true—and I do not believe it—that Chicago, because of its location, would be injured by free tolls, then it has no more reason to complain than has any other city that is not favored by being on tidewater.

The majority of the committee attempts to show that competition through the canal will benefit only that portion of the country near deep water, while the whole country is to pay for the canal.

Mr. MICHAEL E. DRISCOLL. Will the gentleman yield?

Mr. HUMPHREY of Washington. I yield.

Mr. MICHAEL E. DRISCOLL. The gentleman said that these tolls collected at the canal would not be put into the Treasury. Where would they be put?

Mr. HUMPHREY of Washington. One dollar would be put into the Treasury and ten into the treasury of the railroads.

Mr. MICHAEL E. DRISCOLL. I am talking now about the actual tolls collected. We will take care of the railroads later on. Where will they be put?

Mr. HUMPHREY of Washington. If you put these tolls in the Treasury, you take them out of one pocket of the people and put them in another, and you simply add the cost of the transaction.

Mr. MICHAEL E. DRISCOLL. Is it not the other way? If they do not pay the tolls, money is taken out of the Treasury to operate the canal, and the people must pay from one pocket or the other, either by a tax to pay for the deficit or the people who use the canal pay it. The question we are up against is whether the people who get the special benefit directly, for the ships and the shippers, should pay that little expense or whether the people who do not get any direct benefit should pay it. That is the contention, and I wish the gentleman would discuss that—whether all the people shall pay or the people who get the benefit shall pay?

Mr. HUMPHREY of Washington. If the gentleman will give me the opportunity, I shall be pleased to do so. The majority attempts to show that the competition through the canal will benefit only that portion of the country near deep water, while the whole country has to pay for the canal.

They claim that this competition through the canal will not affect interior rates. If this be true, then why the agitation of Chicago? Her field of trade is not along the seacoast. Evidently Chicago does not believe that a free canal will affect freight rates only along the ocean edge. But suppose, for the sake of the argument, that we admit that a free canal would only lower freight rates and increase trade near deep water. If you will look at the census report you will see that 46,117,000 of the people of this country live within a hundred miles of deep water. What, then, becomes of that vast majority that we have heard so much about that lives somewhere in the far interior that has paid so much toward the construction of the canal who will be benefited by it so little? One of the members of the committee favoring the report said in the hearing that not one-third of the population of the United States would be benefited by the construction of the canal, yet considerably more than one-half of the population live within a hundred miles of deep-water transportation. You draw a line south from Chicago to the Ohio River, thence west to the Rocky Mountains, thence north to the Canadian boundary and you will have practically all of the territory of the United States where freight rates and trade

are not directly and powerfully influenced to-day by the water and rail rates between the Atlantic and the Pacific coasts by way of the Isthmus. Approximately speaking, the rates to-day from the Pacific coast to the Atlantic by way of the Isthmus, and from ports on the Atlantic as far west as Chicago, and from ports on the Gulf to the interior points and as far north as the Ohio River, are the same as direct rail rates from the Pacific to these points. In other words, it costs less to-day to send a thousand feet of lumber from Seattle to Philadelphia by way of the isthmus and from Philadelphia back westward to Indianapolis than it does to send it directly by rail from Seattle to Indianapolis. It costs less to send a ton of canned salmon from Seattle to New Orleans by way of the isthmus and from New Orleans northward approximately to the Ohio River than it does to send it directly from Seattle by rail to these points. It is cheaper to reach practically all points in Texas and Oklahoma by way of the isthmus than it is directly by rail from Seattle to these points. In some instances rail and water rates meet even much farther west.

And what I say as to Seattle applies to other Pacific coast points as far south as San Francisco. Take as an illustration the rail and water rates meet as far west as Duluth on canned salmon. On soda ash the rate from Hutchinson, Kans., to the Pacific coast is the same as the rate from New York to the Pacific coast by the Isthmus. In this case we have the water rate fixing the freight rate miles eastward from the Pacific coast.

To explain more fully I will refer to the map showing the rates on two of the chief commodities of the Pacific coast—fir lumber and canned salmon—that are shipped to the eastern portion of the United States. I will show the various rates to different points by all rail and by water and rail across the Isthmus of Panama to Atlantic and Gulf ports, and from these ports to various points in the interior. The figures marked "R" is the direct mail rate from the Pacific coast to points mentioned. The figures marked "W & R" is the rate by water and rail, by way of the Isthmus. The figures marked "R, W & L" is the rate by way of the Isthmus, then by rail to the Great Lakes, and by the Great Lakes to the point mentioned.

Now, to explain more fully what I mean, I will illustrate here on the map, because I have heard a great deal of argument to the effect that only the portion of the country along the coasts will be benefited. I am quoting from the actual statements made from the tariff rates on fir lumber and on canned salmon, the most recent I could get, which were of December of last year. You take lumber to-day from Seattle, and it will come down here to the Isthmus of Panama, be transferred on the cars, and carried 103 miles by rail across the Isthmus, come up here to Philadelphia by another boat, and be carried back west to Pittsburgh by the railroads for 49 cents a hundred, while the direct rail rate from Seattle to Pittsburgh is 68 cents a hundred.

Now, take another illustration. You take Concord, and you will find that the all-rail rate is 75 cents.

The water rate is 55 cents. Take it as far west as Cincinnati, the all-rail rate is 64 cents. The water rate is 60 cents.

Mr. MARTIN of Colorado. What is called the water rate?

Mr. HUMPHREY of Washington. The water rate is the rate by water from Seattle to the isthmus, then across the Isthmus of Tehuantepec by railroad, and from there to New York by water and back to the point mentioned in the interior by rail. That is what I mean by water route, although it is both rail and water.

Mr. MARTIN of Colorado. I wanted to know the route.

Mr. HUMPHREY of Washington. That is the route. Now, for the sake of illustration, I will take Indianapolis, between Illinois and Indiana, is about where these two rates meet; at that point the two rates are the same. Take the rate to Indianapolis as an illustration. The all-rail rate from Seattle, and when I say Seattle I mean all Pacific coast ports, for the rate is the same from all, on lumber is 63 cents, while the water rate is 61 cents.

Mr. MOORE of Pennsylvania. Does not that charge include the rate across the Isthmus of Tehuantepec?

Mr. HUMPHREY of Washington. Yes; it includes the entire cost of sending the lumber from Seattle to those points that I have mentioned.

Mr. BOWMAN. What is the Panama Railroad rate on lumber?

Mr. HUMPHREY of Washington. That I do not know. Now, you take canned salmon, which is one of the big industries of the Pacific coast, amounting to $30,000,000 last year, and you can send that product to New Orleans and up the Mississippi to St. Louis cheaper than you can ship it direct by rail. A short time ago a cargo of barley was sent from the Pacific coast across the isthmus and up to New Orleans and up to St. Louis for considerably less than the direct rail rate.

Now, as an extreme illustration of cases where you use water again, you take the canned salmon. It comes to New York by the water route and goes up to Buffalo, and there is again placed on a vessel and goes out to Duluth, and there practically meets the direct railroad rate from Seattle at that point.

Now, what becomes of your argument that only the people along the Pacific coast and the Atlantic coast and Gulf coast are benefited by the canal rates if you can to-day bring lumber and many other products down to the Isthmus and there transship them and carry them 103 miles by rail and place them again in ships and bring them to Atlantic and Gulf ports and then take them back west a thousand miles and up north a thousand miles from these ports as cheaply as you can send them direct? What becomes of the argument that only the two coasts of the country are going to be benefited by the Panama Canal?

Mr. NYE. Will the gentleman permit an interruption?

Mr. HUMPHREY of Washington. Yes.

Mr. NYE. What is the relative cost of the transshipment across the Isthmus as compared with the total cost?

Mr. HUMPHREY of Washington. I do not know. I want to call the attention of the committee to the fact that if you take this space indicated by the yellow line on the map, it approximately represents to-day the only portion of the United States where rail and water rates do not meet and where they are not directly affected; that is, for a distance of 300 or 400 miles south of Chicago, and thence west to the Rocky Mountains, and thence north to Canada.

Mr. MILLER. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Washington yield to the gentleman from Minnesota?

Mr. HUMPHREY of Washington. Yes.

Mr. MILLER. The gentleman has in detail mentioned the relatives rates on lumber. Of course, that is a commodity that can always be carried in bulk very cheaply, and a commodity which lends itself very readily to water transportation, and, therefore, the water cost of transporting a commodity of that kind is very much less than the rail cost of transporting other commodities, like grain or ore or manufactured goods. Can the gentleman give us any statistics showing the relative costs of transporting general merchandise, as we might call it, or dried fruits or cotton fabrics or woolen fabrics, if anything of that character should be desired to be transported?

Mr. HUMPHREY of Washington. No; when I started on this subject I specifically stated this was on certain freight and that on other commodities the difference is not so great. The water rates are not so much different from the rail rates on many commodities. I am now speaking particularly of the great commodities of the Pacific coast that we want to get into these markets, on the Atlantic, and the great Middle West, and those great commodities are our lumber and our canned salmon.

The other way, going back to the Pacific, the greatest purchases, perhaps, are steel and machinery that come from Pittsburgh, Cleveland, and the Middle West, all of which, after the canal is open, can reach the Pacific coast at a cheaper rate by water than they now reach it by rail.

Mr. MILLER. Take commodities manufactured in the East, to be transported to the west coast, and the same rule which the gentleman has indicated in reference to lumber would not apply.

Mr. HUMPHREY of Washington. Yes, it would; on certain commodities.

Now, I want to call the attention of the committee to this fact, that whenever you reduce these rates along the coast, interior rates must be reduced. I have heard arguments made here upon the floor of the House that if we reduce the rates to the coast the railroads will probably increase the interior rates to make up their losses; but this is the first time that I have ever heard the argument made that one competitor lowering his rates must compel the other to increase his. To show you the absurdity of that statement, suppose that we reduced the rates until the rate from New York as far east as Spokane and over into Idaho and Montana, and in all that portion of the country, is less than it is from Chicago. Chicago will either reduce her rates or New York will take that market from her. We know what Chicago will do, what she must do; she must meet the New York rate to the advantage of the buyer and seller.

Now, the argument has been made, and admitting for the sake of argument that it is true, that the east coast and the west coast will be more directly benefited by the canal, and by the remission of tolls, than will the interior, a proposition which I do not admit, except for the sake of argument. Suppose it were true. Can anyone demonstrate, for instance, that the people upon the Pacific coast are as directly benefited by the Soo Canal and by the improvement of the Great Lakes as the people

in that portion of the country nearer the Lake ports? If you are going to adopt that argument, then why should not a special rate be placed upon shipping that goes through the Soo Canal?

Can anyone demonstrate that the many millions that we have put into the Mississippi River and its tributaries—more millions than we have put into the Panama Canal, and we are still putting in other millions—can anyone demonstrate that those millions directly benefit the Pacific coast and the Atlantic coast as much as they do the Mississippi Valley? Yet the Atlantic and the Pacific coast help to pay for those improvements. If you are going upon that theory, why do you not place a charge upon the vessels that run up and down the Mississippi River? I exclude the Missouri, because, in spite of all the millions we have spent on it, there are no vessels upon it.

Mr. MARTIN of Colorado. The gentleman is getting away from a point where I would like to ask him a question.

Mr. HUMPHREY of Washington. I will yield.

Mr. MARTIN of Colorado. The gentleman has stated that the interior points will derive some of the benefits of the lower rates that will result from the Panama route. I want to ask the gentleman if he does not think that such a lowering of rates as he anticipates to coast points, and as he thinks ought to be brought about, will greatly intensify the rate struggle between coast and interior points which has resulted in the enactment of the long-and-short-haul clause of the interstate-commerce law?

Mr. HUMPHREY of Washington. I do not know that I understand the gentleman's question. I will ask him to make it as brief as he can.

Mr. MARTIN of Colorado. One of your people said yesterday that the Panama Canal would completely wipe out this age-long struggle between the coast cities and the interior points over the difference in rates against the interior points, whereas it seems to me that the inevitable result will be greatly to intensify that struggle.

Mr. HUMPHREY of Washington. If the gentleman means to ask whether or not it will intensify the struggle for the reduction of freight rates between the railroads and the ships that run through the Panama Canal, my reply to him is that that is what we want.

Mr. MARTIN of Colorado. Why are the Pacific coast cities in the Supreme Court of the United States to-day fighting the long-and-short-haul clause, fighting the decisions of the Interstate Commerce Commission in the back-haul cases, fighting Spokane and Reno and similar inland points?

Mr. HUMPHREY of Washington. I am not arguing these cases in the Supreme Court.

Mr. MARTIN of Colorado. They are doing it, are they not?

Mr. HUMPHREY of Washington. I do not know what they are doing, and whatever the fact may be about that it has no relation to the argument which I am making.

Now, I want to answer about the interior not being benefited by the reduction of rates; we know that water and rail rates by the isthmus are made now as far west as Indianapolis and as far north as St. Louis in competition with the railroads. If you lower the water rate when you go through the Panama Canal, as must be the case, then you open up this territory in the Middle West to a market they have never had before. The products from the Pacific coast will then go up into this portion of the country, into places where they have never been before; and on the other hand you take the people who manufacture in Pittsburgh and Cleveland and all that great manufacturing country, they can get their product out to the Pacific coast for less than they ever did before.

Free tolls means free competition. It means free commerce. All sections of the country will be benefited by the canal, and all sections should bear the burden of its construction and maintenance.

When you say that if you reduce the freight rates on the coast of the United States that the rates in the interior will not be reduced, you might just as well say that if you reduce the level of the water along the edges of a great lake that the interior of the lake will not be reduced. One is to dispute the law of gravitation; the other is to dispute the law of trade. So that while trade will continue between the coasts the people in the Middle West will get lower rates and new markets.

Mr. MARTIN of Colorado. I wish the gentleman would allow me to interrupt him again.

Mr. HUMPHREY of Washington. Very well.

Mr. MARTIN of Colorado. Speaking as one from the interior, I do not pretend that we will not benefit in some measure by the construction of the Panama Canal, but the gentleman and every Member present knows that for years the railroads have charged and claimed the right to charge a higher rate to interior points than to water points, and the courts of this country have permitted them so to do by nullifying the long-and-short-haul clause of the interstate-commerce law and recognizing the claim that the railroads had to make the higher rates in order to sustain the losses they met at the water points. Now, then, the gentleman, notwithstanding the great reductions that will be made in the cost of coastwise transportation through the canal, wants the little additional amount of reduction that will come from free tolls to be paid in part by the people of the interior country, who have put up with these unduly high rates all these years.

Mr. HUMPHREY of Washington. Will the gentleman from Colorado yield to me now? [Laughter.]

Mr. MARTIN of Colorado. If the gentleman will answer my proposition, I will yield gladly, and I will not ask him another question. [Laughter.]

Mr. WARBURTON. If the gentleman from Washington will pardon me, I would like to have the gentleman from Colorado suggest wherein that theory has ever been advanced in any court, as he states.

Mr. HUMPHREY of Washington. I am arguing the question presented here and not the questions in court with which I am not familiar.

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. HUMPHREY of Washington. Yes.

Mr. MOORE of Pennsylvania. Referring to the troubles of Reno and other thickly populated parts of the western country——

Mr. MARTIN of Colorado. Oh, Portland is fighting Spokane, and——

Mr. HUMPHREY of Washington. I thought the gentleman from Colorado agreed not to ask another question.

Mr. MOORE of Pennsylvania. I would like to have the House and the gentleman from Colorado know what the Boston Chamber of Commerce reported three years ago. You gentlemen from the West, whose railroads were built largely of capital coming out of the East, ought to know it. In New England to-day, according to the Boston Chamber of Commerce, presumed to be one of the best-posted commercial institutions in the country, the coal bill is $100,000,000 per annum, and the actual value of that coal at the mines is $30,000,000 per annum. The freight paid for the limited railroad facilities to get that coal into New England is the remaining $70,000,000 per annum, which means that the man who works in New England has to pay a little more freight in proportion to the facilities for getting fuel and raw material than does the man in Reno. I thank the gentleman from Washington for giving me this opportunity.

Mr. MARTIN of Colorado. It seems it makes a difference on which side a gentleman makes a speech in the time of the gentleman from Washington. [Laughter.]

Mr. MOORE of Pennsylvania. I merely wanted to show that if you have troubles in Reno, there are troubles also along the east coast, where improved canals and waterways might help us.

THE REPORT.

Mr. HUMPHREY of Washington. I desire to call attention to one of two statements made in the report. In many respects this report is the most remarkable that has been filed by a great committee since I have been a Member of this House. I refer solely to that part that is devoted to canal tolls. This portion of the report seems to have been prepared for the express purpose of trying to conceal the facts by fervid denunciation and lurid adjectives. This part of the report sounds like the harangue of a professional agitator, delivered from a soap box on the street corner. By attacking and denouncing the imaginary ships that may go through the canal, by repeating over and over again the word "subsidy," the majority attempts to conceal from the public that canal tolls means largely to hand over this great work to the railroads for their use and benefit. It may not be assumed that the committee are as ignorant of our navigation laws as this report would indicate. Again and again it is attempted to show that free tolls would be solely for the benefit of the ships that might pass through the canal. Yet after repeating this statement time and time again the committee makes this solemn assertion as if they had discovered a new and great truth:

> We found from the hearings that the coastwise ships which will pass through the canal do not need the remission of the tolls.

Who ever disputed this fact? The committee did not, however, have the courage to add what is self-evident, that free tolls would not benefit the ships in the coastwise trade which will pass through the canal. Who ever contended that it was necessary for coastwise ships to have free tolls? No shipowner ever did. No one, so far as I know, has ever so testified. No man, so far as I know, has ever been guilty of making a contention so stupid.

Surely it can not be seriously contended by full-grown men that a fact had been discovered that anyone disputed when

they said that they had found that the ships in the coastwise trade going through the canal did not need free tolls.

But when they made this statement the majority destroyed every argument that they had made against tolls, for their sole argument has been that free tolls would be a subsidy paid to coastwise ships going through the canal. So long as our coastwise laws remain unchanged it is a matter of indifference to the ships that pass through the canal whether they are charged tolls or not.

This is the testimony of every shipowner that has spoken upon the subject. This is common sense so plain that none will dispute it. This trade is reserved for American ships. If one ship pays a toll, so does the other. All ships are kept on an equality. The matter of tolls does not concern the coastwise ship in the least. It is simply added to freights, and the people pay it. When the ship adds it to the freight the railroad also adds it to the freight on every ton of similar products that they carry. Here lies the fundamental objection to canal tolls. It is not so much the remission of the tolls that go through the canal as it is a remission of a part of the freight on similar traffic carried by the railroads. Tolls are not a burden upon the ship that carries the products, but upon the consumer and the producer.

Many times in this report in sophomorical language the majority cries out that to give free tolls would be an unjust discrimination and a great injustice to 90 per cent of our coastwise vessels that now run up and down our coasts but will not use the canal. Listen how anxious and solicitous they are about the railroad-owned ships in the coastwise trade:

Ninety per cent of the coastwise ships, busy all the time in interstate business, will never approach the canal at all. Less than 10 per cent of all these coastwise ships will use the canal, making long journeys, charging correspondingly more freight and passenger rates, and making infinitely more money, yet it is selfishly demanded that those few ships—for only a few will be needed—shall be given their tolls in the interests of interstate trade, while the 90 per cent rendering service just as valuable in interstate commerce would not participate in the contribution.

If the argument of the majority be true, all the coastwise vessels are now participating in a subsidy. Every coastwise vessel receives a subsidy when it runs into one of our subsidized harbors. Why should not a coastwise ship stop and pay tolls to reimburse the Government for improving the harbors it uses? If remission of tolls is a subsidy, then every vessel that goes through the Soo Canal receives a subsidy. Why should these vessels not stop and remit to the Government the money it has expended to construct this canal? Why should this canal be free and the Panama Canal charge tolls? We have subsidized the Mississippi River and its tributaries in a greater amount than we will expend for the construction of the Panama Canal. And all these many millions have been expended for politics more than for the benefit of navigation.

If remission of tolls is a subsidy, then every vessel running on our interior rivers is receiving a subsidy. Why does not some subsidy hater, some railroad despiser, some special-privilege denouncer, some self-proclaimed protector of the people rise and exercise his privileges and his vocabulary in demanding that the Government be repaid this vast subsidy that is given to the 90 per cent of the American vessels now running in our coastwise trade and upon our lakes and rivers? Why are the majority so strenuously against a subsidy, if remission of tolls be a subsidy, for the few ships that may pass through the canal and so tenderly solicitous about giving the 90 per cent of American vessels that never will go through the canal a subsidy? Far be it from me to suggest that this pathetic cry for justice repeated time and time again in the majority report for the 90 per cent that now receive a subsidy, if remission of tolls is a subsidy, is in the least degree inspired by the fact that most of this 90 per cent that now receive a subsidy belong to the railroads of the country, and that the 10 per cent that may hereafter go through the canal may not belong to the railroads. It is always a credit to men to desire to protect the weak and defenseless, and the majority of the committee should be honored for defending the defenseless and helpless railroad-owned vessels and seeing that they are not discriminated against by private-owned vessels in this hour of their extreme peril.

Mr. MICHAEL E. DRISCOLL. Will the gentleman yield?

Mr. HUMPHREY of Washington. I have only a short time; yes.

Mr. MICHAEL E. DRISCOLL. Since the gentleman is so anxious to save American ships this little item of toll, why does not he say a word for the American ships in the foreign trade and get them a little help from the Government? Why does he not say a word for them?

Mr. HUMPHREY of Washington. I did say a good many words on the floor of the House in favor of American ships, but according to my recollection the gentleman from New York was opposed to assisting them.

Mr. MICHAEL E. DRISCOLL. No; I was not opposed to it, because they need it and the coastwise ships do not need it.

Mr. HUMPHREY of Washington. They do not need it, and are not asking for it, and they do not want it.

Mr. MICHAEL E. DRISCOLL. They were before the committee, and were asking for it like beggars.

Mr. HUMPHREY of Washington. Name one.

Mr. MICHAEL E. DRISCOLL. Dearborn.

Mr. HUMPHREY of Washington. He expressly said that he did not care for tolls.

Mr. MICHAEL E. DRISCOLL. He was there.

Mr. HUMPHREY of Washington. And I challenge the gentleman now to stand on the floor of this House and point in the hearings to a single shipowner who asks for tolls, or anybody else.

Mr. MONDELL. They did not have the nerve.

Mr. HUMPHREY of Washington. They did not have the nerve to ask for what they did not want, and they would not go there and write themselves down as being so stupid.

Mr. MICHAEL E. DRISCOLL. Then what did they appear there for—the people of California and from the gentleman's part of the country—unless they were for it?

Mr. HUMPHREY of Washington. The people from my country appeared there and asked the committee to give us some competition between the railroads and the ships that will run through the canal. [Applause.]

Mr. MICHAEL E. DRISCOLL. I will admit they said they were going to shift all of the benefit to the people, but I know they would not, any more than the railroads would. Do you suppose that they would pass over that 50 cents a ton to the common people throughout the country?

Mr. HUMPHREY of Washington. Oh, we know what it is on the Pacific coast to be at the mercy of railroads without competition, and we thought that when we dug the canal that at last we were going to get some competition, some release from the railroad monopoly.

Mr. MICHAEL E. DRISCOLL. Oh, you want the benefit of it all.

Mr. DOREMUS and Mr. MONDELL rose.

Mr. MONDELL. Mr. Chairman, will the gentleman yield now?

Mr. HUMPHREY of Washington. I can not yield to the gentleman at present. I will yield to a member of the committee.

Mr. DOREMUS. Will the gentleman permit me to ask the gentleman from New York [Mr. MICHAEL E. DRISCOLL] one question—a short question? [Laughter.]

Mr. HUMPHREY of Washington. I would, but you would get into an argument and take up my time.

Mr. DOREMUS. Oh, no; I would not. I will ask the gentleman from New York if he will vote for an amendment to this bill providing for free tolls for American vessels engaged in foreign trade?

Mr. MICHAEL E. DRISCOLL. Why, certainly; I would vote for a subsidy large enough to pay it, but not directly for free tolls.

Mr. DOREMUS. You will?

Mr. MICHAEL E. DRISCOLL. And I will vote for more than that. I have always voted for subsidies for our American vessels that were trying to get some headway, to get some foothold in foreign trade. The gentleman from California [Mr. KNOWLAND] wants to strike down the one steamship company now engaged in foreign trade—the American-Hawaiian Co. He wants to drive it out of business and give more to these coastwise companies that have a complete monopoly now.

TOLLS A BURDEN ON COMMERCE.

Mr. HUMPHREY of Washington. We are informed by the majority of the Committee on Interstate and Foreign Commerce that a reasonable toll upon domestic trade is not a burden; that a small toll upon commerce does not make any difference in the freight rates; that it will be absorbed by the carriers; and that it will make no difference to the producer or the consumer. A good deal of space is taken up by the committee trying to demonstrate the correctness of this argument. That is trying to show that two and two under certain circumstances do not make four, or, in other words, the committee would have you believe that if you can only make enough noise while you are doing it, that it is perfectly easy to perform the ancient trick of lifting yourself over the fence by your own boot straps. When you consider that the Panama Canal is owned and controlled by the Government and that no private monopoly of the canal can exist, and then say that tolls upon the coastwise traffic, however small, is not a burden upon commerce, then you say that a tax is not a burden upon the people. If the argument of the committee is true and 40 cents a ton is not a burden upon commerce, then is 50 cents a ton a burden? If 50 cents a ton will still be absorbed by the carrier and is

not a burden upon commerce, will a dollar a ton be? If not, just where does the burden begin? At just what point does the transportation company begin to shift the burden from themselves and make it show in the freight rate? Just where does the carrier shift the burden from himself to the consumer? If the argument of the majority is sound, then we should tax all our transportation companies, both by land and sea, because it would not affect the rates which would be paid entirely by the companies and not by the people. If their argument is true, then we should tax the vast tonnage of the Great Lakes that passes through the Soo Canal, because such tax would be no burden upon commerce. It would be paid entirely by the ships going through the canal. It would be no burden upon the people and it would repay the Government the millions it has spent and is still spending in constructing and operating that canal.

If the argument of the majority of the committee is correct we should at once place an enormous tonnage tax on all our oversea traffic, for it would all be absorbed by the ships that carry the trade. It would not be a burden upon the people. It would not affect freight rates, and in this instance at least we would make the foreigner pay something to the United States in return for the millions that this Government has spent in improving our rivers and harbors, mostly for the benefit of these foreign ships.

A tax, says the majority, is no burden upon the people. It is borne directly and solely by the interests upon which it is laid. This argument is radiant with hope and promise to us all, for if it is true then all the burdens of government should be borne by the great interests upon which the taxes are laid and the people pay nothing. If the argument of the majority of the committee upon this proposition is correct then anyone who possesses a dollar can soon become a millionaire by changing it often enough from one pocket to the other. It is hard to argue seriously a proposition so absurd as that a toll is not a charge upon commerce. Every charge and every toll of every kind and description upon commerce is a burden. The very statement of this proposition demonstrates the truth. Every toll laid upon traffic through the canal is an obstruction to commerce. Make this toll high enough and you as completely obstruct the Panama Canal as if you were to permanently close one of the great gates of the giant locks. And every rate, from the lowest to the complete closing of the canal, is just that much of an obstruction. It interferes to that extent with commerce. It interferes to that extent with the fullest use of the canal. In other words, it takes from those who own the canal just that much benefit. Every charge that is made on an American vessel in the coastwise trade passing through the canal, whether that charge be great or small, will eventually show itself in the freight rate and will eventually be paid by the American people. The amount of the charge will make no difference in the certainty and the sureness of the result. With a mind that deceives itself with the delusion that a tax, however small, is not a burden upon commerce and eventually borne by the people it is useless to argue. It is worse than a waste of words to attempt to convince anyone who holds such views, for such mind is beyond improvement and has absorbed more than earthly wisdom.

Mr. MONDELL. Will the gentleman yield now?

Mr. HUMPHREY of Washington. Yes; I yield now to the gentleman from Wyoming.

Mr. MONDELL. The gentleman argues that the tolls will be reflected in the rates. I have not heard any part of his argument that substantiates that. That is his statement. If that is true, would it not help also if, in addition to expending $400,000,000 for building the canal and several millions for maintaining it, we also furnish coal free to these vessels while they go through? And if we furnish them free tolls, why not give them free coal? And why should we not also pay the wages of the sailors from coast to coast?

Mr. HUMPHREY of Washington. Of course, the gentleman sees the sophistry of his argument. It is such that it does not need an answer. The question is this: Why are you going to make a different rule in regard to the Panama Canal from what you do in regard to other waterways? Why do you place the burden upon all of the people in respect to the other waterways of the country and then in the case of the Panama Canal make an exception?

Mr. MONDELL. Is the gentleman in favor of making the Panama Canal free to all traffic as all of the other waterways are free?

Mr. HUMPHREY of Washington. Why, Mr. Chairman, I am surprised at the gentleman. Does the gentleman mean to tell me that all of our waterways are free for foreign ships?

Mr. MONDELL. I never heard they were not.

Mr. HUMPHREY of Washington. I can tell the gentleman that he is very much mistaken.

Mr. MONDELL. Why are they not?

Mr. HUMPHREY of Washington. Because we make them pay for them. That is why.

Mr. MONDELL. In what way do they pay for the use of the harbor of New York?

Mr. HUMPHREY of Washington. In the way of tonnage tax, pilotage charges, and various other charges.

Mr. MONDELL. They pay exactly what the domestic ships pay.

Mr. HUMPHREY of Washington. The gentleman is again mistaken.

Mr. MONDELL. If the gentleman would not mind another question, why should an American ship between San Francisco and New York be given an advantage over an American ship between New York and Valparaiso?

Mr. HUMPHREY of Washington. Have I advocated that?

Mr. MONDELL. That is the gentleman's proposition.

Mr. HUMPHREY of Washington. The difference is simply this, if the gentleman will permit me, because the trade between this coast and the east coast is domestic traffic.

Mr. MONDELL. It is a monopoly, and you give the benefit to the American shipowners competing with all the world, and would not give the advantage——

Mr. HUMPHREY of Washington. I have never said anything of the kind. I do not believe it; I am not in favor of it. Now, the gentleman will please not put anything in my mouth I have not said.

Mr. MONDELL. The gentleman said he is in favor of giving the American ships free tolls, no matter where they go.

Mr. HUMPHREY of Washington. Certainly.

Mr. MONDELL. That is the gentleman's position?

Mr. HUMPHREY of Washington. It is. Is that plain enough?

Mr. MONDELL. I would ask the gentleman, now, to give us the reasons, which he has not suggested up to this time.

Mr. MALBY. Will the gentleman give way for a question?

Mr. HUMPHREY of Washington. I can not yield now.

Mr. MONDELL. But does the gentleman think under the terms——

Mr. HUMPHREY of Washington. I do not want to be discourteous, but I refuse to yield to anybody until I have finished.

Mr. MONDELL. Will the gentleman yield?

Mr. HUMPHREY of Washington. No; I can not.

TREATIES.

Our treaties in relation to the canal is the wall behind which the committee seeks to protect itself from public condemnation in attempting to use the canal for the use and benefit of the railroads. The majority of the committee would have you believe that we can not charge tolls without violating our solemn treaty obligation, placing deep-toned emphasis on the "solemn." Who contends that a free canal would violate our treaties? The railroad attorneys. Anyone else? Yes; some of the foreign shipping nations, our commercial rivals, after being prompted by the railroads, have made this claim. Has anyone else? If so, it has not been made public. What great legal mind appeared before the committee and gave such an opinion? What authorities have been cited? As no interest has asked for tolls except the railroads, so no one in this country has urged the treaties as an obstacle for a free canal except the railroads. Yet the committee tells us that the interest of the people imperatively demands that we charge tolls upon our own ships, and that the sacred honor of the Nation would be violated if we did not charge our own vessels the same that we charge the vessels of other nations. This eagerness to favor other nations at the expense of our own country under pretense of the treaties is so transparent as to almost challenge the good faith of the committee.

If you will take the facts surrounding the treaty and the wording of the treaty itself, it is clear that it was the intention of the makers of that treaty that the United States could do as she wished with her own ships, both in the foreign and in the domestic trade. All that the treaty means or ever was intended to mean was that the United States should treat all other nations alike. If the treaty had intended that we should charge our own vessels the same as we charge the vessels of other nations, it would have so stated in plain and unequivocal language. There is ample precedent for believing this. This is the usual language used in our treaties in relation to shipping made with other nations. Why, then, was it not used in this most important treaty? In the treaties which we have with other nations in regard to our port charges the language is:

> That no higher or other duties or charges shall be imposed in any of the ports of the United States on British vessels than those payable in the same ports by vessels of the United States.

There can be no mistaking this language. Why was it not employed in the making of our treaty with reference to the canal if we so intended? These treaties and this language was undoubtedly familiar to those who negotiated the treaty. Then, why was it not used? There could be, there is, but one reason: Because it was not intended that the United States should not use the canal, so far as our own ships were concerned, as she pleases. As the United States was to build the canal, pay for it, own it, operate it, and defend it, it was intended that the United States should use it as her own, and that is the language of the treaty. The treaty says that the United States shall "enjoy all the rights incident to such construction." What are those rights? We need not stop to give them all, but the most important of all these rights was that of using the canal for the use of her ships. If that right is not one of the "incidents to construction," for what purpose did we build the canal? The United States agreed to this and to this only: That she would treat all other nations—not as she treated herself but all other nations—"on terms of entire equality."

Mr. MONDELL. Now will the gentleman yield?

Mr. HUMPHREY of Washington. No; I can not. I will not yield until I have finished.

No one ever dreamed of placing any other construction on the treaty until the railroads, defeated in their attempt to prevent the building of the canal, raised this question to destroy the result of its construction.

The language of the treaty is as follows:

The canal shall be free and open to the vessels of commerce and of war of all nations observing these rules, on terms of entire equality, so that there shall be no discrimination against any such nation or its citizens or subjects in respect of the conditions or charges of traffic or otherwise. Such conditions and charges of traffic shall be just and equitable.

If it was intended that the vessels of the United States should pay the same as the vessels of other nations, especially in view of the fact that it was to construct and own the canal, certainly it would have so stated. The most strained construction of the wording of this section does not bear out the contention that we can not use the canal without charge so far as our own vessels are concerned. In fact, the majority of the committee convict themselves of inconsistency if not insincerity when they make this contention, for they themselves propose by this bill to admit vessels "of war" owned by this country through the canal free, and yet the treaty says "vessels of commerce and of war."

And still the committee contends that the treaty would be violated by admitting free vessels of commerce and not of war, when exactly the same provision is made in the treaty with reference to vessels of each class. They attempt in vain to explain this difference in their report, but it is an explanation that does not explain.

Mr. MARTIN of South Dakota. Will the gentleman yield?

Mr. HUMPHREY of Washington. No; I can not.

But I confess that all things are possible to any mind that can conceive that this Nation would, under any circumstances, even in the least degree consult other nations in regard to her domestic affairs, and yet the majority of the committee contends that we can not even exempt from tolls ships in the coastwise trade, a trade with which foreign nations have nothing whatever to do. I have yet to hear of any legal mind that makes such contention. Even the committee did not have the courage to rely upon the treaties for imposing tolls in the coastwise trade, but sought various other pretexts to justify them for placing this tax upon domestic commerce.

There can be no discrimination against any man in the conduct of any business in which he has no part and can not have any part. No nation can claim that it is discriminated against in a trade in which it is not engaged and in which it can not engage. This is axiomatic. So far as the coastwise trade is concerned the Supreme Court of the United States has already settled the question in the case of Olsen *v.* Smith (195 U. S., 332). The Supreme Court has squarely decided that it can not be in violation of our treaty to give free tolls in the coastwise trade. In that case the Supreme Court was construing the treaty to which I have heretofore referred, in which the language was:

That no higher or other duties or charges shall be imposed in any of the ports of the United States on British vessels than those payable in the same ports by vessels of the United States.

It will be noted that the language here is much stronger than that of the Panama Canal treaty. Yet the Supreme Court decided in that case that it was not discriminating against a British vessel for this country to charge a British vessel a tonnage tax for coming into a port where American vessels engaged in the coastwise trade were admitted free.

The language of Mr. Justice White, now Chief Justice of the United States Supreme Court, upon this subject in that case is explicit and conclusive, and is as follows:

Neither the exemption of coastwise vessels from pilotage resulting from any law of the United States nor any lawful exemption of coastwise vessels created by the State law concerns vessels in the foreign trade, and therefore any such exemptions do not operate to produce a discrimination against British vessels engaged in foreign trade and in favor of vessels of the United States in such trade. In substance the proposition but asserts that because by the law of the United States steam vessels in the coastwise trade have been exempt from pilotage regulations therefore there is no power to subject vessels in foreign trade to pilotage regulations, even although such regulations apply without discrimination to all vessels engaged in such foreign trade, whether domestic or foreign.

The majority of the committee say that this case is not in point. They could say nothing else. It is significant that they neither attempt to answer the argument nor to explain why it does not apply. The lone assertion that it is not in point has little weight and carries little conviction when no reason is given for making the assertion. That a case is not in point is the only reply that is left for a lawyer to make when he denounces a decision so plain and so clearly in point that it destroys his case. This statement on behalf of an attorney is always an admission that the case is decisive and against him. This is the answer of the majority, because it was the only one that could be made. Suppose that we had said in our treaty in relation to Panama that we would not charge other vessels "higher or other duties" than we should charge "vessels of the United States" for using the canal, that language would have been immeasurably stronger than the language of the treaty, and yet under exactly that language our coastwise trade could still go through the canal free without violating the treaty either in letter or in spirit. The coastwise trade is our own trade. It is our domestic commerce, and what we do regarding it, as Judge White points out, does not in any way concern foreign nations and does not in any way discriminate against them.

Let us be fair and not attempt to deceive either ourselves or the people in regard to this question. If you believe that tolls should be imposed so that the canal may be self-supporting, then say so. If you believe that tolls should be imposed so that the coasts shall bear more than their portion of the burden because they are more greatly benefited, then say so. If you believe that it would not be to the best interests of this country to have complete and unobstructed competition between the railroads and the ships going through the canal, then say so.

But if you expect the American people to have faith in your sincerity when you say that our treaties prevent free tolls from being given to our domestic trade, then you are doomed to find that you are greatly mistaken. No nation of the world other than the United States would for a moment entertain the suggestion that we did not have the right under existing conditions to make the canal absolutely free for any vessel, either of commerce or of war, that flies the American flag. Imagine, if you can, England or Germany or Japan building a canal, paying for it, controlling it, and then refusing to use it for their own commercial advantage and stopping to ask the other nations of the world whether they had the power to run their own ships through their own canal without paying themselves tolls. It is beyond comprehension that any one of these nations would think of placing a burden upon their own commerce. Can you imagine a member of the legislative body of one of these great commercial nations under such circumstances standing up and under the pretext of such a treaty arguing against the interests of his own country? Would he not at least leave that task for others? Nowhere except beneath the Dome of this Capitol is such spectable possible—so plainly indefensible and so astonishingly unpatriotic. No nation would have had the assurance when the treaty was being negotiated to have said to us, "You build the canal, you pay for it, you operate it, you defend it, you protect it, and then admit us to use it on exactly the same terms that you use it yourself." Such a proposition is inconceivable to any normal mind. It is little short of a national scandal that Congress now proposes to cowardly surrender the benefits of the canal. By doing this we admit to the other nations of the world that we lack either the courage or the intelligence to care for the interests of our own country.

FREE TOLLS ARE NOT A DIRECT BENEFIT TO AMERICAN SHIPS IN THE COASTWISE TRADE.

It is perfectly clear that a free canal for coastwise trade would be a benefit to commerce, but not in particular to ships that would carry that commerce. As I have before said, if tolls are imposed upon one ship they are imposed upon another, so that an exact equality is maintained between all ships that would pass through the canal. Yet, for the sake of the argument, admit that tolls on coastwise trade would be only making a private industry—that is, American ships—pay for using a public canal. Why should this be done? One of the great purposes of the canal is a military one. They tell us that it will double the efficiency of our Navy, a statement which, I think, is very far from the fact; but, if it is true, why should a single industry be compelled to bear the burden of the canal that was constructed primarily for the common defense? Would it not

be as just to select any other single industry and compel it to support the Government? Why not, then, select some other single industry and compel it to support half the expense of the Army? When the canal is completed it will be part of our coast line, which will be on the south what the Great Lakes are to-day on the north. Why charge vessels for the use of the canal on our southern border any more than we charge for the use of the canal on our northern border? Why should we charge ships for the use of the Panama Canal any more than we should charge for using the Mississippi River? We have already spent more millions in improving the Mississippi River and its tributaries than we have spent in the construction of the Panama Canal, and as the years go by we will spend more millions to continue the improvement of the great waterways of the Mississippi Valley than we will to maintain and operate the Panama Canal. Why, then, should we not charge the vessels that use these rivers, improved at Government expense, tolls if we are to charge tolls for the use of the Panama Canal? In each and all of these improvements of our rivers and harbors we were inspired by the same purpose that we were in building the Panama Canal, so far as commerce is concerned, and that was to reduce the cost of transportation.

There is a great fleet of vessels on the Great Lakes. They use a canal built and owned and operated by the Government at the cost of many millions. Why should not this great fleet of vessels, owned mostly by the railroads, pay a toll for using this canal? There is but one consistent answer that can be made to these questions, but this answer no man who favors placing a toll upon ships passing through the Panama Canal dare make, and that consistent answer, which is the real answer, is this: That the railroads of the country own or control practically all the regular lines of steamships that use all the waterways of this Nation, and thereby the railroads are enabled to fix freight rates and prevent competition. The railroads fear that they will not be able to control the Panama Canal; that they will not be able to monopolize this waterway; that there may be some real competition, so they desire to lessen this competition as much as possible by having tolls charged, and the higher it is the better it will suit the railroads. And this is the real reason why there is a demand for tolls to-day. You let it be known that the railroads of this country own and control the lines of steamships that will be operated through the canal in the coastwise trade and all objection to a free canal for domestic trade will disappear within 24 hours.

FOREIGN SHIPS IN THE COASTWISE TRADE.

Free tolls, while they would not benefit the ships that go through the canal in the coastwise trade for the reasons already stated, they would greatly benefit American shipping. Free tolls would add to the amount of commerce that would go through the canal in the coast-to-coast trade, and would thereby necessarily increase the American tonnage and the number of American ships. The greatest and most beneficial effect upon American shipping that free tolls would have would be that it would establish the policy of the Nation in relation to the toll question, and it would be a guaranty to the American people that the coast-to-coast trade would be reserved to American ships. As it now is, the American citizen wishing to buy ships does not know what the policy will be. He hesitates to place his orders in American yards because he fears that eventually he may have as his competitors either foreign ships flying foreign flags or foreign built ships running under the American flag. His fears are well founded.

Already a bill has been reported to this House giving to foreign-built ships every privilege of the canal that shall be given to American-built ships engaged in the foreign trade. Should this bill become a law and much foreign tonnage be purchased by American citizens and Congress still hesitate to give American ships in the coastwise trade free tolls, few American ships will be built for the use of the canal. And some day, not far distant, the canal will be ready for use and there will be no American ships to use it, traffic will be waiting to be transported, and immediately there will be an insistent demand that foreign-built ships be admitted to this trade. We know by experience with the Philippines that this is true. We know that Congress could not resist the demand then, and it would not long resist, in all probability, the demand that would be made for foreign-built ships through the canal. This proposition to admit foreign ships to the coastwise trade already has many advocates in Congress, both in the House and in the Senate. Herein lies the greatest menace of all in the proposition to impose canal tolls and in the delay of Congress in declaring for discrimination in favor of American ships. Most other mistakes if we made them could and would soon be remedied, but if once foreign ships are admitted to coastwise trade it would be a great national calamity that we would not soon remove. The admission of foreign ships to the coastwise trade means not only the destruction of our great shipbuilding industry by making desolate places of our shipyards, of the complete disappearance of our flag from the sea, but it would also place us completely at the mercy of foreign nations, not only in matters of commerce, but also in time of war. It would make us as helpless and as subservient to the will of other nations as China has been for the past century.

The foreign steamship combine and the transcontinental railroads of this country, the two most powerful influences and monopolies in the world, are working together toward this common end—the admission of foreign ships to the coastwise trade. Why is this true? Because they have a common interest. One desires to do the carrying and the other wishes to avoid competition.

It is a fact to-day, denied by no one, that all the foreign steamship lines of the world engaged in over-seas trade belong to rings, pools, conferences, and combines that fix rates and prevent competition. The rate that every passenger and that every pound of freight must pay to-day that goes from our ports to the other ports of the world beyond the sea is fixed in advance by agreement. In the fixing of these rates American interests are not represented and American interests are not considered. There is no competition whatever between the vessels of foreign nations engaged in the deep-sea trade.

Foreign vessels to-day completely dominate the commerce of the oceans, and they have but one rule that regulates the rates that they charge, and that is the old rule of "all the traffic will bear." These foreign steamship combines have at least a "gentlemen's" understanding with our railroads, and they always have had. This combine of foreign ships largely controls freight rates even upon the railroads in this country. All these facts are known to-day by everyone. The railroads are well aware of the fact that they would have no competition through the canal if foreign ships controlled this trade. The matter of fixing freight rates would be certain and easy. If foreign ships controlled the trade through the Panama Canal the rate would always be exactly the highest the interstate commerce would permit the transcontinental railroad to charge engaged in the same traffic. It is by no means a remote possibility that foreign nations will capture the coast-to-coast trade through the Panama Canal. This is the belief of the foreign steamship combine, and there is no better judge of the probabilities of the action of Congress than this great monopoly. No other interest in the world follows more closely the action of this body, and no other interests spend more money to influence public opinion than this same foreign steamship combination. As evidence of their belief that they will control this trade, foreign steamship lines are spending millions in the construction of ships for this purpose and in the purchase of new terminals in this country largely based upon this hope. Judging by their actions the foreign shipowner has more hope of the coastwise trade being destroyed than does the American shipowner that it will be preserved. One of the leading railroad and shipping men in America told me a few days ago that he felt absolutely certain that with the opening of the Panama Canal would come the admission of foreign ships into the coastwise trade. Under such circumstances can you expect American citizens to buy American ships in anticipation of the opening of the canal? If Congress will promptly declare for a free canal for American ships immediately our yards will be busy constructing ships for this trade, and however much that trade may prove to be, sufficient American ships will be found to carry it.

Here is an opportunity to largely restore the American flag to the sea, and it will not cost the American people a single dollar, but, on the contrary, by doing it we will save to the American consumer and the American producer countless millions.

TOLLS SHOULD NOT BE LEVIED TO PAY THE EXPENSE OF OPERATING THE CANAL.

One argument for tolls upon the canal is that it is a great public work, built at Government expense, and that the traffic passing through it should be taxed to help pay the cost of maintenance. Those who make this argument treat the canal as if it were a private proposition, built for private gain. Herein lies the foundation of their error. They forget that the canal is a public achievement, built by the public for the public benefit. When you place a toll on domestic trade you take it in the first instance from one industry—in this case shipping. This industry adds this toll to the freight, and this is again paid by the consumer, so that all that is accomplished is the cost of collecting and again disbursing what the people in any event must pay; but by this circuitous way the burden is increased instead of lessened.

A firm in my State bought a large tract of timber some distance from Puget Sound, and in order to move this timber economically to tidewater they built a railroad of several miles in length for this purpose. According to the opinion of those who claim that the Panama Canal should pay for itself this logging firm lost a large amount of money in the operation of their railroad. They showed a lack of business judgment. They should have erected a number of stations along this line and placed men in charge and have compelled traffic that went over this road to pay so much per ton in order to make the road pay for its construction and operation. At least they should have made it pay running expenses. This same firm again showed lack of business judgment because another logging company having a large tract of timber in that neighborhood was permitted to haul their logs over the railroad owned by the other firm. The firm that owned the railroad made the absurd and unexplainable mistake of charging their neighbor for the use of this railroad and at the same time did not charge themselves for using their own property.

The gentlemen who are urging canal tolls in order to benefit the people ought to go into the logging business and build a railroad, and they would soon become millionaires by charging themselves as much for using their own property as they charge their neighbors for making the same use of it. The proposition to charge canal tolls is just as absurd and lacks as much of sound economic judgment as would that of the logging firm if it had charged itself for using its own railroad which it had constructed at its own expense. If a charge must be made for using the canal, then let that charge be borne by the ships of foreign nations. Why should not these foreign ships bear the entire burden of the canal so far as its commercial advantages are concerned? Foreign nations have paid nothing for the construction of the canal. They will pay nothing for its maintenance. They will pay nothing to defend it. If war ever comes and it is necessary to protect the canal, the United States will have to bear that burden alone. Why should not American vessels go free through the canal and foreign vessels pay the expense of its maintenance. So far as has yet been shown by any expert a reasonable toll upon foreign vessels alone would pay for the operation and the maintenance of the canal. Why should any American citizen object to this being done?

WHAT THE PEOPLE EXPECTED.

It was the hope and the belief of the American people that the completion of the canal would be the commencement of building up a great commerce between the two coasts to the benefit of the entire country. It was hoped that freight rates in domestic commerce everywhere upon land and sea would be reduced. It was hoped that at last we would in one trade at least have real competition between rail and water. It was hoped that after the expenditure of many millions that the complete control of the domestic commerce of this Nation, both on land and sea, by the railroads would be broken, but if tolls are to be imposed these purposes will be largely defeated. The people will find that they have spent their money principally for the benefit of foreign nations and for the enrichment of transcontinental railways.

Remember that when by the imposition of tolls you increase the freight rates upon any commodity through the canal you at the same time in the same amount increase the freight rates upon that commodity that is carried by the railroads, or, in other words, when you increase the freight rate by canal tolls upon water-borne traffic you to the same extent increase the freight rate upon all similar traffic carried by the railroads. To illustrate, suppose the tolls imposed amount to a dollar per thousand upon lumber, then you add a dollar to the price of every thousand feet of lumber carried not only through the canal, but a dollar to the price of every thousand feet of lumber carried over land by the railroads. In other words, for every dollar you collect by placing a tax upon American ships that go through the canal and place in the National Treasury you collect a hundred dollars from the American consumer and put it into the treasury of the railroads. Suppose by canal tolls you collect a hundred thousand dollars a year upon lumber for the benefit of the United States Treasury, you at the same time enable the railroads to collect a million dollars from the American people for the benefit of themselves. We should not lose sight of this primal fact that when we increase the canal rates we increase the land rates. Suppose you increase the tolls on the Panama Canal upon canned salmon until it increases the cost of a case of salmon a dollar. You take a dollar for every case that goes through the Panama Canal and put it in the National Treasury, but you thereby permit the railroads to collect a dollar from every case of canned salmon that is shipped by the railroads and put it in their own treasury.

And all this money that goes into the National Treasury and all that goes to the railroads is paid by the consumer and the producer. So even if you admit that canal tolls are for the benefit of the people in order to get a hundred dollars for them you permit the railroads to get a thousand dollars for themselves. The railroads know that this is true. The great commercial bodies of the country know that this is true. The people of the country know that this is true. Everybody knows that this is true except the majority of the Interstate and Foreign Commerce Committee of the House of Representatives, and even they will discover it when the people have had an opportunity to reason with them.

The chairman of the committee, Mr. ADAMSON, in a speech yesterday afternoon made a sarcastic reflection upon the commercial bodies that have declared in favor of a free canal, but I notice he did not produce any resolutions passed by any commercial body of this country condemning it, and, so far as I am informed, there is but one commercial body in the United States that declared against a free canal.

I close this argument as I began. This is the case of the People *v.* The Railroads. Never since I have been a Member of Congress has there been such a transparent and indefensible attempt to legislate in behalf of any great private interest, without regard to the public welfare, as has been displayed in the bill that has been reported to the House proposing that in the use of the Panama Canal ships flying the American flag shall be taxed the same as those flying a foreign flag. Shall we have competition between the steamship lines running between the two coasts and the transcontinental railroads? Shall our commerce be increased and our freight rates lowered? Shall we have dug the canal for the benefit of the American people who have paid for it and own it and must protect it, or shall we have expended all these millions for the benefit of other nations and for the benefit of the railroads? This is the question that we must answer to the American people by our votes upon this bill. [Applause.]

I insert an article on the subject of canal tolls by Gen. H. M. Chittenden, one of the foremost engineers in the world and one of the clearest and ablest writers in the country, taken from the Forum for April, 1912. He states that it is as capable of demonstration as any principle in mathematics, that it is fallacious to place tolls upon domestic commerce. I commend to each Member of this House a careful reading of this argument:

THE CASE AGAINST PANAMA CANAL TOLLS.

(Gen. H. M. Chittenden.)

If any railroad company or other business corporation should discover that a certain policy which it was pursuing was seriously curtailing its revenues, it would alter that policy unless there were controlling reasons why it could not do so. Now, it is a fact, as capable of demonstration as any fact in mathematics, that the levying of tolls upon our coastwise trade through the Panama Canal will produce this very effect so far as the people of the United States are concerned. It will cost more than it will come to. It will be worse than the folly of taking from one pocket to put into another. It will strike at the very root of utility of the great work itself.

Why do the public not see this? Precisely because the vast majority are victims of what a great philosopher has called "the illusion of the near." We are influenced, controlled, led by what is near at hand, by what we can actually see or hear or feel. We are too indifferent or too deficient in insight to reason upon things which lie beyond our immediate vision. We see revenue pouring in in dollars and cents enough to pay expenses and yield a substantial surplus. That is a definite, tangible fact—and a satisfying one. Why look further? Why inquire whether the policy pursued is doing all the good it should do, or possibly doing more harm than good? A bird in the hand, etc.

Now, with private enterprise, conducted according to the accepted standards of business ethics, this is sound argument. A net revenue sufficient to pay substantial dividends is pretty good evidence that a business is doing what was expected of it. Collateral relations are immaterial to the case. If indirect benefits flow to outsiders, they do not enter the calculation. If injury is being done, it most likely falls on competitors and may even be an apparent source of gain. This is accepted as good doctrine in private business; but it is a capital error, though one constantly committed, to apply this doctrine to public enterprise. The two are fundamentally different. Collateral or indirect results, which in private business can not ordinarily be taken account of at all, may be and often are more important in public enterprises than the direct results. This failure to discriminate between the two cases is the greatest handicap from which public work suffers to-day. It is one thing to say that a railroad company, if it is to succeed, must have a direct revenue in excess of all expenditures; it is a very different thing—in fact, a wholly erroneous principle—to apply any such rule to a great public work like the Panama Canal.

Yet this is precisely the argument which now seems to prevail in Congress; and, what is more remarkable, finds its inspiration in the Canal Zone itself. "Make the canal support itself and ultimately pay off its cost." Well and good so far. But—"Do this by means of tolls upon commerce passing through the canal." Absolutely fallacious and, in greater or less degree, according to the amount of the toll, destructive of the very ends for which the canal is being built. This remark is here applied specifically to the coastwise trade of the United States. The application of the principle to foreign commerce will be considered further on.

We said that this proposition as applied to Panama was as capable of demonstration as any principle in mathematics. This is true, even without taking account of certain indirect benefits which are themselves sufficient to justify the canal project, but which can never be made a definite source of revenue. Let us, however, refer to them in passing.

It is estimated by the Secretary of War that the effect of the canal in increasing the value of the Navy as defender of two coasts is nearly equivalent to an equal expenditure on the Navy itself if there were no canal. This may be a high estimate, but its value in this respect is certainly equivalent to an outlay on the Navy of not less than $200,000,000.

But the supreme and far-reaching influence of the canal will be upon the development of the country. There is no dissenting voice to the proposition that its beneficial influence will be felt in all sections, though, of course, more directly on the Pacific slope than elsewhere. A great barrier to the free movement of the world's commerce will have been removed. The rivers and canals of the East and the railroads leading in from the coasts will cooperate with the great water route to bring all sections of our broad land closer together and closer to our sister nations. Commodities which now find only limited markets because of the handicap of high freight rates will come into greater use. Immigration will pour into the Pacific States, that kind of immigration that is wanted, and the development of the whole country will be accelerated. No one can doubt this. We can not measure the magnitude of this movement in definite figures, but it will be the most important result of all growing out of the construction of the canal.

If the late Mr. Harriman had built the canal (as it is said that he intended to do if the Government did not) and had financed it in the usual way, he could not, of course, have given much weight to these indirect benefits. They would have been of no use in paying dividends. He could have looked no further than the ships actually passing through the canal, and upon every one of these, regardless of nationality or character of commerce, he would have levied tribute. But how different is the situation with the Government. Is it not altogether probable that, if it were never to collect a cent of revenue from the commerce passing through the canal, the indirect benefits resulting from that work would still justify the immense cost? In any event, is it not a logical absurdity to maintain that the only way in which the Government can be recouped for this outlay is by laying tolls upon commerce passing through the canal?

However, let us leave these matters out of consideration and take only the actual commerce passing through the canal, and let us consider the problem of making this commerce pay the cost and maintenance of that work. We purpose to demonstrate that the true solution of this problem lies in making the canal absolutely toll free, so far as our coastwise trade is concerned, and to this end we shall consider first the toll itself, and secondly its effect in restricting the volume of traffic through the canal.

There are two ways in which the cost of the canal can be met—one from the General Treasury and the other, in part at least, by tolls. In either case the burden falls ultimately upon the consumer of the luxuries or necessities of life. In the one case a large percentage comes from luxuries pure and simple (as distinguished from necessities); in the other it comes almost entirely from necessities—coal, lumber, grain, fruit, building material, and the manifold commodities whose price will be affected by the tribute exacted at Panama. There is no escape from this fact. The canal cost must in any event be paid by indirect taxation, and the fact that in one case it finds direct expression in the form of tolls collected does not alter the truth. Do not be victimized by the "illusion of the near." Do not imagine for a moment that by paying the cost of the canal from tolls collected you are lifting so much as one cent of the burden from the shoulders of the people. On the other hand, the most superficial analysis will show that a toll will impose that burden where it can least easily be borne. At the very best it is no better than taking from one pocket to put into another.

Consider, now, the effect of tolls upon the utility of the canal itself. In its commercial relations the purpose of the canal is to remove a great barrier to the movement of the world's trade. Manifestly the maximum value of the canal will come from the widest possible actual use made of it. Anything which restricts that use will limit the value of the work itself. Now, the direct effect of a toll is to restrict such use. It is perfectly conceivable that the toll might be so high as to form a barrier as effective as Culebra Hill itself. On the other hand, it is certain that with no toll the actual tonnage of traffic (or the true usefulness of the canal) will be at a maximum. Where between those two extremes the utility of the canal shall fall will depend upon the rate of toll imposed. The fact that the toll may be small does not alter the principle. A dollar a ton will keep millions of tons annually away from the canal and either prevent its transport altogether or throw it back on the railroads. In either case the public will suffer a direct loss. The canal is a conserver of energy. It enables results to be accomplished at less cost than without it. It is really a productive agent of immense force. Whatever restricts its use increases the cost of production and imposes a corresponding burden upon the people.

This same consideration is the foundation of the free public highway system in most civilized countries. The highway toll has given way to the logic of facts. Whatever is saved in public taxation through tolls on such traffic is more than lost in increased prices and restrictions of use. If it were possible to deduce from current experience any general rule of practice, it would seem to be that routes of traffic—whether purely artificial, like highways and canals, or partly artificial, like improved natural channels—are generally held free to public use where the user owns and operates the means of locomotion, but are generally subject to a toll where the public owns and operates the plant, as in the case of public ferries or railroads. But there is, of course, no absolute rule. The one thing that experience has demonstrated beyond peradventure is that a tribute laid on the use of the highway itself, whether land or water, costs more than it comes to.

It is scarcely necessary to add that it is this principle which underlies the policy of absolute freedom of traffic on all the river and harbor works of the United States. That policy, which is the growth of long experience, was formulated into legislation in the act of Congress of July 5, 1884, as follows: "No tolls or operating charges whatsoever shall be levied or collected upon any vessel or vessels, dredges, or other passing water craft through any canal or other work for the improvement of navigation belonging to the United States." This enactment was not paternalism. It did not originate from any desire to dole out charity to the people. It was based upon the practical consideration that all money gained in tolls would be lost somewhere else, and that much more would be lost through inevitable restriction upon the use of such works. The policy has proved as beneficent as it is wise. Take, for example, the great Sault Canal—greatest of all canals in the volume of commerce carried. The traffic which passes that canal enters the economic life of every citizen of the Republic. To impose tolls upon it would yield a direct revenue to the Government, it is true, but it would take far more from the people. Such a policy would result in loss, not gain.

We may now restate our two fundamental propositions on this Panama toll question: First, that tolls will not relieve the people of the burden of paying for the canal, but will place that burden where it can be least easily borne; second, that tolls will restrict the use actually made of the canal and will thus deprive the public of a portion of the legitimate fruitage of their sacrifice. In both cases the public will get the worst of it. So far as our coastwise trade is concerned, we should treat the Panama Canal exactly as we do the Sault Canal. There is absolutely no difference in principle.

Pacific-coast sentiment, in close touch with which this article has been prepared, is a unit that our coastwise trade be given free passage through the canal. To the people of this coast the canal holds out a hope which it would be difficult to overestimate. It means to a large degree the abolition of the barriers of mountain and river and vast distances which separate them from the rest of the world, and a nearer approach to those sources of supply and of population upon which the development of their country for a generation to come must largely depend. To see the fruition of their hopes so close only to be robbed of it by the erection of an artificial barrier in place of the natural one now almost removed would be to spread a black cloud of disappointment and resentment over this entire region.

To the Atlantic coast the question is of scarcely less importance. In its search for world markets the East will find nowhere else on the globe a better than on the Pacific coast. For there is an empire-building people sprung from its own loins—a people who do more work that counts, who will buy more per capita and produce more to sell in return, than an equal number of any foreign nation. It is the market best of all worth saving, best worth fostering. Here surely is a public question in the settlement of which the East and West should stand shoulder to shoulder on common ground.

The railroads may be consistent in their opposition on the ground of self-defense, but they are certainly shortsighted, if not entirely mistaken. Taking the railroads of the country as a whole, it is a question if the increased revenue due to local haul to and from the coasts will not more than overbalance the loss to the interior haul across the country. Whether this is so or not, the increased development of the country under the impetus of the canal, if left to its full and legitimate effects, will certainly more than make up any loss. The railroads should rise to a patriotic view of this question, laying aside their narrow traditional self-interest, and join hands with the rest of the country in securing to the people the utmost good of which the Panama Canal will be capable. It is no angry threat, but simply a candid warning that a contrary policy will exasperate public sentiment, rearouse suspicions of the past now happily somewhat allayed, lead to the renewal of antirailroad legislation, and hasten the day of Government ownership.

Let us now consider the question of foreign commerce. Do not the principles above laid down apply with equal force to that also? Unquestionably. But there is this countervailing fact, that foreign nations have borne no part of the cost of the canal, and ought therefore, in common equity, to pay something for the privilege of using it. There is no difference of opinion as to the justice of a reasonable charge for this privilege. This fact, however, does not relieve traffic of the evil effects of the toll system, which will certainly restrict the use of the canal, and thus diminish its value to the world at large. Is there any practical way to overcome this difficulty and at the same time compel the foreign user of the canal to bear his proper share of its cost?

The practice already followed by certain governments of rebating tolls on the Suez Canal is one method that suggests itself and one which would accomplish the purpose if generally applied. But if not generally applied it would produce all the evil effects of a discriminating tariff and would be far from realizing ideal freedom in the use of the canal. Moreover, it would not relieve the canal authorities or passing ships of the delay, annoyance, and expense of toll collections.

It has been suggested as an effective solution of the problem that an international convention be entered into whereby the canal should be made free to the world's commerce, each nation paying the United States yearly from its own treasury a sum proportionate to the commerce passing the canal under its own flag, the charge to be based upon the actual cost of maintenance and operation and such a percentage of the cost of construction as would pay off the debt within a specified period. This would be a strict interpretation of the principle of free use of river and harbor works as applied in the United States.

The problem is one which may well engage the attention of the world's best minds. The great principle to be kept constantly in view is that tolls mean restriction of use, and the restriction of use means less than the highest result. Some way should be found for making Panama and Suez as free to the world's commerce as if nature herself had excavated the channels, as free as are the Straits of Gibraltar or Magellan.

Mr. CALDER. Mr. Chairman, the great problem that is occupying the attention of the business world is the question of transportation. This Government in the creation of the Interstate Commerce Commission sought to regulate transportation over railroads, and in subsequent legislation amendatory of the interstate-commerce act has increased the powers of the Interstate Commerce Commission to an extent not dreamed of by the authors of the original act, so that to-day the commission has power not only to pass upon the question of rebates, practices, and regulations of all descriptions, but also passes upon the sufficiency of rates, and has the right under the law to fix same. As a result of this legislation we have done away with unfair methods and have prohibited a condition of affairs whereby one shipper could be favored over another, thus placing every shipping concern and every railroad in the United States on an equal footing with the other. All of this has been of the greatest benefit to the railroads. It has stopped the giving of free transportation; it has stopped ruinous competition, and to-day no honestly conducted railroad would agree for a moment that they would favor its repeal.

In the consideration of section 5 of the Panama bill we are dealing with a subject of as great importance to the shipping interests of the country as Congress did in the consideration of the interstate-commerce law and in the amendments thereto. In the effort to encourage traffic through the canal we are establishing a competitor with the railroads in which every part of the United States is vitally interested. I represent on

this floor a district in the city of New York. As a result of the opening of the Panama Canal that city will become within a short period easily the greatest commercial center in the world. The granting of free tolls to the ships in the coastwise trade will unquestionably add some to the commercial importance of that city, but it is of small moment compared to its effect upon the agricultural and manufacturing business of the entire country. It has been well said in the minority report:

The tolls imposed at the canal will be added to the freight paid by the American people who consume the commodities. We hold this proposition to be fundamental; and viewed in this light, free tolls to our coastwise trade would not be a subsidy to shipowners, but a concession to the American people.

Every ton of merchandise carried through the canal is that much merchandise taken from the transcontinental railroads, thereby compelling the transcontinental roads to compete with the canal. The effect of this, it seems plain to me, would be to compel the transcontinental roads to meet the competition of the canal, thereby lessening freight rates between points within the country. The impression seems to prevail that the only people to be benefited by the free tolls in the coastwise trade are at points on the Atlantic and Pacific coasts. Careful consideration of the proposition will convince everybody, I am sure, that any reduction in freight rates forced by sea competition between New York and San Francisco is contemporaneously applied between Chicago and St. Paul, Kansas City and St. Louis, and, in fact, every city of the Middle West on the one hand and the Pacific coast cities and towns on the other. The selfish interests of the railroads serving the Middle West is the strongest possible guaranty of the perpetuity of this already established rate-making system. If, by reason of free tolls to vessels in the coastwise trade, freight rates between New York and Seattle would be less than if tolls were charged, they will by the same measure be less between St. Paul and Chicago, Omaha and St. Louis, and Kansas City on the one hand and Seattle and Portland, San Francisco and Los Angeles on the other. In all of the hearings before the Committee on Interstate and Foreign Commerce on the subject of free tolls no one appeared in advocacy of American ships engaged in the coastwise trade paying tolls.

THE RIGHT OF CONGRESS TO GRANT FREE TOLLS TO AMERICAN SHIPS IN THE COASTWISE TRADE.

Coastwise trade is, and was at the time of the negotiations of the Hay-Pauncefote treaty, restricted by law to transportation exclusively in American ships, and ships of all other nations were and are prohibited from engaging therein; therefore it appears that coastwise commerce in the very nature of things can not be affected by the terms of the treaty which relates to tolls. That provision reads as follows:

The canal shall be free and open to vessels of commerce and war of all nations observing these rules on terms of entire equality, so that there shall be no discrimination against any such nation or its citizens or subjects in respect to the conditions and charges of traffic or otherwise. Such conditions and charges of traffic shall be just and equitable.

It seems clear that the general statement in this clause regarding "terms of equality" is defined and limited by what follows, and therefore it becomes the attitude of the United States only to so adjust the question of tolls—

that there shall be no discrimination against any such nation or its citizens or subjects in respect to the conditions and charges of traffic or otherwise.

In this phase the question of the application of tolls relates to four classes of commerce:

First. Commerce between nations other than the United States passing through the Panama Canal.

To this class the full force of the treaty provision applies, and tolls must be so adjusted that vessels of all nations observing the rules of neutrality shall enjoy the free and open use of the canal on terms of equality; that is, with equality of tolls.

Second. Commerce between the United States and foreign countries passing through the canal in foreign ships.

It seems clear that the United States is under the same treaty obligations as to tolls because the commerce carried is the foreign commerce of the United States, and more particularly because the vessel is owned by a foreign country.

Third. Commerce between the United States and foreign countries passing through the canal in ships of the United States.

There is a difference of opinion concerning the obligations arising from the treaty in reference to this class of commerce, and there is well-grounded opinion among many people that it should also go through the canal without paying tolls, many holding that the clause referred to in the treaty might easily be construed to permit, not to forbid, this. The minority of the Committee on Interstate and Foreign Commerce have not discussed this phase of the subject in their report, and I believe it is an open question.

Fourth. Commerce between parts of the United States which under the long-standing law must be confined to transportation in vessels of the United States.

This constitutes a kind of commerce in which no ships of any foreign nation are permitted to engage and, therefore, whatever the Government should do in reference to tolls thereof in the Panama Canal could not in the very nature of the case constitute any "discrimination against any such nation or its citizens or subjects in respect to the conditions or charges of traffic or otherwise," as stated in the treaty. Hence, so far as the treaty obligations are concerned, the United States is morally and legally entitled to make such provisions concerning tolls on coastwise commerce passing through the canal as it may desire, including exemptions from all tolls if thought wise. Under these conditions coastwise commerce is strictly a part of our internal domestic commerce, any regulations concerning which can not constitute discrimination against other nations or other subjects.

Many eminent legal authorties agree that the provisions of the treaty do not relate to our coastwise commerce and, therefore, it may be exempted from tolls. I am informed that the Secretary of War, Mr. Stimson, goes further even, stating that as a legal proposition he has no doubt whatever that the Hay-Pauncefote treaty gives full liberty of action to the United States and would permit us to do whatever we pleased in relation to either our ocean or coastwise trade. Having this freedom of action, as I believe, the question passes from one of treaty obligation to one of commercial expediency and propriety.

DOMESTIC COMMERCE SHOULD BE FREE.

The policy of the Federal Government relative to the freedom of commerce, as declared by act of Congress, adopted in 1884, and still in effect, which reads:

No tolls or operating charges shall be levied upon or collected from any vessel, dredge, or other water craft for passing through any lock, canal, canalized river, or other work for the use of and benefit of navigation now belonging to the United States and that may hereafter be acquired or constructed.

The United States has expended on waterway development of various kinds $693,914,237.08 up to 1911. This enormous expenditure has been made under the policy stated before at the general expense of the whole country, although the direct benefit in most instances has accrued to the particular locality in which each individual project was located. In spite of this fact, however, no section advocates or would permit a change in this general policy.

Commercially the Panama Canal will directly benefit a greater portion of the country than any other waterway improvement ever undertaken. All the coast, all sections tributary thereto of inland waterways which have their ultimate outlet in the ocean or Gulf, together with the vast area served thereby, are directly benefited. If freedom from tolls on commerce is guaranteed in the waterways of lesser general benefit, how much more just it is that the same freedom for commerce passing through this work of greater general benefit should be provided for. Incident to the opening of the canal, in response to the impending economic and military needs of the whole Nation, comes the question of the terms upon which commerce, other than our coastwise commerce, may be accorded the privilege of using that waterway. By all other nations the canal can not be considered simply as an artery of transportation, and to them the peculiar economic and military benefits referred to above can not accrue. Therefore it is but just that those people of other nations who actually use the canal as such an artery of transportation should pay a larger toll for the actual service rendered, levied upon the actual ships passing through.

In cases, however, of our own coastwise commerce, it appears to me on the broad national grounds above mentioned that no tolls whatsoever should be levied upon our ships engaged therein. In my opinion, the fact that this particular improvement, made across the Isthmus of Panama and not in the territorial confines of the original United States, should make no difference. The Canal Zone is part of our territory and subject to our use and jurisdiction. It seems to me that the same policy should apply to that waterway as applied to those constructed or improved in any of the thirteen original States or in the territory subsequently acquired. While freedom from tolls on coastwise commerce is a direct benefit to a very large proportion of the territory of the United States, such freedom is in direct harmony with a general waterway policy as declared by Congress, and should therefore become the fixed policy in the case of the Panama Canal.

THE EFFECT OF FREE TOLLS ON AMERICAN SHIPPING.

The idea that free tolls should be established solely for the benefit of American shipping and the suggestion that if this

policy was carried out the only beneficiary would be the shipping interests is, in my judgment, erroneous and entirely misleading. The primary object of free tolls is to cheapen the cost to the people on the Pacific coast of the productions of the people of the Middle West, the East, and Atlantic coast of the United States through the reduction in transportation charges that such exemption from tolls will effect, and vice versa, that it will cheapen the cost to the people in the Middle West, the East, and the Atlantic coast parts of the United States of the products of the Pacific Coast States that the reduction in transportation rates that the exemption of vessels in our coastwise trade would effect. The benefit to such American vessels is merely incidental to the much larger objective—the benefit to the people of the United States as a whole, in giving them a larger market in the one case for their products and in the increase of consumption inevitable in the reduction of the cost of such products. It is true that we give a monopoly of our home trade to American ships, built by American workmen, of material taken from American mines and American workshops, and manned by American seamen, paid American wages, and treated like human beings; and it is also true that the United States Government has given to the railroads of the United States in the way of land grants over 157,000,000 acres of public lands and to the trans-Pacific road companies alone over 58,000,000 acres of land, which is equal in area to all of New England and New York State combined. It is hardly a seemly thing for the railroads, either secretly or openly, to oppose the granting of this benefit to vessels using the canal, considering the vast contributions to them in the way of guaranteeing their bonds and the granting of untold millions in the way of land by the United States to aid in the construction of their roads. It will be quite impossible for the vessels enjoying the use of the Panama Canal free to ever be relieved from a sum the total of which would approximate the interest upon the amount of these donations to the transcontinental railroads.

The trifling proportion of continental traffic that would be transferred from the railroads to ships passing through the canal would be much more than offset—very much more than offset—by the increased business that the railroads would enjoy in moving the products of the country to the seaboard, in shipment from one coast to the other, and in moving the products so carried by ships from the seaboard to the interior of the country. The great point is that reduced transportation charges not only attract commerce but they create commerce. As to the incidental benefit to American vessels that would follow their exemption from tolls, this would consist entirely in the increased traffic that would use the canal in the coast trade; that is to say, if tolls are imposed upon vessels in the coast-to-coast trade, there will doubtless be a substantial tonnage carried by such vessels. Then the increase due to exemption from tolls would measure the benefits that American vessels could enjoy therefrom, and it would not by any means measure the amount of the exemption in the matter of rates that vessels would enjoy. The statement that if the vessels were exempted from tolls the total benefits would go into the pockets of the vessel owners and not the producers or the consumers of the merchandise thus carried is entirely erroneous. Of course, if freight rates were pooled or their amount fixed by agreement between the carriers—a thing not to be thought of in view of the safeguards with which Congress seemed determined to surround the merchandise thus carried—then such a condition might follow. If the railroads are to be permitted to freely use the canal in the coast trade with their own vessels, and pursue the tactics for which they have been notorious in effacing competition, such a condition might obtain. But there seems to be small chance of the railroads being permitted to exert any such baneful influence upon traffic. The ships that use the canal will be in active competition with each other, and the rates they will charge will be based upon any sum of reasonable profit to them; the competition between them will render any excessive charges quite impracticable. Considering that we have ceased to build ships for foreign trade because our Government has been unwilling to extend the protective system to vessels in foreign trade, thus denying them the right they should enjoy in common with all producers of goods in the United States that are subject to foreign competition, our domestic trade alone now affords opportunity for the retention and preservation of our maritime rank.

The opening up of the Panama Canal affords a signal opportunity for a substantial increase in American shipping, for increase in the type of seagoing ships that would be most useful to the Nation in time of need. In contemplation of the increased trade in the canal, a number of new vessels have been ordered constructed. The American-Hawaiian Steamship Co. are having constructed three great vessels, the Pacific Mail Steamship Co. are contemplating the building of three more; in fact, only yesterday I was informed that all the shipyards of the east coast are fast filling up with orders for new vessels in expectation of a largely increased trade immediately on the opening of the canal. To the extent, therefore, that the United States facilitates freedom of trade and the increase of trade through cheap rates of transportation between the coasts, to that extent it increases the demand for seagoing vessels of the United States and brings to its support a reserve marine that may yet prove invaluable to the Nation. This I regard as a consideration of the greatest importance, and I venture to hope that in the consideration of this legislation the House will appreciate the importance of this phase of the question.

THE ATTITUDE OF THE STATE OF NEW YORK ON THE MATTER OF FREE TOLLS.

The advanced and enlightened position that the State of New York has taken in the matter of water transportation facilities and the generation that has passed since our canals were free from tolls—by a majority of 322,000 in 1882—through an amendment to the State's constitution, should receive the most careful consideration of Congress, and especially from every Member from the State of New York and the Middle and Northwestern States. Since we freed our canals from tolls their ordinary repair and maintenance has averaged a cost of over a million dollars a year. In addition to small sums for lock enlargement and duplication, there have been appropriated the following sums for the enlargement of our canals since they were freed from tolls: In 1895, $9,000,000; in 1903, $101,000,000; and in 1909, $7,000,000, making a total of $117,000,000 for enlargement, plus $30,000,000 for ordinary repair and maintenance, a grand total of $147,000,000 the State of New York has expended and is expending upon the canals that the people 30 years ago, by a majority of 322,000, declared to be free of tolls.

If the single State of New York can afford to expend $147,000,000 in the enlargement and maintenance of its canals in 30 years, free of all tolls or charges to vessels or freight carried over it, can not the United States afford to exempt vessels in at least the coast-to-coast trade from tolls in using the Panama Canal? The population and wealth of the State of New York form not over one-twelfth of the entire United States—population, one-tenth, and wealth about one-twelfth—so that if the United States should free the Panama Canal from any tolls on any vessels using it, the total cost of the canal's construction, together with all the money the United States has expended upon river and harbor improvements, would not approximate a sum proportionately as large as the State of New York has expended. Is the position of the State of New York as a result of this enlightened policy suggestive that these vast expenditures for its toll-free canals has been to the injury of the State or any of its inhabitants? On the contrary, the State of New York has achieved the position it now occupies as the Empire State of the Union chiefly as a result of its advanced and enlightened policy of improving and enlarging the canals and freeing them from all tolls. The people of the entire State gladly bear the entire burden of these charges, as likewise they will willingly bear their full share of the cost of maintaining the Panama Canal for the benefits that accrue to the people as a whole. This is a wise policy. It is the policy of the State of New York as adhered to for nearly a century in building and maintaining its canals, and for 30 years of improving and maintaining them free of all tolls. Bear in mind that the improved canals of that State will accommodate boats of 1,000 tons and over, an accomplishment that is expected by a great majority of the people of the State of New York will greatly redound to the benefit of all its people and clearly to those of the Middle and Northwestern States.

The reduction in transportation charges that it is expected will be effected through our improved canals will far more than repay the people of the State for the sums they expend upon their enlargement and maintenance free of all tolls. In the election of 1911 the people of my State agreed to bond themselves in the sum of $19,800,000 for the construction of canal terminals—depots for the handling and temporary care of freight carried on its canals. New York is the first State in the Union to take so advanced a position as to construct freight terminals for water-borne traffic, and this is all a part with the enlightenment of its people and their appreciation of the estimable advantages of cheap transportation. In all of the discussion of free canals and enlarging canals the benefit to canal boats and barges have kept their relative secondary or incidental position; the direct benefit to the vessels has never been a claim advanced for any of the work undertaken. Why, then, should benefit to vessels using the canal be given such prominence and the benefits to the people through reduced freight

charges and greater consuming ability as a consequence almost be lost sight of?

Mr. Chairman, I will submit as an appendix to my remarks the following resolutions adopted by the great commercial bodies of the State of New York favorable to the views of the minority on the question of free tolls through the Panama Canal for American vessels engaged in the coastwise trade:

Resolutions adopted by the Merchants' Association of New York, March 5, 1912:

"Whereas the United States, by act of Congress passed in 1884, made the following declaration of policy regarding tolls or charges relative to waterways acquired or constructed by the Federal Government: 'No tolls or operating charges shall be levied upon or collected from any vessel, dredge, or other water craft for passing through any lock, canal, canalized river, or other work for the use of and benefit of navigation now belonging to the United States, or that may be hereafter acquired or constructed'; and

"Whereas, under that policy, which is still in operation, the United States has expended on local waterway developments nearly $700,000,000 at the general expense of the whole country; and

"Whereas the Federal Government, in addition to its vast expenditures of public funds upon internal and seacoast waterways, for the use and benefit of all sections and of all the people, free from imposition of tolls or charges for the use thereof, has also made vast grants of public lands of incalculable present value to the transcontinental railways to promote their construction and the interests of the whole country, especially of the sections which they directly serve; and

"Whereas the Panama Canal is constructed primarily because of the military and economic necessities of the entire United States, and when completed will be of direct commercial benefit to a larger area of the country than any other waterway ever constructed or improved by the Federal Government; and

"Whereas the extension of the general policy of freedom from tolls to the domestic coastwise commerce of the United States passing through the Panama Canal can not create a discrimination against any other nation or its citizens or subjects in respect to the conditions or charges of traffic or otherwise because of the fact that no such nation has been or now is permitted by law to engage in such coastwise commerce, which law was in operation and contemplation at the time of the negotiation and ratification of the Hay-Pauncefote treaty; and

"Whereas the provision of the Hay-Pauncefote treaty appears to relate to the avoidance of discriminations between the nations and therefore does not pertain to our domestic coastwise trade, in the treatment of which there can be no such discrimination as prohibited in said treaty: Now therefore be it

"*Resolved*, That the report of the special committee on tolls on coastwise commerce passing through the Panama Canal, dated February 26, 1912, be, and hereby is, approved; and be it further

"*Resolved*, That the Merchants' Association of New York opposes the proposition of imposing any tolls whatsoever upon the domestic coastwise commerce of the United States passing through the Panama Canal, unless it be determined, by competent authority, that the imposing of such tolls is required in fulfillment of our treaty obligations."

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Resolutions adopted by the Chamber of Commerce of the State of New York, March 7, 1912:

"*Resolved*, That the Chamber of Commerce of the State of New York earnestly urges the President of the United States and the Congress, while honorably carrying out all existing treaties or obligations entered into with foreign countries, to arrange the tolls on the Panama Canal so as to carefully protect American interests, and bring about the upbuilding of our merchant marine; and that we advocate, as a measure to this end, that the rates of toll on vessels engaged in the coastal trade shall be not over one-third the rates charged on vessels engaged in deep-sea business, or free if necessary to accomplish purposes desired.

"*Resolved*, That copies of this resolution be forwarded to the President, the Secretary of War, the Secretary of the Navy, and to all Members of the United States Senate and the House of Representatives."

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Resolutions adopted by the Maritime Association of the Port of New York, July 12, 1911:

"Whereas, from present indications, the Panama Canal will be ready for use by merchant shipping in about two years' time; and

"Whereas it is necessary that those contemplating the operation of vessels through the canal should be informed at the earliest possible moment regarding the regulations that will govern said operation, so that sufficient time will be given to conform with every requirement: Therefore be it

"*Resolved*, That Congress be strongly urged to enact at this session such legislation as will enable the President to fix the tolls to be charged for the use of the canal, it being the consensus of opinion of this committee that in the fixing of said tolls American vessels should be exempted from all charges."

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Resolutions adopted by the New York Board of Trade and Transportation, December 13, 1911:

"Whereas the Panama Canal is being constructed by the United States Government, and the people of the United States are paying the whole cost thereof, and will be obliged to pay the cost of maintenance and repairs, whether the revenues are adequate or not; and

"Whereas the people of the United States have entered upon this great work chiefly for the benefit that it will be to our own commerce; and

"Whereas the construction of the Panama Canal by the United States will not give to the American people the full measure of benefits they are entitled to if our commerce is compelled to pay the same tolls that other peoples are required to pay: Therefore

"*Resolved*, That, having expended so large a sum in constructing the Panama Canal, the people of the United States are entitled to receive the fullest possible advantages therefrom; that other nations should be permitted to use the canal upon reasonable terms alike to all; that American vessels in the foreign trade should pay the same tolls as vessels of other nations, unless existing treaties would permit such American vessels to pass free; that the commerce of the United States passing between United States ports should be allowed free passage through the Panama Canal in all ships of American registry and should be regarded and regulated as coastwise commerce of the United States.

"*Resolved*, That we petition the Government and Congress of the United States to give the most serious consideration to the enactment of laws declaring commerce between American ports, passing through the Panama Canal, as coastwise commerce of the United States and free of tolls, and, if treaty provisions or commercial conventions which have provisions for termination by notice from either party, will permit to also consider the making of the Panama Canal free to all vessels of American registry."

Mr. ESCH. Mr. Chairman, I ask unanimous consent to extend and revise my remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin? [After a pause.] The Chair hears none.

FREE TOLLS IN COASTWISE TRADE ARE IMPOSSIBLE. SUCH A POLICY WOULD VIOLATE OUR SOLEMN TREATY OBLIGATIONS AND PLEDGES, IMPERIL OUR VAST INTERNATIONAL INTERESTS, INTRODUCE COMPLICATIONS IN FOREIGN AND DOMESTIC AFFAIRS LIKELY TO BE SERIOUS, EVADE JUST PROPORTION OF HEAVY PUBLIC BURDENS BY THOSE RECEIVING THE GREATEST BENEFITS AND BEST ABLE TO BEAR THEM, AND UNFAIRLY FAVOR PRIVATE AND SECTIONAL DEMANDS AS AGAINST THE BROAD NATIONAL INTERESTS AND WELFARE.

Mr. STEVENS of Minnesota. Mr. Chairman, my discussion will be confined to section 5 of the bill, which relates to the tolls and charges for vessels in their passage through the canal.

It was the judgment of the majority of the Committee on Interstate and Foreign Commerce that the section as reported, providing that all vessels should be treated alike and on the same basis, was necessary and for the best advantage of the people and the Government of the United States and for the welfare of the canal itself.

REASONS AGAINST FREE TOLLS.

Substantially, the reasons for this action are as follows:

First. Because the treaty obligations of the United States require "treatment on terms of entire equality, without discrimination, of all nations," including our own in the use of the canal; and any violation of these obligations would be a betrayal of the faith and honor of our Government and a reversal of the traditional policy of our Nation toward the canal since the inception of the enterprise.

Second. Unfair discrimination in favor of our own ships, which would violate international pledges, would seriously injure our foreign trade, not only with the nations on the Pacific, which would be most affected, but also with other nations which would resent our violations of pledges and discrimination, and in turn would retaliate against our commerce and people.

Third. Discrimination or free tolls for American ships in coastwise trade would not build up the American merchant marine because the rate of toll, $1 per net registered ton, would amount to between 40 and 60 cents per cargo ton, which would not be sufficient to encourage or warrant the construction of new vessels, and would not reduce prices to consumers, being only 2 or 3 cents per hundred pounds. Again, under existing laws, American vessels have a monopoly of the coastwise trade. This monopoly is further restricted by section 11 of this bill, prohibiting ships owned or controlled by competing railroads engaging in coastwise traffic through the Panama Canal. In addition, the enforcement of section 4 of the interstate-commerce act, known as the "long and short haul" clause, will gradually tend toward distance tariffs, which will diminish railroad competition in the coast-to-coast traffic, and so help the canal traffic. These reasons render coastwise subsidies unnecessary to develop the coastwise business.

Fourth. The annual expense in caring for the canal will be an enormous burden upon the American people for all future time. Testimony shows that this expense for operation, maintenance, protection, and interest charged on the investment for the canal will be between $25,000,000 and $30,000,000 per annum. If the additional cost for naval protection, replacement, and retirement of the particular forces be added, such amount will be increased to between $40,000,000 and $50,000,000 per annum. Thus the annual expenditure for the construction of the canal can never be reduced and may be much increased. The canal will reduce freight rates from coast to coast from 25 to 50 per cent, and it is only fair that this vast commerce, so greatly benefited by the construction of the canal, should bear its fair share of the enormous burden of caring for it.

Fifth. The main effect of discrimination, or free tolls for American ships in the coastwise trade, would be to help the great mercantile interests of the coasts in competing with their trade rivals of the interior. The reduction of freight rates by the opening of the canal, will greatly help the business interests of the coasts in extending their trade territory and proportionally diminish that of the interior competing with them. Blanket rates to the coast will be in large part discontinued, and the railroads can not be allowed to reduce to the low rates provided by water competition, because of the injurious effects to the intermediate territory. Under these circumstances, it would not seem to be fair or just, to levy an additional burden

on the country in order to have free tolls for the purpose of still further diminishing the trade of the interior, and proportionally increasing the competitive capacity of the coasts. It would not seem fair, to levy taxes upon a section of the country to use in strangling and reducing its own natural business. That would be the necessary and almost only effect of free tolls in coastwise trade.

Sixth. Free tolls and discrimination against other nations in violation of treaty obligations would incite resentment and reprisals against our commerce and interests in the use of other international waters under the control of some one nation suffering from our discrimination. It would revive the old contention of Canada discriminating against American interests in the use of its canals in the region of the Great Lakes, and might cause a loss of many millions annually and injuriously affect the Central West, already discriminated against by the operation of the canal.

II.

CONSTRUCTION OF TREATIES.

It necessarily is of prime importance, to examine the exact text of the treaty obligations of this country with others concerning the canal, to ascertain precisely what may or may not be done under such agreements.

No fair or sensible man desires to have his Government deliberately violate its solemn obligations and pledges to the other nations, concerning the use of the Panama Canal. But honest and intelligent men may fairly and justly differ as to what such agreements and pledges actually are. This shall be my endeavor to ascertain and place of record as concisely and clearly as possible.

In this investigation, and in the interpretation and construction of these treaties, there must be adopted the ordinary fair and just rules which have for many years, and among all civilized nations, been used for such purposes; and which would be applied to all other treaties as well as to these, to all other nations as well as to our own, and to all occasions when the interest of our Nation and people would be best served by the rule adopted, as well as when they would seem to be injured by such rules. These rules should bear impartially upon all, and at all times, and be so fair and reasonable and just as to receive the common acceptation of civilized mankind. We can not afford to follow any other course, at the inception of this great enterprise. But we should endeavor to find out exactly what the situation is, and construe in our own favor whatever we fairly and justly can, with the object always to advance all the interests of our own people and seek the just advantage of our own Nation as much as we possibly can do, and as much as should be decently done.

We must realize always, that the rule which we insist upon in any situation will most certainly be invoked hereafter in other situations and controversies; and we must be willing to do in these cases as we might be willing to have done hereafter in any other cases, in which we might be involved.

TREATIES.

The United States has entered into two treaties concerning the use and control of the Panama Canal which are now in force. The first, with Great Britain, known as the Hay-Pauncefote treaty initiated by Secretary of State Hay in 1898, was signed in Washington November 18, 1901, ratified by the Senate December 16, 1901, and proclaimed by the President February 22, 1902.

The second treaty was with Panama, signed at Washington November 18, 1903, ratified by the Senate February 23, 1904, and proclaimed by the President February 26, 1904. This treaty by article 18 provides for the operation of the canal on the terms provided by the treaty with Great Britain, so there is no need to separately discuss its provisions. The text of the Clayton-Bulwer treaty and of the Panama Canal treaty and all its sections and provisions, as promulgated and now in force, are annexed to and made a part of these remarks.

The section in the treaty with Great Britain which is the center of this controversy is section 1, article 3, as follows:

The canal shall be free and open to the vessels of commerce and war of all nations, observing these rules, on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens or subjects, in respect of the conditions or charges of traffic, or otherwise. Such conditions and charges of traffic shall be just and equitable.

This language is plain on its face; and from its terms there can be no inequality or discrimination in favor of or against any vessels, citizens, traffic, or country, but all must be treated exactly alike, subjected to the same tolls, charges, and conditions, without any distinction.

SOME CONSTRUE DIFFERENTLY.

Apparently clear and plain as is this provision, yet some public officials, many patriotic and intelligent citizens, commercial and public organizations, and an influential portion of our press strongly and sincerely contend that an exception must be implied from this plain and clear language, by which vessels of the United States engaged in coastwise trade can be authorized to have free or discriminating tolls in their use of this canal.

The reasons claimed for this exception are in substance two: First, because the laws of the United States give a monopoly in our coastwise trade to vessels constructed, owned, and operated by American citizens, and other vessels are prohibited from engaging in such coastwise trade or in any part of it; consequently the coastwise vessels constitute a peculiar class under our laws, so that no foreigner can complain as to any preference or discrimination granted to our own ships in such trade, in which they can not compete. Secondly, it is urged that under the provisions of article 2 of the treaty, the United States may have all the rights incident to the construction of the canal and the exclusive right of regulation and management of it. And in the making of such rules and regulations that discrimination can be shown to domestic vessels and trade.

RULES AND REGULATIONS NOT ADEQUATE.

This last reason and argument is not seriously considered by intelligent students, because such regulations and management must be by the very terms of the same article, "subject to the provisions of the present treaty," which includes the section above cited. If this section allows such discriminating rules, they can be made to favor our own domestic commerce. If that section does not allow any such preference, then they can not be fairly adopted. So the question finally and decisively must be determined upon the fair, just, and reasonable interpretation of section 1, article 3, as to whether the coastwise trade of the United States can be fairly excepted from its plain terms declaring equality and forbidding discrimination.

SOME EXCLUDE ALL AMERICAN SHIPS FROM TREATY.

Some public-spirited citizens would go so far as to demand that foreign as well as coastwise shipping should be excepted from this section, and that there should be implied the word "other" between the words "all" and "nations" in the second line of the section. This would make the section refer only to the vessels of all other nations except the United States, and so exclude our foreign commerce from the terms of this section.

But this contention is not seriously urged, and has no reason or precedent for such a violent wrenching of all language, precedent, rules of interpretation, and policy; and so has not been seriously considered. The main controversy must be as to whether the section as it stands, fairly and justly excepts coastwise commerce from its provisions. And to that I shall confine myself, in discussing the treaty obligations of the United States with reference to the Panama Canal; and it is certain that if no exception as to coastwise trade can be fairly made from the terms of the treaty, then the same situation must exist as to foreign commerce.

ALL SECTIONS CONSIDERED TOGETHER.

At the outset, a fair and clear interpretation of the language of the treaty itself should be ascertained to find what basis exists within its terms, for an important exception from its plain provisions. Section 1, article 3, should be considered together with article 2, which provides three methods for constructing the canal. First, by the United States itself at its own cost; second, by individuals or corporations whom the United States might assist by loan or gift of money; third, by individuals or corporations with whom the United States may cooperate through subscription to or purchase of stock or shares. Article 2 is as follows:

ART. 2. It is agreed that the canal may be constructed under the auspices of the Government of the United States, either directly at its own cost, or by gift or loan of money to individuals or corporations, or through subscription to or purchase of stock or shares, and that, subject to the provisions of the present treaty, the said Government shall have and enjoy all the rights incident to such construction, as well as the exclusive right of providing for the regulation and management of the canal.

Necessarily the rules as to the use of the canal prescribed in section 1, article 3, must apply in the same way to all of these methods of construction and to whichever one of them may be adopted. There is nothing in the treaty indicating any different treatment of American coastwise vessels, whether the canal be constructed by private corporations or by the Government itself. This being true, with no provision in the treaty granting any preferential right or privilege, but, on the contrary, the strongest kind of language forbidding it; it must be difficult for any impartial person to fairly contend, that a corpo-

ration constructing the canal at its own expense and operating it for a profit, as the Suez Canal was constructed and is operated, can, under these circumstances and conditions, be compelled to give free passage to a large class of vessels possibly yielding a larger profit to their owners, owned by other corporations or interests not named, described, or excepted anywhere in the treaty.

SUEZ PROVISIONS.

It should be noted here, that article 12 of the convention, described in this treaty, governing the use of the Suez Canal, provides for "equal use" by all nations without advantage or discrimination in favor of any; expressly "reserving the rights of Turkey as the territorial sovereign." In the Panama treaty there is no reservation, but, on the contrary, the strongest prohibition against such discrimination. While the Suez treaty was careful to provide for such discrimination, expressly as was desired for the territorial sovereign. Under the ordinary rules of construction, where the Suez Convention is used as a basis for the Panama treaty, there would also be no exception unless expressly provided for. Such exception has not been made, but just the contrary language is used in the Panama treaty requiring treatment of entire equality without any discrimination, with very good reason and consideration for its deliberate use.

NO REASON FOR EXCEPTION.

It is submitted, that under this treaty any corporation constructing and operating the canal under this provision, could and would not be compelled to relinquish without consideration, any of its legitimate revenues to another corporation owning and operating American ships in the coastwise trade.

Exactly the same rule must apply to the construction and operation by the United States as by a private corporation doing the same thing, because the same language and the same authority and rules apply to both. There can be no exception in one case, unless it can also be an exception in the other.

It can hardly be argued that the United States might exact as a condition of any grant, aid, or subscription that there should be a preference or discrimination to its coastwise trade; because that very thing is expressly forbidden by the broad terms of section 1, article 3, prohibiting any such exception or condition.

STOCKHOLDER WOULD HAVE SAME RIGHT.

Any other stockholder or guarantor could have as much right to exact his own private conditions for his own private advantage, with the result that the enterprise would face ruin from the start. The treaty gives the United States, as a stockholder or guarantor, no other rights than any other interest also assisting in the enterprise. A British, German, French, or Japanese steamship company might subscribe, own, and hold large blocks of stock or bonds in a corporation provided in section 2, and with equal right under the treaty might demand a preference for its vessels as an exception on account of such ownership. Of course, such a demand would be absurd and unjust, and yet equally valid and equitable as a similar demand and exception for the United States. The terms of the treaty and the existing situation would seem to practically and legally make the United States a corporation sole, for the purpose of constructing, operating, and managing the canal with exactly the same rights, obligations, and responsibilities which would pertain to any other corporation provided for by the treaty, doing exactly the same thing under the treaty.

This discussion is academic, because no such condition for a preference here exists; but it illustrates the fallacy of seeking to imply an exception in favor of our coastwise trade, when the plain provisions of the treaty so clearly exclude any such unfair discrimination.

III.

TREATIES—NEUTRALIZATION.

It has been agreed expressly in the treaties, and always understood among the nations, that the basis for the beneficial use of the canal must be its neutralization in time of war and peace, so that there shall be a certainty that peaceful commerce at all times can enjoy its privileges. This policy signifies impartiality so far as conduct and operation are concerned, and carefully abstaining from acts to aid either belligerent in time of war. With special reference to the canal, it signifies that it is not to be made the object of attack by any power, nor distinctively employed by any nation as a means of or base for hostilities.

RULES FOR NEUTRALIZATION.

Article 3 of the Hay-Pauncefote treaty sets forth the rules for such neutralization, first and as the foundation, "entire equality of treatment between all vessels of all nations without any discrimination;" next, "that the canal shall not be blockaded or used for war or any acts of belligerents; third, that the waters and plant of the canal be included within the neutralization." These provisions are the substance of the rules laid down by the Suez convention concerning that canal; and the essence and practice as to that and all other neutralized waters has been the perfect equality of treatment of all vessels, traffic, and persons as an integral part of their neutrality and operation.

NO EXCEPTION IMPLIED.

If by implication an exception must be made as to coastwise vessels, so far as equality is concerned, and they in that way can be treated differently from all other vessels, the same rule as to exception by implication must also obtain as to neutralization of them. The two attributes can not and should not be separated. In fairness and justice and from the reason of things, they belong together, because no nation is under any moral obligation to observe the rules of neutrality as to commerce receiving discriminating terms as against its own, when the plain language of the treaty provides for equal treatment without discrimination. This being true, our coastwise commerce in and about the canal, if not on an equality with other commerce, would not be neutralized and would be subjected to different rules from all other commerce, as to the acts of belligerency set forth in article 3.

EQUALITY AND NEUTRALIZATION.

Prof. John Bassett Moore, perhaps the highest authority on this subject, has said that—

equality of tolls has also been treated as a feature or perhaps rather as a condition of neutralization. Little need to be said on the subject since a discriminating policy, even if it did not lead to the building of another canal, would merely provoke retaliation in some form and prove in the end to be impracticable.

The opinions of other notable authorities are invariably to the same effect.

[Extract from the report of Senator Davis of Minnesota, from the Senate Committee on Foreign Relations, recommending the ratification of the Hay-Pauncefote treaty.]

That the United States sought no exclusive privilege or preferential right of any kind in regard to the proposed communication, and their sincere wish, if it should be found practical, was to see it dedicated to the common use of all nations on the most liberal terms and a footing of perfect equality for all.

That the United States would not if they could obtain any exclusive right or privilege in a great highway which naturally belongs to all mankind.

That while they aim at no exclusive privilege for themselves, they could never consent to see so important a communication fall under the exclusive control of any other great commercial power.

If, however, the British Government shall reject these overtures on our part, and shall refuse to cooperate with us in the generous and philanthropic scheme of rendering the interoceanic communication by the way of the port and river San Juan free to all nations upon the same terms, we shall deem ourselves justified in protecting our interest independently of aid and despite of her opposition or hostility.

It was an explicit and peremptory demand for an agreement that would give to Nicaragua the freedom of exit to the sea through the San Juan River for a ship canal that should be open to all nations on equal terms and protected by an agreement of perfect neutrality.

In the origin of our claim to the right of way for our people and our produce, armies, mails, and other property through the canal, we offer to dedicate the canal to the equal use of mankind.

As to neutrality and the exclusive control of the canal and its dedication to universal use, the suggestions that were incorporated in the Clayton-Bulwer treaty came from the United States and were concurred in by Great Britain. In no instance has the Government of the United States intimated an objection to this treaty on account of the features of neutrality, its equal and impartial use by all other nations.

No American statesman, speaking with official authority or responsibility, has ever intimated that the United States would attempt to control this canal for the exclusive benefit of our Government or people. They have all, with one accord, declared that the canal was to be neutral ground in time of war and always open on terms of impartial equity to the ships and commerce of the world.

Special treaties for the neutrality, impartiality, freedom, and innocent use of the two canals that are to be the eastern and western gateways of commerce between the two great oceans are not in keeping with the magnitude and universality of the blessings they must confer upon mankind. The subject rather belongs to the domain of international law.

The leading powers of Europe recognized the importance of this subject in respect of the Suez Canal, and ordained a public international act for its neutralization that is an honor to the civilization of the age. It is the beneficent work of all Europe and not of Great Britain alone. Whenever a canal is built in the Isthmus of Darien, it will be ultimately made subject to the same law of freedom and neutrality as governs the Suez Canal, as a part of the laws of nations, and no single power will be able to resist its control.

The European powers gave to this subject the greatest consideration, and reached conclusions that are not open to criticism as being unjust to any nation in the world. Turkey and Egypt, the imperial and the local sovereigns of the canal, and Great Britain, a controlling stockholder in the Maritime Canal Co., had special interests in the rules for regulating the use of the canal, and they united in the convention which deprived them of exceptional privileges in its navigation, in peace and in war, for the sake of justice to all maritime nations and the peace and prosperity of the world.

No nation disapproves of this great act, or has had grounds of complaint against it. No American will ever be found to complain of it. It is right in its moral features, in its impartiality, and, above all, in its tendency to decrease the resort to war for the settlement of international quarrels, and will have the cordial approval of the American people.

The United States can not take an attitude of opposition to the principles of the great act of October 22, 1888, without discrediting the official declarations of our Government for 50 years on the neutrality of an isthmian canal and its equal use by all nations, without discrimination.

To set up the selfish motive of gain by establishing a monopoly of a highway that must derive its income from the patronage of all maritime countries, would be unworthy of the United States if we owned the country through which the canal is to be built.

But the location of the canal belongs to other governments, from whom we must obtain any right to construct a canal on their territory, and it is not unreasonable, if the question was new and was not involved in a subsisting treaty with Great Britain, that she should question the right of even Nicaragua and Costa Rica to grant to our ships of commerce and of war extraordinary privileges of transit through the canal.

It is not reasonable to suppose that Nicaragua and Costa Rica would grant to the United States the exclusive control of a canal through those States on terms less generous to the other maritime nations than those prescribed in the great act of October 22, 1888; or if we could compel them to give us such advantages over other nations it would not be creditable to our country to accept them.

That our Government or our people will furnish the money to build the canal presents the single question whether it is profitable to do so. If the canal, as property, is worth more than its cost we are not called on to divide the profits with other nations. If it is worth less, and we are compelled by national necessities to build the canal, we have no right to call on other nations to make up the loss to us. In any view, it is a venture that we will enter upon if it is to our interest, and if it is otherwise we will withdraw from its further consideration.

In this convention we stipulate against the blockade of the canal by any nation.

In conditions that may not be entirely remote we would find this provision, in letting our ships through the canal free from capture by our enemy, of great security to our coastwise trade.

IV.

PREAMBLE AND "GENERAL PRINCIPLES."

One of the most important considerations in the construction of this section 1, article 3, as to "equality of treatment without discrimination," and as to whether an exception concerning our coastwise vessels can be implied from it, must be from the language of the preamble of the treaty. This preamble is in terms:

"The United States of America and His Majesty Edward the Seventh, of the United Kingdom of Great Britain and Ireland, etc., being desirous to facilitate the construction of a ship canal to connect the Atlantic and Pacific Oceans by whatever route may be considered expedient, and to that end to remove any objection which may arise out of the convention of the 19th of April, 1850, commonly called the Clayton-Bulwer treaty, to the construction of such canal under the auspices of the Government of the United States, without impairing the "general principle" of neutralization established in article 8 of that convention, have for that purpose appointed, etc."

CONSTRUCTION OF PREAMBLE.

It is a fundamental principle of construction of all documents that such a preamble shows first of all the reason for the making and existence of the agreement, document, or act; and secondly, that the language of the document, treaty, etc., should be so construed, if reasonably possible, to give effect to such purpose. (Moore, 5 Dig. Int. Law, p. 249.)

It is a general principle of construction with respect to treaties that they shall be liberally construed, so as to carry out the apparent intentions of the parties to secure equality and reciprocity between them. As they are contracts between independent nations, in their construction words are to be taken in their ordinary meaning as understood in the public law of nations, and not in any artificial or special sense impressed upon them by local law, unless such restricted sense is clearly intended. And it has been held by this court that where a treaty admits of two constructions, one restrictive of rights that may be claimed under it and the other favorable to them, the latter is to be preferred.

Hauenstein *v.* Lynham (100 U. S., 483–487); Goefy *v.* Riggs (1890, 133 U. S., 258–271). See to the same effect, United States *v.* Auguisola (1 Wall., 352).

That a construction of a treaty most favorable to its execution, as designed by the parties, will be preferred.

United States *v.* Payne (2 McCrary, 289; 8 Fed. Rep., 883).

A treaty is not only a law, but also a contract between two nations, and, under familiar rules, it must, if possible, be so construed as to give full force and effect to all its parts.

Goetze *v.* United States (1900, 103 Fed. Rep., 72).

The reason of the law or of the treaty—that is to say, the motive which leads to the making of it and the object in contemplation at the time—is the most certain clue to lead us to the discovery of its true meaning; and great attention should be paid to this circumstance whenever there is question either of explaining an obscure, ambiguous, indeterminate passage in a law or treaty, or of applying it to a particular case. When once we certainly know the reason which alone has determined the will of the person speaking, we ought to interpret and apply his words in a manner suitable to that reason alone; otherwise he will be made to speak and act contrary to his intention and in opposition to his own views. (Vattel, book 2, chap. 17, sec. 287.)

It is important to ascertain what is the "general principle" of neutralization established in article 8 of the Clayton-Bulwer treaty, which must not be impaired by this treaty. This article 8 speaks for itself, substantially as follows:

The Governments of the United States and Great Britain having not only desired in entering into this convention to accomplish a particular object, but also to establish a "general principle," they hereby agree to extend their protection by treaty stipulations to any other practical communications, whether by canal or railway, across the isthmus which connects North and South America, and especially to the interoceanic communications—should the same prove to be practical, whether by canal or railway—which are now proposed to be established by the way of Tehuantepec or Panama. In granting, however, their joint protection to any such canals or railways as are by this article specified, it is always understood by the United States and Great Britain that the parties constructing or owning the same shall impose no other charge or conditions of traffic thereupon than the aforesaid Governments shall approve of as just and equitable; and that the same canals or railways, being open to the citizens and subjects of the United States and Great Britain on equal terms, shall also be open on like terms to the citizens and subjects of every other State which is willing to grant thereto such protection as the United States and Great Britain engage to afford.

It will be noted that the "general principle" is established and embraces, first, protection to the canal; second, that the charges therein shall be just and equitable; and third, that it shall be open to the citizens and subjects of the United States and Great Britain on "equal terms" and also shall be open on like terms to the citizens and subjects of other nations willing to grant the same protection to the canal as do Great Britain and the United States.

SAME AS IN PANAMA TREATY.

These are the same provisions as article 3 of the Hay-Pauncefote treaty, and on their face there can be no possible exception of our coastwise commerce. Not only the language of the section but the very reason for the existence of the language forbids such exception, because Great Britain and some other nations had commerce competing with that of the United States, both foreign and coastwise. It was the evident and proper design of this treaty to place all such competing commerce on exactly the same basis, so that there should be no disadvantage or particular advantage on account of this canal to the commerce, coastwise or foreign, of any one nation. This was the object of the whole treaty, and especially of this particular section.

Great Britain and Canada have a large commerce directly competing with some of our coastwise commerce through the Panama Canal, and undoubtedly they undertook to protect such commerce and its interests by insisting upon its equal treatment with all competing commerce in the use of all interoceanic waterways.

The report of the Senate Committee on Foreign Affairs submitting the Hay-Pauncefote treaty clearly shows the true policy and intent of this section in both treaties and has been set forth at some length.

SECRETARY OLNEY CONSTRUES.

Secretary of State Olney in 1896, in a memorandum on the Clayton-Bulwer treaty, said (Moore, 3 Dig. Int. Law, p. 207):

As article 8 expressly declares, the contracting parties by the convention desired not only to accomplish a particular object, but to establish a general principle. This general principle is manifested by the provisions of the first seven articles, and is that the interoceanic routes there specified should, under the sovereignty of the States traversed by them, be neutral and free to all nations alike.

CLAYTON-BULWER TREATY PROVISIONS.

The preceding articles of the treaty, which show the intent and purpose of the general principle, are as follows:

Article 1, in part:

Nor will the United States or Great Britain take advantage of any intimacy or use any influence, etc., for the purpose of acquiring or holding, directly or indirectly, for the citizens or subjects of the one, any rights or advantages in regard to commerce and navigation through the said canal which shall not be offered on the same terms to the other.

Article 5, in substance:

The contracting parties further engage that they will guarantee the neutrality thereof, which protection may be withdrawn if unfair discriminations are made in favor of the commerce of the one over the commerce of the other.

Article 6, in part:

The contracting parties engage to invite every State, etc., to enter into stipulations concerning the constructing and maintaining the said canal—for the benefit of mankind, on equal terms to all—and of protecting the same.

GENERAL PRINCIPLES CONSTRUED.

These all show exactly how the term "general principles" must be construed with reference to the Hay-Pauncefote treaty, that "equality of treatment of all vessels, foreign and domestic, coastwise and all," must be an integral condition for neutral treatment and a guaranty of protection for the canal.

CONTINUOUS POLICY GOVERNMENT.

This has been the invariable construction of these treaties and of the policy of the United States from the beginning down to the present. It should further be noted as to the action of our Government in carrying out the "general principle," thus construed and defined in these treaties. President Roosevelt in his message of December 4, 1901, transmitting to the Senate the Hay-Pauncefote treaty, which was ratified and is now in effect, described it as "A convention without impairing the general principle of neutralization established, etc., in article 8 of that convention." Further, on the 22d day of February, 1902, in the proclamation making such treaty effective, President Roosevelt,

in the preamble to it, again sets forth the existence of the "general principle" of neutralization, which was to be maintained by such treaty, and in the final statement of the proclamation is found this clause, "*to the end that the same and every article and clause thereof may be observed and fulfilled with good faith by the United States and the citizens thereof.*"

NOTIFIED WORLD TREATY OBEYED.

Thus the United States Government at once in the proper way notified the world in the exact language of the treaty itself of its intention to observe and fulfill every article and clause thereof.

To show clearly the policy of our Government, it is well to place here the exact terms of article 3, section 1: "The canal shall be free and open to the vessels of commerce and of war of all nations observing these rules, on terms of entire equality, etc."

The United States by its President and Secretary of State at once notified the world that it would be the first nation to observe these rules. And it is hardly becoming now for our good citizens to violate such pledge, reverse such policy, abandon the traditional and honored principles, so solemnly agreed to and announced, merely for the sake of granting a bonus or subsidy to some business interests, which for nearly a hundred years under our laws, have enjoyed a monopoly, free from foreign competition, and by this very measure are still further protected by the exclusion of strong domestic competition.

V.

NEGOTIATIONS FOR HAY-PAUNCEFOTE TREATY.

In the construction of the controverted clauses of any document, it is always of prime importance to know exactly what the persons themselves who framed it, intended by the language which is subject to dispute; and when they have set forth their own ideas as to its intention and meaning, and have given good reasons for it, usually such facts have been conclusive as to the construction, whenever the language has fairly allowed.

The negotiations for the modification of the Clayton-Bulwer treaty and which resulted in the framing of the Hay-Pauncefote treaty were commenced by Secretary of State John Hay by a letter, December 7, 1898, to Hon. Henry White, chargé at London, and the reply of Mr. White, of date December 22, 1898. These letters are described in Third Moore, Digest International Law, page 210, note A. Another letter of Mr. White, of January 4, 1899, also refers to the same subject.

CONDITION FOR EQUALITY.

From these letters, it appears in at least three different places, that the first and necessary condition of a treaty must be that all vessels of all nations must receive in the canal, the same terms and treatment as American vessels. This condition was emphasized more than any other one provision, and descriptive references were forwarded to make it clear, that such clause must include all vessels of all classes, foreign and coastwise, so there could be no mistake about the meaning of any language in the treaty.

Secretary Hay and our Government readily agreed to such condition, and nobody objected to it, because it has always been the consistent, continuous, and historic policy of our Government for more than 50 years, to do that identical thing. Practically the only exception is the Nicaraguan treaty. That will be referred to hereinafter in proper order.

TREATY SO PREPARED.

So Secretary Hay, with the approval of President McKinley and the proper officials of the United States, prepared the Hay-Pauncefote treaty and submitted it to Great Britain. In it were placed the clauses, heretofore referred to, maintaining the general principle of "equality and neutralization," and expressly setting forth in as clear and explicit language as possible "that the vessels of commerce and war of all nations should be treated on terms of entire equality, so that there shall be no discrimination against any such nation, its citizens or subjects, in respect of the conditions or charges of traffic or otherwise." Not a hint of any exception for our coastwise commerce, or any other exception; but on the contrary, the correspondence showed that all intended clearly and beyond question that all vessels, commerce, and citizens must be treated exactly alike.

Surely this preliminary history, these negotiations, the language itself, the preamble, and then the proclamation, in terms following and adopting the language, and the evident and admitted reasons for all of them, should be sufficient to show that no ambiguity or implication of any other meaning could possibly exist. In ordinary cases it would be sufficient, and no further question could be raised. But one additional fact still further reenforces this history and construction.

PROCEEDINGS IN SENATE.

When the first Hay-Pauncefote treaty was before the Senate for ratification on December 13, 1900, the following proceedings appear on page 15, Senate document 85, Fifty-seventh Congress, first session: "On the question to agree to the amendment proposed by Mr. Bard, to wit: Strike out article 3 and substitute the following: '*Article 3. The United States reserves the right in the regulation and management of the canal to discriminate in respect of the charges of traffic in favor of vessels of its own citizens engaged in the coastwise trade.*'" It was determined in the negative: Yeas, 27; nays, 43.

SENATE REFUSED PREFERENCE.

This would also seem to show conclusively that no such a provision was intended to be in the treaty or could in any way be implied or inferred from its terms, or such an amendment would not have been offered. The fact that it was rejected shows that the Senate understood such fact, that it did not want such provision but desired to preserve and maintain the general principle of "equality and neutrality" and preserve the uniform and continuous policy as to the canal for more than 50 years. This action of the Senate was so overwhelming that no attempt was made by anyone to offer such an amendment to the second treaty.

ATTEMPT TO OFFSET.

To explain and offset this conclusive evidence that no discrimination was intended by the Senate or should be had for the coastwise trade, the minority, on page 4 of the minority report, inserted a sentence from a private letter of Senator Bard which states:

> When my amendment was under consideration *it was generally conceded* [the italics are his] by Senators that even without that specific provision the rules of the treaty would not prevent our Government from treating the canal as part of our coast line and consequently could not be construed as a restriction of our interstate commerce, forbidding the discrimination in charges for tolls in favor of our coastwise trade, and this conviction contributed to the defeat of the amendment.

It is very evident that Senator Bard was the only Senator who had such an understanding. Those who voted with him and desired such a policy certainly did not so believe or they would have so declared and would not have so voted. Those who voted against him evidently did not so understand, from statements which some of them have made personally, and from the official action of the others. Six of the Senators who voted with Senator Bard and seven who voted against him are yet in the Senate, and their views can be expressed on this very measure.

SENATOR BARD DID NOT UNDERSTAND.

The very best illustration that Senator Bard did not understand what actually were the views of those who opposed his amendment is shown by the fact that Senator Frye, of Maine, and Senator LODGE, of Massachusetts, who had charge of the treaty in the Senate, and both of whom were probably consulted in its negotiation and preparation, voted against the amendment of Senator Bard. Both of these Senators were very prominent members of the Senate Committee on Foreign Relations, which had long discussed this whole policy, and especially this very treaty, and both have been foremost in their efforts to promote the American merchant marine for many years and had long experience and great ability; yet both of them seem to have construed the provision of this treaty entirely different than did Senator Bard, because both of them introduced the following bill with reference to tolls on the Panama Canal:

> A bill (S. 3632) to provide for the payment of tolls and transit charges of public vessels of the United States and merchant vessels of the United States passing through the Panama Canal.
>
> *Be it enacted, etc.*, That all tolls and transit charges which may hereafter be imposed on public vessels of the United States and on merchant vessels of the United States for passing through the Panama Canal shall be paid from any money in the Treasury not otherwise appropriated, and there are hereby appropriated annually, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary for the purpose; and such appropriations shall be deemed permanent annual appropriations.

This clearly shows that these eminent and experienced Senators, the recognized champions of the coastwise commerce, and members of the committee which passed upon and reported this treaty, voted and acted upon the belief that all vessels, all commerce of all kinds and of all nations, must in the passage of the canal be treated exactly alike and on the same terms; and that there can be no exception or discrimination possible under the treaty in favor of our coastwise trade; but that any aid for that purpose must be by direct action of Congress by proper appropriations and express legislation therefor such as in form has been proposed by both of them.

UNSOUNDNESS OF VIEWS.

There can be no question as to the soundness of such views or the patriotism or wisdom of the eminent men who held them. Finally, to show how much Senator Bard actually knew about that subject, in comparison with the other Senators who had a great interest and knowledge of it, it is only necessary to examine his legislative proposition as it appears from the records

of the Senate. Senate Document No. 85, Fifty-seventh Congress, first session, page 15, shows the following:

On the question to agree to the amendment proposed by Mr. Bard, to wit, strike out article 3 and substitute the following:

"ART. 3. The United States reserves the right in the regulation and management of the canal to discriminate in respect of the charges of traffic in favor of vessels of its own citizens engaged in coastwise trade."

The text of the treaty shows article 3 of the original treaty to read as follows:

The contracting parties will immediately upon the exchange of the ratifications of this convention bring it to the notice of the other powers and invite them to adhere to it.

This shows that the amendment was not germane as offered, was not in the right place, was not proposed to the right article or section, and, finally, article 3 had already been stricken out of the treaty on a motion by Senator Foraker, and there was no such article in existence to which Senator Bard could offer his substitute in the terms of his motion. (S. Doc. No. 85, p. 13, above referred to.) Yet this evident misinformation, carelessness, and lack of knowledge of what was actually going on concerning a very important matter, is offered as a basis for reversing the policy and history of our Nation and violating its solemn pledges to the world.

MERCHANT MARINE COMMISSION.

It is to be noted also in this connection that the Merchant Marine Commission, appointed under an act of Congress in 1904, made its report after exhaustive hearings concerning the improvement of the American merchant marine. Many plans were suggested for legislation for such purpose, and the commission consisted of very warm friends of the navigation interests; and various plans were outlined for the use of the canal construction to aid American shipping. But not one of them at that time had the hardihood to put forward a plan of preferential tolls for our ships in the canal, at the very time when the treaty was fresh in the mind of everybody.

VIEWS OF SECRETARY HAY.

As a very important part of this discussion are the views of Secretary of State John Hay, upon the Hay-Pauncefote Treaty, as submitted to the Senate in a confidential memorandum in December, 1901, as published in the New York Sun of January 27, 1911. The memorandum was quite lengthy, but its substance is as follows:

(1) With this is submitted the new treaty, which declared the neutrality of canal for the use of all nations "on terms of entire equality."

This is the treaty now in force, and it was then adopted without amendment.

(2) The United States alone adopts the rules as a basis for neutralization; and adopts and prescribes the rules by which the use of the canal shall be regulated, and assumes the entire responsibility and burden of enforcing its absolute neutrality without the assistance of Great Britain or any other nation.

(3) It was considered that war between the contracting parties or between the United States with any other power would have the ordinary effect when not specifically otherwise provided; and remit both parties to their original and natural right of self-defense, and give the United States the clear right to close the canal against the other belligerent, and to protect and defend it by whatever means might be necessary.

(4) The whole theory of the treaty is that it is to be exclusively the property of the United States, and is to be managed, controlled, and defended by it. Under these circumstances it was thought fair to omit prohibition of fortification.

(5) The sixth clause of article 3, referring to plant, etc., was inserted so that it should come within the rules of neutrality and should be respected at all times by all nations.

This illustrates the effect of the United States insisting upon a construction which withdraws its coastwise trade from the effect and provisions of the treaty.

(6) The general principle of neutrality was reaffirmed, preserved, and secured against any change of sovereignty of Panama.

(7) The President takes the position that the United States built the canal at its sole cost for the equal benefit of all nations.

(8) The general principle of neutralization and equality has always been insisted upon by the United States, and it has recognized in this way the justice of the request of Great Britain on condition that she surrendered important national and material interests in the abrogation of the Clayton-Bulwer treaty. So that this general principle and its application to the sovereignty of Panama should be maintained.

(9) These rules (based on neutralization and equality) are adopted in the treaty with Great Britain as a consideration for getting rid of the Clayton-Bulwer treaty.

(10) Upon the consideration and at the same time to put all powers on the same footing, by complying with the rules of neutrality, this section 1, article 3, was framed and adopted.

MEMORANDUM EXCLUDING ANY EXCEPTIONS.

From this elaborate and carefully prepared memorandum upon which the Senate acted in ratifying the treaty, it is clearly evident that neutrality and equality can not be separated in the construction of the treaty. That both were considered as necessary for its existence, and that Great Britain requested both as a consideration for its consent to the abrogation of the Clayton-Bulwer treaty, and that Great Britain was entitled to so request because she surrendered important material and national interests by so doing; that this was considered just as well as a continuation of our historic policy; that the United States has the burden of operation, maintaining, and defending the canal in any way it may deem best. At the time of the negotiation of the Hay-Pauncefote treaty Great Britain had some joint interests with the United States in the control of any canal constructed under the provisions of the Clayton-Bulwer treaty which the United States were extremely anxious to extinguish. On the other hand, the United States would build and control the canal solely and by itself, and Great Britain desired such condition should not be used to discriminate against its commerce, interests, or people. So an agreement was made in the form of a treaty that on condition that the joint interest and control of Great Britain should cease the commerce, interests, and people should have equal treatment with us in the use of the canal.

It is impossible for anyone to examine the elaborate and judicious statement of Secretary Hay, and then honestly and sincerely spell any exception from this memorandum as to the treaty, by which our coastwise trade shall be excluded from its provisions as to equality and neutrality. Nobody so thought at the time. It can not be done now, by any reasonable construction used anywhere else in the world, and any such forced construction would hereafter return to plague us a hundredfold, as to other matters of vast importance.

VI.

"EQUALITY OF TREATMENT" DEFINED.

It is admitted in this controversy that the exact meaning and construction of the words, section 1, article 3, "on terms of entire equality, so that there shall be no discrimination against any such nation or its citizens or subjects, in respect of the conditions or charges of traffic or otherwise," is the crux of the controversy, as to whether the American coastwise trade be included within the language as it reads, or be excluded by necessary and agreed implication.

The minority report on page 5 intimates that the interpretation of the majority is in favor of the foreign shipping interests. This is so obviously untrue as to not even require mention or denial. But it is essential to know exactly how the United States Government itself, has construed similar language with reference to such questions, since such terms appear in most of our treaties in the clauses concerning commerce and navigation.

CONSTRUCTION FORCED BY UNITED STATES.

It is fortunate that this exact question has been determined by the forced construction and contention of the United States itself concerning a treaty, also with Great Britain, relative to the canals and channels of the Great Lakes; in which the political departments of our Government, executive and legislative, contended successfully against the strenuous objection of Canada and Great Britain. The United States insisted that the words "on terms of equality" *did include* both coastwise and foreign commerce, trade and navigation, exactly as the majority of your committee has reported. Canada and Great Britain insisted to the contrary that the words "equality of treatment" *did not include* coastwise and domestic trade, commerce and traffic, exactly the position of the minority of your committee. This contention continued through several years, covered larger interests probably than would be affected by the provision as to the Panama Canal for many years in the future, was participated in by two Presidents and three Secretaries of State and both Houses of Congress, was finally won by our Government and admitted by Great Britain, that the words "on terms of equality" did include coastwise as well as foreign commerce; and that coastwise trade could not by implication be excepted from such language in any treaty by the nation which desired it. Our legislative acts declaring and insisting upon such construction are now on our statute books, are in force and ready for business, if Great Britain should again refuse to agree to our construction of such language with reference to the use of the canals about the Great Lakes.

TREATY PROVISIONS.

By article 27 of the treaty of Washington of May 8, 1871, Great Britain agreed to urge upon the Dominion of Canada, to secure to the citizens of the United States the use of the canals in the Dominion of Canada "on terms of equality" with the inhabitants of the Dominion.

In 1888, and again in 1891, representations were made by the United States that the stipulated equality in the use of the canals was denied in Canada. The tolls charged on grain, flour, and certain other articles passing through the Welland Canal amounted to 20 cents a ton, but for some years, by an annual order in council issued before the opening of lake navigation, a rebate of 18 cents a ton was granted on grain carried to Montreal or points east thereof. The effect of this system, which violated, as the United States maintained, the stipulated

equality, was aggravated by the ultimate denial of any rebate on cargoes transshipped, as often as necessary, for the passage through the canal from larger to smaller vessels if the transfer was made in a United States port. On April 4, 1892, a new order in council was issued, which, while fixing the canal tolls at 20 cents a ton on freight of all kinds, allowed a rebate of 18 cents on wheat, Indian corn, peas, barley, rye, oats, flaxseed, and buckwheat originally shipped and actually carried to Montreal or any port east thereof in case such products were exported, and provided that the right to the rebate should not be lost by intermediate transshipment if it took place in Canada. By another order in council, dated April 11, 1890, and mentioned by the United States as a discrimination, the toll on cargoes bound eastward was reduced from 20 cents to 10 cents a ton, while the full rate was continued on cargoes bound westward.

The Canadian Government argued that its orders in council, as they applied to Canadian and American vessels alike, did not infringe the treaty.

The United States replied that the treaty guaranteed equality of treatment not merely to vessels of the United States, but also to their citizens; that this equality was violated by the system in question, since it required grain bound to the United States ports to pay 10 times as much toll as grain bound to Montreal and discriminated against American vessels, ports, consumers, and trade routes.

This contention was carefully investigated by Secretary Bayard, who was impressed with the justice of the claims of the shipping interests of the United States. President Cleveland then called the attention of Congress to this discrimination in his regular message, found in Foreign Relations, 1888, first volume, page 813, and by a special message to Congress August 23, 1888, House Executive Document No. 434, Fiftieth Congress, first session, page 7. The Canadians gave no heed to our demands, but continued to adhere to their construction of the treaty as to these discriminations. The administration of President Harrison again called attention of Congress to this condition, in Foreign Relations, 1892, page 277, and President Harrison submitted to Congress a special message on June 20, 1892, Senate Executive Document No. 114, Fifty-second Congress, first session, setting forth the substance of the controversy, including an elaborate report and argument on this subject by our Department of State. There is here inserted excerpts from the messages of President Harrison and the reports of the officials of the Department of State clearly stating the controversy, and its analogy to the controversy concerning the Panama Canal is obvious.

President Harrison in his message to the Senate, June 20, 1892, said, in part:

The report of Mr. Partridge, the Solicitor of the Department of State, which accompanies the letter of the Secretary of State, states these discriminations very clearly. That these orders as to canal tolls and rebates are in direct violation of article 27 of the treaty of 1871 seems to be clear. It is wholly evasive to say that there is no discrimination between Canadian and American vessels; that the rebate is allowed to both, without favor, upon grain carried through to Montreal, or transshipped at a Canadian port to Montreal. The treaty runs:

"To secure to the citizens of the United States the use of the Welland, St. Lawrence, and other canals in the Dominion on terms of equality with the inhabitants of the Dominion."

It was intended to give to consumers in the United States, to our people engaged in railroad transportation, and to those exporting from our ports equal terms in passing their merchandise through these canals. This absolute equality of treatment was the consideration for concessions on the part of this Government made in the same article of the treaty, and which have been faithfully kept. It is a matter of regret that the Canadian Government has not responded promptly to our request for the removal of these discriminating tolls.

The papers submitted show how serious the loss inflicted is upon our lake vessels and upon some of our lake ports. In view of the fact that the Canadian commissioners still contest with us the claim that these tolls are discriminating and insist that they constitute no violation of the letter or spirit of article 27 of the treaty, it would seem appropriate that Congress, if the view held by the Executive is approved, should, with deliberation and yet with promptness, take such steps as may be necessary to secure the just rights of our citizens.

Secretary of State Blaine in a letter to President Harrison April 15, 1892, in part said:

It is obviously in violation of the provisions of the twenty-seventh article of the treaty of 1871.

Solicitor of State Department Partridge to Secretary of State Blaine, April 14, 1892, stated in part:

Although the circumstances in the case required that article 27 of the treaty of 1871 should take the form which it did, it can not be doubted that it was intended to secure thereby complete equality to the citizens of each country in the use of the canals of the other necessary to the navigation of the Great Lakes and the St. Lawrence River.

This order discriminates against our citizens in at least three respects:

(1) In that it makes the toll on grain for export from Montreal and other Canadian ports east of Montreal 2 cents per ton, while the toll on grain for export from American ports is 20 cents per ton.

(2) In that even the lesser rate is refused on grain for Montreal and ports east, if it has been transshipped at a Canadian port.

(3) In that the 2-cent rate only is levied on grain for Montreal and ports east from any Canadian Lake Ontario port, while the 20-cent rate is exacted on grain for the same destination from American Lake Ontario ports. This is a new discrimination not contained in the order of March 25, 1891.

Recently this subject was again presented to the department quite fully by a memorial from the Lake Carriers' Association of Buffalo, N. Y., dated September 18, 1891. Since then memorials have also been received from the Milwaukee Chamber of Commerce, Chicago Board of Trade, the Cleveland Board of Trade, the Detroit Board of Trade, the Oswego Board of Trade, the Rochester Chamber of Commerce, and from other associations and individuals.

It does not relieve the position of the Dominion Government with respect to the grain rebate, that considerable of the grain carried to Montreal and the East is shipped from ports of the United States, and that, the transportation of such grain being open to American vessels, they can secure the rebate on the same conditions on which it is given to Canadian vessels. * * * An equality in the use of the canals to American vessels would not alone satisfy the conditions of the treaty. The distinction between the vessel and the cargo is recognized by the Canadian Government, which exact distinct tolls for each. Neither does the treaty provide for equality in tolls only. The conditions imposed upon the use of the canals discriminate against American shippers and consumers, American transportation companies and routes, and American ports. This present practice of the Canadian Government is probably even a greater discrimination against our citizens than if directed against our vessels.

President Harrison in his message to the Senate July 1, 1892, said in part:

The position taken by this Government, as expressed in my previous communication to the Senate, that the equal tolls and regulations of which complaint has been made are in violation of our treaty with Great Britain, is not shaken but rather confirmed. There can be no doubt that a serious discrimination against our citizens and our commerce exists, and quite as little doubt that this discrimination is not the incident but the purpose of Canadian regulations.

Mr. Herbert, of the British legation, Washington, D. C., to Acting Secretary of State Wharton, June 24, 1892, stated in part:

The effect of this order in council is to fix the rate of toll on all of the specified products passing through the Welland Canal and the St. Lawrence canals, without discrimination as to nationality. Vessels of both countries are entitled to the rebate and also to transship, provided that such transshipment be made at a Canadian port. If, however, the transshipment takes place at an American port, the vessel loses its right to the rebate. And the loss of rebate would apply equally to both Canadian and American vessels. In like manner, the vessels of neither country would obtain rebate should they land at a point short of Montreal, either on the American or Canadian side. * * * In favoring their national route the Canadian Government do so on precisely the same conditions with regard to both nations, and they contend, therefore, that they have acted in accordance with the obligations which Great Britain has requested them to take under article 27 of the treaty of Washington. The stipulation in that article is that the United States citizens shall use the Canadian canals on terms of equality with the people of the Dominion. And this equality is, in the opinion of the Canadian Government, preserved by the imposition of the same conditions and the granting of the same privileges, with the same restrictions, to vessels of both nationalities.

A memorandum by Assistant Secretary of State Adee, June 28, 1892, contained in part:

If the object were to favor the use of the Canadian canals and that object was carried out impartially, citizens of the United States would have little or no cause to complain. Moreover, the defense of the Canadian Government is confined to alleging that no discrimination, in fact, is made between Canadian and United States vessels carrying the favored cargoes through the canals, when the treaty of Washington makes the treatment of citizens the sole test of equality in the use of the canals. That the order does favor and is intended to favor the citizens of Canada at the expense of citizens of the United States is clear, looking at the order as a whole. Were the purpose of fostering the Canadian export trade accomplished by a bounty to the vessels carrying grain cargoes from the St. Lawrence ocean ports the case might be different, but the purpose is effected by levying differential tolls in and for the use of the Welland and St. Lawrence River Canals, so that the encouragement of the export trade is converted into such a discrimination against the enjoyment of the canals by citizens of the United States as the treaty of Washington expressly aimed to guard against.

As to this the Canadian reply merely says "the loss of rebate would apply equally to both Canadian and American vessels," thus narrowing the contention to the equal treatment of vessels and ignoring the engagements of the treaty as to the equal treatment of citizens.

* * * The order is in this regard a naked discrimination against the American citizen, for the enforcement of which the canal tolls are employed as a convenient instrument.

As to the traffic passing through the St. Lawrence River canals, a third discrimination exists which is in absolute and open violation of the intent of the treaty, for if the starting point of the grain cargo for export be a Canadian Lake Ontario port, the toll is but 2 cents per ton, while the 20-cent rate is exacted on grain for the same destination from the American Lake Ontario ports. * * *

The Canadian Government is, therefore, silent as to this, perhaps the most intentionally vexatious discrimination against the stipulated privilege of citizens of the United States to use the Canadian canals "on terms of equality with the inhabitants of the Dominion."

PROCEEDINGS OF CONGRESS.

Bills providing for retaliation against such discrimination on the part of Canada, and representing the views of the Department of State, were introduced in the Senate by Senator Davis, of Minnesota, chairman of the Committee on Foreign Relations, and in the House by Representative Blount, of Georgia, then chairman of the House Committee on Foreign Affairs. The committee favorably and unanimously reported such bill without amendment, and Judge Blount, in his report, indorsed and

included the very able and comprehensive report of Solicitor Partridge and Assistant Secretary of the Department of State Adee, and in addition stated as follows:

The treaty of 1871 permits Canadian citizens the use of St. Marys Canal on the same terms as our own citizens. It opens St. Clair Channel on the same terms. This the Canadian enjoys in all his comprehensiveness. It was expected that the Welland and other canals in Canada would be open to American citizens on the same terms.

This would enable the traffic which debouches from our territory into the Great Lakes to find an outlet into Ontario ports and the Atlantic Ocean on equality as to charges with the Canadian citizen. The same principle would apply as to products and tonnage on the return traffic. Following the report of Solicitor Partridge, Mr. Blount concludes: "All efforts to secure a just interpretation of all treaty rights of American citizens have been met in a spirit of evasion, avoidance, and delay. Such conduct is notably dishonest in purpose and deceitful in method, but almost reaches the point of contumely and insult."

This vigorous language characterizes the exact construction of a treaty and the exact contention now made by the minority of your committee.

PROCEEDINGS IN HOUSE.

On the 21st day of July, 1892, the bill came before the House for consideration, and Judge Blount, the chairman of the committee, and Mr. Hitt, of Illinois, the ranking Republican member of the committee, both discussed the bill, calling attention to the outrageous discriminations and violation of the treaty by Canada and urging this measure of retaliation. Following are extracts from their remarks upon this bill, found in CONGRESSIONAL RECORD, Fifty-second Congress, first session, page 6531 et seq.

Mr. Blount said in part:

The President of the United States has in two messages during this session of Congress called the attention of the Congress of the United States to the conditions of the rights of American citizens in the use of the Welland, St. Lawrence, and other Canadian canals. The twenty-seventh article of the treaty was intended to give our own citizens the same right to use these canals that was accorded to the citizens of Canada.

It was claimed on the part of the Canadian Government that as the rebate applied to "vessels," and our vessels were covered by its terms, provided their cargoes took the lines indicated by the order, there was absolute "equality"; but the language of the treaty shows that it had relation not only to vessels but to citizens. It was intended for the benefit of the consumers in our own country; it was intended to give advantages to our ports; it was intended to give advantages to our transportation companies. The Canadians have sought by this technical construction to evade the spirit of the treaty. The proposition in the pending bill is to allow the President of the United States to prescribe tolls to be levied at the St. Marys Canal on products passing through there, and also to provide that those tolls shall not operate against American vessels plying to ports within our own territory.

The object is to apply to Canadian citizens using that canal a rule similar to that which the Canadians apply to American citizens using their canals. It is expected that in this way we shall secure a recognition of our rights under the treaty. It is believed that the result of this course on the part of our Government will be to put an end to the delay and evasion which has characterized the negotiations of the Canadian commissioners with our State Department upon this subject and to compel on the part of Canada a recognition of our rights under the treaty.

* * * The President of the United States, interpreting this treaty, says:

"The treaty runs to secure to the citizens of the United States the use of the Welland, St. Lawrence, and other canals in the Dominion on terms of equality with inhabitants of the Dominion. It was intended to give to consumers in the United States, to our own people engaged in railroad transportation, and to those exporting from our ports, equal terms in passing their merchandise through these canals."

If this is a correct interpretation—and I believe it is—why should we submit to a ruinous and wrongful interpretation?

The bill provides simply for the application of the same rule laid down by the Canadian authorities in reference to their own merchandise—nothing more, nothing less. Let them conform to the terms of the treaty, and the President has no power. But we have had first one evasion and then another; we have had delays and misunderstandings. But no Canadian, if he and his government act rightly, is harmed thereby.

Mr. Hitt said in part:

Mr. Speaker, this bill is one which deeply concerns our people in the Northwest and the North and the exporting cities of the East. It is intended to prevent the continuance of a gross injustice, to redress by retaliation a great wrong to the grain interest, to secure a treaty right to which we are entitled and for which we have paid and are paying. Our people send their vast crops to the East by lake and by canal and by concurrent railroads for export. These crops pass in almost immeasurable volume by water during the season of water navigation. The passage from Lake Erie to Lake Ontario is by the Welland Canal. By our treaty with Great Britain, the words which have just been read to the House, we are entitled to "the use of that canal on terms of equality with the inhabitants of the Dominion of Canada."

We keep faith; but while we do this how is it upon that Welland Canal, upon which we are entitled to equality of treatment? Every ton of cargo that passes through the Welland Canal to the American port for export is, in fact, charged exactly ten times the toll that is exacted upon the cargo that is to be exported from a Canadian port. That is the interpretation which a Canadian ministry gives to the words of a treaty so simple that a child could not mistake its meaning.

Yet the provisions in the Canadian treaty requiring equality and prohibiting discrimination were not nearly so clear and comprehensive as in the Panama treaty. The bill was then passed unanimously. In the Senate it was favorably reported from the Senate Committee on Foreign Relations by Senator Frye, of Maine, and was passed unanimously by the Senate on the 22d day of July, 1892, and signed by President Harrison on the 26th day of July, 1892.

RETALIATION.

Under it, on the 18th day of August, 1892, President Harrison issued a proclamation making retaliation for such discrimination. This caused Canada and Great Britain to recede from their action and revise their previous obnoxious construction of the provisions of the treaty. So, on the 21st day of February, 1893, the President withdrew the retaliation. Thus was established by the action of both Governments, the construction by legislative and executive action that the words "equality of treatment" includes both coastwise and foreign trade as to all vessels, citizens and subjects, ports and places, and trade and routes and traffic.

LAW YET IN FORCE.

The act of retaliation is yet on the statute books of the United States, Twenty-seventh Statutes at Large, page 267, being chapter 248, Fifty-second Congress, first session; and may be found on page 153, Navigation Laws of the United States, 1907, and is construed by the War Department as yet in force and can be made effective at any moment should the occasion require.

CONSTRUCTION BY UNITED STATES.

Here is a recent authoritative construction by the United States itself, and by all its political departments on behalf of our own citizens, our own commerce and interests, that the words "equality of treatment" in the British treaty of 1871 included both coastwise and foreign trade and vessels, citizens, ports, and traffic. This contention and construction was insisted upon by Presidents Cleveland and Harrison and by Secretaries of State Bayard, Blaine, and Foster. The House and Senate committees by report, and the two Houses separately and unanimously sustained such construction and contention, and their act is yet upon the statute books and expresses the legislative and executive judgment and will upon such subject. Great Britain and Canada yielded reluctantly to such construction, but they finally acquiesced, and for 20 years it has met the acceptation of all.

SAME OFFICIALS IN BOTH TREATIES.

During this controversy, many of the American and British officials took part in this matter, who subsequently participated in the framing and ratification of the Hay-Pauncefote treaty. They were familiar with all of the phases of the exhaustive contention; and this may explain the extremely careful and definite terms in the Hay-Pauncefote treaty on this point, as against the shorter and more doubtful language in the earlier treaty of 1871. The language of the latter was to secure the citizens of the United States the use of the canal, etc., on "terms of equality with the inhabitants of the Dominion." This language, by agreement and through our own construction, includes coastwise and foreign vessels, commerce, citizens and subjects, places and ports, routes and traffic. Many of these same officials five years later, began the draft of a new treaty between the same nations, concerning the Interoceanic Canal, which was concluded eight years later; in which is found the language, "the canal shall be free and open to the commerce and war vessels of all nations observing these rules on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens or subjects, in respect of the conditions or charges of traffic or otherwise." It is to be noted that the language is far broader and stronger to prevent any possible discrimination or difference than in the earlier treaty; and undoubtedly was so done in view of the very controversy above described, and to prevent any possible recurrence of misunderstanding in the future.

RELIGIOUS OBSERVANCE OF TREATIES.

The minority stated, on page 7 of their report, that they—

Believe in the religious observance of our treaty obligations as essential to the maintenance of our own self-respect and the confidence and friendly regard of the other nations, but we refuse to assent to the mere suggestion, to say nothing of the bold declaration, that by the Hay-Pauncefote treaty we have without consideration bartered away to a foreign nation the constitutional power of the United States to regulate commerce between the United States, and encourage the upbuilding and growth of our domestic shipping.

In other words, these gentlemen seem to believe that it would be a religious observance of our treaty obligations to insist upon the construction of the treaty between the United States and Great Britain, concerning canals, and so forth, on the Great Lakes, so that the words "equality of treatment" must include all coastwise vessels, trade, ports, and citizens (of both nations), and that such construction must be continued in force so it may be effective at any time now and in the future.

SIMILAR TERMS CONSTRUED.

But in another treaty also between the United States and Great Britain, made eight years later, concerning Panama

waters, in which very many of the same officials of both nations participated, that the words "on terms of entire equality * * * so that there shall be no discrimination against any nation, its citizens or subjects in respect of charges or conditions of traffic or otherwise," much stronger and broader language, must not include our own coastwise vessels, citizens, subjects, commerce, trade, routes, and traffic, but must include those of Great Britain.

It is unfortunate that Mr. Pecksniff could not now be embodied, so that he could sincerely congratulate the minority of the committee upon this delicious exposition of hypocrisy and humbuggery.

OPINION OF SECRETARY HAY.

The minority states that—

We have without consideration bartered away to a foreign nation the constitutional power of the United States to regulate commerce between the United States and encourage the upbuilding and growth of American shipping.

As against such assertion, it might be well to place the carefully considered statements of Secretary of State Hay to the Senate previous to the ratification of this very treaty—

that Great Britain by this treaty surrendered important national interests, and as a consideration for which, and in further carrying out the historic and unvarying policy of our country, we place in this treaty beyond dispute the general principles of "neutralization and equality."

Senator Davis in his very able report upon this same treaty strongly supports the position of Secretary Hay.

This plain enunciation of principles sustained the full contention of our Government less than 10 years before, that such language included the foreign and coastwise vessels, citizens and subjects, ports and places, traffic and routes of both nations.

It may be charitable to ascribe to the minority ignorance of our recent history and of the basis for important public action, as stated by the high responsible officials of our Government.

But the policy of our Nation in its treatment of the greatest public work of the ages can not well be predicated upon the combination of that, together with the greed of some petty commercial interests who hope to gain some profit by betrayal of the honor of their country.

VII.

SUEZ CANAL RULES.

It is an elementary rule in the construction of treaties and statutes, that where the provision in question has been copied from those of another nation or state, where such provision has received a careful construction, that such construction would be of great value in considering the proper construction of the borrowed section. In this instance article 3 of the treaty provides "that the United States adopts as a basis of the neutralization of such ship canal the following rules, substantially as embodied in the convention of Constantinople, signed October 28, 1888, for the free navigation of the Suez Canal. That is to say," then follow the six sections laying down the rules of neutralization and equality which shall apply to the Panama Canal, as may be seen from the text of the treaty annexed to these remarks.

SUEZ ARTICLES.

The article in the Suez convention relating to charges and tolls is as follows:

ART. 10. The high contracting parties, by application of the principle of equality as regards the free use of the canal (a principle which forms one of the bases of the present treaty), agree that none of them shall endeavor to obtain, with respect to the canal, territorial or commercial advantage or privileges in any international arrangements which may be concluded. Moreover, the rights of Turkey as the territorial power are reserved.

Other sections contain substantially the same provisions as in the other sections of article 3 of the Hay-Pauncefote treaty.

CONSTRUCTION OF RULES.

These sections have always been construed to forbid any discrimination in favor of or against the coastwise vessels or trade of any of the contracting nations; and though Great Britain really has the controlling voice in the management of the canal, and France is the headquarters of the management, yet their vessels pay and are treated exactly the same as all others. Of course, Turkey is specifically excepted. But in the case of the Panama Canal, there was no specific exception and none can be fairly implied, any more than in the case of the Suez Canal.

It is true that some nations do pay specific amounts to their own steamship companies to help defray the tolls and charges at Suez, and some propose to do the same at Panama. This is clearly allowed by the provisions in both treaties, and Secretary Adee, in his argument upon the Canadian controversy, clearly pointed out the difference between the payment of a bounty or a subsidy directly to the vesssel, citizen, or traffic from the Public Treasury; and that of the remission of tolls to a particular class as an act of favoritism. Each nation can regulate its own policy as to the former method; while as to the latter, the public action would be entirely within the power of one nation. In the payment of subsidies or bounties, each nation determines its own policy for itself. And so all are placed upon an equality, exactly as provided by the treaty must be done. But if one nation, controlling the canal, determines to let through its own vessels free of tolls for any reason which may seem good to it, at once a gross inequality and discrimination arises which the treaty clearly prohibits. This is the difference between the policies, which is substantial and conclusive; and in all justice ought to be observed, as the United States pledged it would do with reference to this treaty.

Equality can only be obtained by actually compelling all vessels to be treated exactly alike as they pass through the canal; and unless this equality can be obtained, neutrality can not be. They must accompany each other necessarily and so do, unless expressly agreed and reserved as in the case of Turkey as to the Suez Canal. So, if the construction and application of the Panama treaty follows the construction and application of the Suez treaty, upon which it is based and after which it is framed, then there can be no exception or implication in favor of or against anybody or interest; but all must be treated exactly alike, as both treaties expressly provide, and as the Suez management actually does.

The Commissioner of Navigation, in his annual report for 1911, on page 12, stated as follows:

The river and harbor act of 1884 was passed in the full knowledge that Congress, of course, could have imposed tolls on all vessels using any of the improved waterways on which so much has since been expended, just as Germany imposes tolls for the navigation of the Kaiser Wilhelm Canal. It was passed with the knowledge that if it chose to impose such tolls Congress must impose them on American vessels as well as foreign vessels, for the United States and all other maritime nations make no discrimination on account of the flag.

And, further, on page 17, he said, in part:

Our treaties of amity, commerce, and navigation usually contain a special article on the coastwise trade. Thus article 13 of our treaty of February 21, 1911, with Japan, our latest important treaty, provides: "The coasting trade of the high contracting parties is excepted from the provisions of the present treaty and shall be regulated according to the laws of the United States and Japan, respectively."

There is no such article in the Hay-Pauncefote treaty, and there is no need to read such an article into the treaty. Within its concise provisions the Frye bill has provided fully for the coastwise trade as well as for foreign trade and for merchant vessels as well as for public vessels of the United States. That bill, in brief, is based on the belief that in accord with our treaties every nation, including the United States, will contribute to the support of the canal in proportion to the use it makes of it. Each nation is free to choose the manner in which it will make its contribution. All other nations, of course, will adopt the same method of making the contribution in behalf of their vessels of war, namely, by direct appropriation from their treasuries. Nations will differ as to the manner in which they will provide for the contributions in behalf of their vessels of commerce. Some will require each shipowner to pay, himself, the tolls on his vessels and look to his freight and passengers to recoup himself. Other nations will pay subsidies to some of their ships or navigation bounties to all of them sufficient to pay in whole or in part the canal tolls. Still others will appropriate specified amounts to pay the tolls of specific steamship companies. The Frye bill proposes that the American people shall pay and American merchant ships and their cargoes shall not pay tolls, but shall enjoy the navigation of the canal precisely as they now enjoy untaxed the navigation of a thousand improved American harbors, rivers, lakes, and canals.

These citations, from one of the most intelligent, ablest, and strongest advocates of assistance by Congress for our merchant marine, show conclusively that any assistance must be granted by appropriations therefor by Congress, and that it can not be honorably or decently done by remission of tolls to our own vessels in contravention to the express terms of our treaties.

VIII.

CANAL TREATIES WITH LATIN COUNTRIES.

The continuous and historic policy of the United States as to equality of tolls on the Panama Canal, can be well understood and illustrated by its previous action concerning this subject with the various Latin-American countries. There are two phases: First, the negotiations, treaties, and attempted agreements between the United States and the various Latin nations, with reference to the construction of the canal. Second, the construction and contention of the United States in such treaties and agreements, with reference to equality of treatment between the citizens, commerce, and vessels of the United States and the various nations.

LIST OF AGREEMENTS.

Following is a partial list of treaties, attempted treaties, and negotiations between the United States and the various Latin-American nations, with reference to the construction of an interoceanic canal; United States with New Granada, ratified June 10, 1848; United States with Colombia, concluded January 14, 1869; United States with Colombia, concluded January 26, 1870; United States with Colombia, concluded August 8, 1873; United States with Colombia, concluded February 17, 1881.

All of these treaties contained in substance the provision in the thirty-fifth article of the original treaty of 1846, securing to

all nations the free and equal right of passage of the interoceanic waterway.

The United States with Honduras, concluded July 4, 1864. Same as in the preceding treaties with New Granada. United States with Nicaragua, concluded June 21, 1849; United States with Nicaragua, concluded September 3, 1849; United States with Nicaragua, concluded November 16, 1857; United States with Nicaragua, concluded June 20, 1869; United States with Nicaragua, concluded February 28, 1877.

These contain either the language of the New Granada treaty of 1848 with reference to tolls, or such as the following: "For all vessels on equal terms in every respect as between each other." This has been invariably construed by all nations and all administrations, as embracing both coastwise and foreign vessels and commerce of both nations.

TREATY FOR COASTWISE PREFERENCE.

The treaty of the United States with Nicaragua, concluded December 1, 1884, known as the Frelinghuysen-Zalaya treaty, contained the provision "equal tolls for the vessels of all nations." "Excepting the vessels of the contracting parties engaged in the coastwise trade."

The draft of this treaty is very important to consider in this controversy for this reason, that it conclusively shows that all previous treaties containing the words "equal terms" or their equivalent, *included both coastwise and foreign vessels and trade*, and that the United States did not contend or expect that a construction of such terms could imply that its own coastwise trade was to be necessarily excluded by implication. No one thought of such a construction. But on the contrary, when it was desired by our Government that its coastwise trade should be excluded from the general provision as to "equal terms to all nations," it was found necessary to expressly provide for such exclusion, as was done in the Frelinghuysen-Zalaya treaty. This was the rule which was followed in the controversy between the United States and Canada over the treaty of 1871, above referred to, and it is also the rule of construction of the Suez convention, in which the rights of Turkey were expressly reserved.

This additional fact is significant also that, together with the express exception of its coastwise trade, there is no provision in the treaty for its neutralization, showing that our officials realized that such could not be granted by the nations where favoritism is openly exacted.

GENERAL RULE CONSTRUCTION.

It is the general rule in the construction of all treaties and among all nations that the general rule should include all matters fairly within its terms and that any exception from the policy must be expressly noted. Never has this rule of construction been seriously controverted, until in the present discussion concerning tolls in the Panama Canal.

The United States negotiated with Costa Rica, in 1876; with provisions the same as Nicaragua.

FAVORED-NATION CLAUSES.

The treaties of Costa Rica and Nicaragua with other nations contained the most-favored-nation clauses, which would have extended the privilege for free or preferential tolls to the coastwise trade of most nations, under the old canal treaties, if such a principle had been adopted as is contained in the minority report. This suggestion alone, would have ruined any chance for the construction of an interoceanic canal by any company. Yet the terms of those treaties are not as sweeping concerning equal treatment, as the general requirement for "entire equality, without discrimination as to any such nation," etc., in the Hay-Pauncefote treaty.

CONSTRUCTION BY UNITED STATES.

It is next important to ascertain in what manner the United States has itself construed and insisted upon a construction of those treaties with Latin America, with reference to the rights of equal treatment between its own citizens and those of the other nations. The basis of nearly all of the Latin American treaties with the United States is the original treaty with New Granada of 1846, ratified in 1848. The treaty was lengthy, but the substance of it, so far as this controversy is concerned, is contained in article 35, which provides, in substance, "that the citizens, commerce, and navigation of the United States shall be subject to the same tolls, charges, and duties as the citizens of New Granada." Under this treaty, soon after its ratification, there was much commerce, coastwise in character, principally to California, and many charges of discrimination and unfair treatment were made by citizens of the United States against New Granada and Colombia. (See pp. 103, 115, 119, 123, and 124, vol. 3, Moore Dig. Int. Law.)

TREATMENT NOT EQUAL.

The basis of the complaints were nearly always that the Republic of New Granada or the representatives of its local governments did not treat the citizens or commerce or mails of the United States on the same or on equal terms with its own.

The United States Government has always been strenuous and continuous for such contention and construction, not only with the Latin countries but with Canada; and such contentions then related principally to the same class of trade, which now demands preferential treatment at our own hands, that between the two coasts, as our own domestic commerce. At that time those engaged in such business demanded that our Government should construe the treaties, as requiring the Central American nations to treat our people, vessels, and trade exactly as they did or should their own. Now the same class of domestic commerce strongly urges us to reverse such a policy, and abandon such traditions in the construction of far stronger and broader language in the Panama Canal treaty, promising entire equality and forbidding any discriminations, which we have sacredly pledged ourselves to observe by the words "to the end that the same and every article and clause thereof may be observed and fulfilled by the United States and the citizens thereof."

COASTWISE TRADE SEEKS DEFENSE.

The coastwise trade between the two coasts had a right in years past to demand the full protection of our Government and its treaties, that their provisions for equal treatment should include and defend them in the coastwise business in their immensely profitable ventures and in the wonderful development of our western shores. But what could be more shameless now, when it seems to be for their profit, that they seek an abandonment of the just and historic construction of the language "equality of treatment," a reversal of our policies and traditions which in the past they so besought and have so benefited them, so that they may now gain a little something additional, by the violation of the principles of justice and fair dealing?

IX.

GENERAL TREATIES WITH OTHER LATIN AMERICAN NATIONS.

No treaty or public act of any nation can be considered or construed separately and independently and by itself. It must be realized that it is only a part of a continuous history and policy of a Government. The greatest future development through the opening of the Panama Canal is expected to be on the Pacific Coast; and the region where the United States would have a natural advantage in the extension of its commerce would be with those nations which have ports on the Pacific. The relations between these governments and our own must be of prime importance in the consideration of what benefits can be hoped and expected through the opening of the canal. These nations have expressed themselves many times and in many ways, as most friendly with the United States, and have been profoundly grateful to our Government for the construction of the canal and conferring such inestimable benefits upon them and mankind.

RESOLUTION OF GRATITUDE.

Perhaps this is best expressed by a resolution adopted at the Pan American Conference at the City of Mexico on the 22d day of January, 1902, as follows:

> The Republics assembled at the International Conference of Mexico applaud the purpose of the United States Government to construct an interoceanic canal and acknowledge that this work will not only be worthy of the greatness of the American people, but also in the highest sense a work of civilization, and to the highest degree beneficial to the development of commerce between the American States and other countries of the world.

That splendid evidence of good feeling has continued, and the trips to and through those nations of Secretaries Root and Knox have greatly increased and intensified it, and they are now ready to meet and greet the United States, its people, and commerce on terms of the utmost cordiality, to the mutual advantage of all. This sentiment has been expressed most forcibly and felicitously by Secretary Knox in his brilliant address at San Francisco on the evening of Tuesday, May 7.

COAST LINES OF NATIONS.

The following nations front on the Atlantic and Pacific coast lines: Great Britain, United States, Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, Colombia, while Salvador, Ecuador, and Peru have connections by waterways which may not be of much importance. As Secretary Knox, in his address, stated:

> In the case of those States fronting on the two oceans, like Colombia, Panama, and four of the five Central American Republics, its immediate effect, like that so far as the United States and Mexico are concerned, is to give them a virtually continuous water frontage on both seas.

These nations have a deep interest in the treatment of their coastwise trade through the Panama Canal, and of the construction by the United States of the canal treaties, as to the treatment of their and our coastwise trade.

THEY KNOW CONSTRUCTION OF TREATIES.

They are well acquainted with the section in the canal treaty providing for "terms of entire equality, without discrimination, to all nations observing the rules," and they well know the traditional policy of the United States in its insistence that the language "terms of entire equality" must include both foreign and coastwise trade, unless the coastwise be specifically excepted; and they know that no such exception exists in the canal treaty. They are well informed as to the consideration and potent reasons as set forth in the official utterances of our Government and responsible officials, as to why "equality to all" was justly promised and granted by the language of the treaty. They know, too, that in the treaties between the United States and several of these nations may be found the following article:

The two high contracting parties, being likewise desirous of placing the commerce and navigation of their respective countries on the liberal basis of perfect equality and reciprocity, mutually agree that the citizens of each, etc., shall enjoy all the rights, privileges, and exemptions in navigation and commerce which native citizens do and shall enjoy, etc. But it is understood that this article does not include the coasting trade of either country, the regulation of which is reserved by the parties respectively according to their own separate laws.

The following nations have a similar article in their treaties with the United States: Brazil, Central America, Ecuador, Colombia, Guatemala, and Salvador, and the others have something similar, expressing about the same idea.

ARTICLE REQUIRES EQUALITY.

The substance of the article is, that commerce and navigation of the two nations shall be on a basis of perfect equality and reciprocity, and the citizens and commerce of the two nations shall enjoy the same rights, privileges, and immunities. The Panama Canal treaty is equally broad in its treatment of commerce and the citizens of all nations on terms of "entire equality without discrimination."

It would seem in all fairness that the construction of all such treaties should be that the same privileges, rights, and immunities should extend equally to all trade and commerce of all these peoples and of all of these nations; and if there be desired any exception to such general terms that such exception be plainly and fairly set forth. That is exactly what was done as to the coastwise trade in every other treaty except the canal treaty. In other treaties it was agreed that all commerce and navigation, except coastwise, should be treated exactly alike. In the canal treaty it was so agreed with no exception, so it would seem the general terms would include the coastwise business because not expressly excluded. The proposition for such an exception was often discussed and contended for, and was once contained in one of the drafts of a treaty with Nicaragua; but the treaty before us does not contain it. It would seem impossible to justify such construction as contended by the minority, on any basis of fair and honest dealing with those nations and peoples. But if we do so except our coastwise trade, in all fairness we should equally except the coastwise trade of all of these nations with whom we have had such relations in the past.

IMPOSSIBLE FOR EXCEPTION.

And this would be impossible, because the favored-nation clauses would thus practically embrace nearly all nations. This would leave only tolls on exclusively foreign commerce, and the large part of the necessary revenues of the canal would be lost. Yet that is the only fair deduction from the construction and demands of the minority; or forfeit the respect of all these other nations as well as our own self-respect. If we do not follow such a course, then complaints as to the unfairness and discriminations and violations of our various treaties will at once commence.

NATIONS WILL DISCRIMINATE.

Various nations will at once begin to discriminate in some way or other, against the citizens and commerce of the United States in favor of their own citizens and commerce, and in favor of citizens and commerce of their friends and those who treat them fairly. When we point to our treaty rights and ask for redress, we will be met with our own construction of the words "entire equality of treatment of all nations without discrimination," as implied by exempting our own citizens and commerce from its effect. They can then inform us, that similar language in their treaties must also exempt their own citizens and commerce from the obligations of them; that if we implied that exceptions can exist when we want to make them; they can also insist upon their existence when they want to make them in favor of their own people.

RIVAL NATIONS INCITE.

Rival nations in the commercial world, can and undoubtedly would use such a situation and such a construction as a means to excite hostility and discrimination against the United States, our people, and commerce; and they could easily use the cloak of local interests by such construction, to really bring about a discrimination for their own benefit. This condition may be expected, if we refuse to abide by our own agreements and violate the plain principles of fair dealing and decency.

SUCH CONSTRUCTION INJURES OUR PEOPLE.

The construction of the Panama Canal treaty, as it would be by the minority, would bind the hands of the Government and render it helpless to protect our own people and commerce in such a class of cases. The losses which must ensue to our own people and from the humiliation to our Nation, would be many times greater than any possible benefit which could possibly accrue from any policy of evasion and dishonesty. Indeed, it would be probable that every commercial organization which now demands such discriminating construction of our canal treaty, would be foremost to complain when their own medicine should be administered to their own members and interests, under similar language in the commercial treaties with other nations. It might be well to look before we leap in this tremendously important matter of construction of this treaty.

It is always well to remember that honesty and fair dealing of our own with other nations will be productive of the peace, good will, advancement, and prosperity to all people and to all nations; and this broad and patriotic policy and its attending results has always been the fond hope of the promoters of this great work from its beginning.

X.

TREATIES WITH OTHER NATIONS.

A somewhat similar situation exists with the other commercial nations of the world. The language of most treaties is nearly the same, and the same construction is given to the terms used in these agreements. Everyone who is interested, realizes what these customary terms mean, and the foreign and political departments of this Government have always followed the accepted usage of all commercial nations, in interpreting such terms and construing such provisions. It has been the uniform course of our Government, of Presidents and Secretaries of State, ambassadors and ministers, of Congress and courts to construe the terms "equal treatment," "equality of treatment," "on equal terms," and "equal and equality," referring to commerce, trade, and navigation as including all of the class and excluding none by implication unless expressly reserved, so there can be no misunderstanding about it.

TERMS GENERAL AND INCLUSIVE.

This is evident, since an examination of the treaties of the United States and the general terms in those agreements, referring to commerce and navigation, is nearly always general and inclusive; and the general terms have been invariably construed to include coastwise commerce within such provision. That this is true must be realized, because whenever it has been desired to exclude coastwise business from the general language as to commerce and navigation, express words to such effect have been inserted in such treaties. The list of commercial treaties, containing such reservations of coastwise commerce, is given in the testimony of Commissioner Chamberlain, page 878, volume 3, Hearings before the House Committee on Interstate and Foreign Commerce on the Panama Canal. Unless such exception be expressly made, it is evident that the general rule laid down in the treaty must apply to both foreign and coastwise trade.

CANAL TREATY WITHOUT QUALIFICATION.

In the canal treaty, the terms were most general, with no qualifications or exceptions. The language included all nations, all vessels, all trades, all citizens, with no discrimination against any of them or exception in favor of any nation, trade, or interest. This rule was inserted not only because such had been the historic and uniform policy of our country as to the interoceanic waterways, but because in all fairness and justice it should be done by us when other nations had yielded to us valuable rights, at our request, for this purpose. Under these circumstances, and viewing the long and uniform course of diplomatic dealings of this country, whereby coastwise trade was expressly excluded from the provisions of our treaties when it was desired that it should so be excluded, and when not so expressly excluded, should be deemed to be included within the broad and general provisions, it does not seem possible that any exception now can be fairly implied from such plain language, or admitted by the authorities of any nation.

XI.

MINORITY OBJECTIONS.

USE OF CANAL BY WAR VESSELS OF THE UNITED STATES AND PANAMA.

The minority urges strongly that because the pending bill provides for the free use of the canal by vessels of war of the United States and Panama, that equally we could provide for its free use by domestic vessels in coastwise trade. As a basis for such contention is a statement "that such a construction is inconsistent with the very purpose of the canal, which was conceived primarily as a military necessity." Those who signed such a statement seem to be unfamiliar with the history and purpose of our interoceanic canal. There are here cited some expressions from our statesmen who had the responsibility of conducting the affairs of this Government with reference to the canal to show the fallacy and error of such a statement.

Senate resolution, 1835:

* * * The construction of a ship canal across the Isthmus which connects North and South America, and of securing forever by such stipulations the free and equal right of navigating such canal to all such nations. * * *

House resolution, 1839:

* * * For the purpose of ascertaining the practicability of effecting a communication between the Atlantic and Pacific Oceans by the construction of a ship canal across the Isthmus and of securing forever, by suitable treaty stipulations, the free and equal right of navigating such canal to all nations.

This resolution was unanimously agreed to by the House.

Treaty of 1846:

* * * Any modes of communication that now exist, or that may be hereafter constructed, shall be open and free to the Government and citizens of the United States, and for the transportation of any articles of produce, manufactures, or merchandise of lawful commerce belonging to the citizens of the United States; that no other tolls or charges shall be levied or collected upon the citizens of the United States, or their said merchandise thus passing over any road or canal that may be made by the Government of New Granada, or by the authority of the same, than is, under like circumstances, levied upon and collected from the Granadian citizens. * * *

President Polk's message:

It will constitute no alliance for any political object, but for a purely commercial purpose in which all the navigating nations of the world have a common interest.

In entering into mutual guaranties proposed by the thirty-fifth article of the treaty, neither the Government of New Granada nor that of the United States has any narrow or exclusive views. The ultimate object, as presented by the Senate of the United States in their resolution (of March 3, 1835) to which I have already referred, is to secure to all nations the free and equal right of passage over the Isthmus.

Secretary of State Lewis Cass:

While the rights of sovereignty of the local governments must always be respected, other rights also have arisen in the progress of events involving interests of great magnitude to the commercial world, and demanding its careful attention and, if need be, its efficient protection. In view of these interests and after having invited capital and enterprise from other countries to aid in the opening in these great highways of nations under pledges of free transit to all desiring it, it can not be permitted that these Governments should exercise over them an arbitrary and unlimited control, or close them or embarrass them without reference to the wants of commerce or the intercourse of the world. Equally disastrous would it be to leave them at the mercy of every nation which, in time of war, might find it advantageous for hostile purposes to take possession of them and either restrain their use or suspend it altogether.

The President hopes that by the general consent of the maritime powers all such difficulties may be prevented, and the interoceanic lines, with the harbors of immediate approach to them, may be secured beyond interruption to the great purposes for which they were established.

Negotiations of Secretary of State Fish:

* * * A Darien Canal should not be regarded as hostile to a Suez Canal; they will be not so much rivals as joint contributors to the increase of the commerce of the world, and thus mutually advance each other's interests. * * *

We shall * * * be glad of any movement which shall result in the early decision of the question of the most practicable route and the early commencement and speedy completion of an interoceanic communication, which shall be guaranteed in its perpetual neutralization and dedication to the commerce of all nations, without advantages to one over another of those who guarantee its assured neutrality. * * *

* * * the benefit of neutral waters at the ends thereof for all classes of vessels entitled to fly their respective flags, with the cargoes on board, on equal terms in every respect as between each other. * * *

Secretary of State Blaine's instructions to Mr. Lowell:

* * * Nor does the United States seek any exclusive or narrow commercial advantage. It frankly agrees, and will by public proclamation declare at the proper time, in conjunction with the Republic on whose soil the canal may be located, that the same rights and privileges, the same tolls and obligations for the use of the canal, shall apply with absolute impartiality to the merchant marine of every nation on the globe; and equally in time of peace the harmless use of the canal shall be freely granted to the war vessels of other nations. * * *

Lord Granville's reply:

* * * such communication concerned not merely the United States or the American Continent, but, as was recognized by article 6 of the Clayton-Bulwer treaty, the whole civilized world, and that she would not oppose or decline any discussion for the purpose of securing on a general international basis its universal and unrestricted use; * * *

President Cleveland's message, 1885:

* * * Whatever highway may be constructed across the barrier dividing the two greatest maritime areas of the world must be for the world's benefit—a trust for mankind, to be removed from the chance of domination by any single power, nor become a point of invitation for hostilities or a prize for warlike ambition. * * *

* * * These suggestions may serve to emphasize what I have already said on the score of the necessity of a neutralization of any interoceanic transit; and this can only be accomplished by making the uses of the route open to all nations and subject to the ambitions and warlike necessities of none.

Secretary of State Olney's memorandum, 1896:

* * * That the interoceanic routes there specified should, under the sovereignty of the States traversed by them, be neutral and free to all nations alike. * * *

* * * Under these circumstances, upon every principle which governs the relations to each other, either by nations or of individuals, the United States is completely estopped from denying that the treaty is in full force and vigor.

Message of President Roosevelt in submitting treaty:

* * * It specifically provides that the United States alone shall do the work of building and assume the responsibility of safeguarding the canal, and shall regulate its neutral use by all nations on terms of equality without the guaranty of interference of any outside nation from any quarter. * * *

The very basis for the acquisition by our Government of the Canal Zone, and the acquiescence of the nations in such action, was that it was an act of international eminent domain for the welfare of the world and the equal benefit of the commerce of all nations, and not for our national and selfish purposes.

President Roosevelt's special message, January 4, 1904:

* * * Under the Hay-Pauncefote treaty, it was explicitly provided that the United States should control, police, and protect the canal which was to be built, keeping it open for the vessels of all nations on equal terms. The United States thus assumes the position of guarantor of the canal and of its peaceful use by all the world.

Secretary of State Hay's note of January 5, 1904:

* * * The Clayton-Bulwer treaty was conceived to form an obstacle, and the British Government therefore agreed to abrogate it, the United States only promising in return to protect the canal and keep it open on equal terms to all nations, in accordance with our traditional policy. * * *

Lord Salisbury described the Suez Canal "a natural right of passage for the commerce of the world"; and his great rival, Gladstone, added:

We can not undertake to do any act inconsistent with the acknowledgment, indubitable and sacred in our eyes, that the canal has been made for the benefit of all nations at large, and that the rights connected with it are matters of common European interest.

Practically the same doctrine has been the basis of every action of our own Nation relative to the Panama Canal. From the resolution of Henry Clay, in 1837, through every administration it has been uniformly asserted that our interoceanic canal would be one of the great highways of the world, open, free, and neutral to all nations alike.

The report of Senator Davis, of Minnesota, for the Senate Committee on Foreign Relations in 1900, favorably recommending the ratification of the Hay-Pauncefote treaty concerning the Panama Canal, sets forth at length the views of a long line of American statesmen and the reason for the faith within them.

CANAL IS FOR COMMERCE.

This canal is a great commercial enterprise, primarily and properly, and is more liable to be a military liability than an asset in the case of necessity, unless very expensive and extensive military preparations be made to prevent such a contingency. But since the minority does question the right to pass war ships of the United States and Panama through the canal free of tolls, it is well to place the reason for such action of record, so there can be no error about it.

RIGHTS OF OWNERSHIP.

Article 2 of the treaty provides, "and that, subject to the provisions of the present treaty, the said Government shall have and enjoy all the rights incident to such construction, as well as the exclusive right of providing for the regulation and management of the canal." The United States thus has and can enjoy all the rights incident to ownership, which are admittedly to use the canal for its own public purposes and to discharge its own public functions of sovereignty. Among such is clearly the right to use public vessels, its own war vessels, to uphold and promote its own welfare in any manner it deems proper, and be accountable to no one for any such action. That is a conceded and necessary right of ownership.

VESSELS OF WAR AND OWNERSHIP.

But the minority states that vessels of war and commerce of the United States are put on even terms by the provisions of the treaty. It is true that section 1, article 3, does put them on even terms, and if that were all of the treaty, doubtless the minority would be correct. But sections 2, 3, 4, 5, and 6, article 3, must equally be considered with section 1. These provide in substance for the neutralization and defense of the canal, its territory, works, and operations. Article 2 also confers upon the United States the exclusive right of regulation and manage-

ment. Article 4 prohibits a change of sovereignty of the Canal Zone, affecting the principle of neutralization or obligations of the parties.

CANAL NEUTRALIZED.

It is recognized that the canal, its works and operations, are to be neutralized and not internationalized; that is, it shall be neutral in the sense that it shall not be used as a basis for war by any nation, and that no act of war shall be committed against it by any nation, and that at all times it shall be open on equal terms to all nations observing its rules. These rules, this status, this operation, immunity, sovereignty of the zone, and obligations must be enforced and protected by some competent force against violation. It is agreed by the nations that this shall not be an international burden like the Suez Canal, but confided to the United States alone. It is our duty to defend and enforce it and its privileges. That is conceded.

MEMORANDUM OF SECRETARY HAY.

In his confidential memorandum to the Senate, while the second Hay-Pauncefote treaty was pending, Secretary Hay set forth the views of our Government as to these matters. This memorandum has been discussed at length in those remarks, and need not be here repeated, especially as similar views are contained in the memorandum of Lord Lansdowne, the British foreign minister, from which is quoted the following:

The new treaty, as submitted, declared the neutrality of the canal, for the use of all nations on terms of entire equality; and placed upon the United States alone the burden and responsibility of enforcing such neutrality and the rules and regulations for its management. Under the treaty, as it stands, the United States would have the clear right to close the canal against any hostile nation and to protect and defend it by any necessary means. For these reasons there has been omitted the prohibition against fortification.

In the new draft the United States intimated their readiness "to adopt" somewhat similar rules as the basis of the neutralization of the canal. It would appear to follow that the whole responsibility for upholding these rules, and thereby maintaining the neutrality of the canal would henceforth be assumed by the Government of the United States. The change of form is an important one, but in view of the fact that the whole cost of the construction of the canal is to be borne by that Government, which is also to be charged with such measures that may be necessary to protect it against lawlessness and disorder, His Majesty's Government is not likely to object to it.

In view of the permanent character of this treaty, whereby the general principle established by article 8 of the Clayton-Bulwer convention is reaffirmed, the high contracting parties hereby declare and agree that the rules laid down in the last preceding article shall, so far as they may be applicable, govern all interoceanic communications across the isthmus which connects North and South America.

As to this, I understand that by the omission of all reference to the matter of defense, the United States Government desires to reserve the power of taking measures to protect the canal, at any time when the United States may be at war, from destruction or damage at the hands of an enemy or enemies. On the other hand, I conclude that, with the above exception there is no intention to derogate from the principle of neutrality laid down by the rules. As to the first of these propositions, I am not prepared to deny that contingencies may arise when not only from a national standpoint of view, but on behalf of the commercial interests of the world, it might be of supreme importance to the United States that they should be free to adopt measures for the defense of the canal at a moment when they were themselves engaged in hostilities.

CONCLUSIONS OF BOTH FOREIGN OFFICES.

These statements of both Secretary of State Hay and the British foreign office, made at the time of the framing of the Hay-Pauncefote treaty, contemplated and agreed that the United States should and would be solely responsible for the enforcement of the rules, of neutrality, of the open, free, and equal use, and of sovereignty of the Canal Zone. This naturally and necessarily would require force, and consequently Congress has adopted the policy of fortifying the Canal Zone. Naturally and necessarily such a policy need not be confined to the land forces. Equally must the sea and naval forces be used whenever necessary in the judgment of the United States. For that conclusive reason, it is provided that the ships of war of the United States shall pass through at all times free of charge.

Perhaps the clearest and most forcible statement concerning this situation was made by Secretary Knox in his San Francisco address, as follows:

FOR ALL NATIONS' USE.

Our treaties, in so far as they relate to the canal, contemplate its full and unimpeded pacific use by all nations. The United States, as the occupant and administrator of the territory traversed by the canal, assumes for itself the sole right to see that the canal shall not be misused to defeat that end. Our national policy in this respect is declared by those treaties, wherein we have announced that as a basis for carrying it out the United States adopts substantially the rules for the navigation of the Suez Canal. If any belligerent violates those precepts of the law of nations upon the territory controlled by the neutral State, as the zone is controlled by the United States, the neutral has the right to prevent such violation, just as he would have the right to prevent it on any part of his sovereign territory. That right is an inherent attribute of sovereignty.

NEUTRALITY OF TRANSIT.

The neutrality of transit, which is the particular shade of neutrality intended by the American declarations, can be practically maintained only by the responsible party in possession, and it is the inherent right of the United States to maintain it, precisely as it is to maintain the innocent freedom of transit through any part of its territory. For all purposes of sovereign administration, the canal is American territory and a part of the coast line of our country. It stands to reason that the "neutrality" imported by the generous donation which we make to the world of the impartial privilege of transit and of the use of our own property to that end could not have meant and can not mean that the United States, if at war, would have to abstain from sending warships through the canal or, on the other hand, be constrained to allow the enemy to use it on equal terms with ourselves. The mere statement of such a proposition is its self-reduction to an absurdity.

SAME RIGHTS FOR PANAMA.

Practically the same reason exists as to the war ships and public vessels of Panama, as provided in the treaty with Panama. In addition to maintaining its sovereignty as described in the treaty, Panama also agrees to suitably maintain sanitation and peaceful conditions near the canal, as well as places of refuge for vessels, to be freed from dues by Panama. These obligations are incidental to the general provisions of articles 3 and 4 and should be properly enforced and administered by Panama itself. To enable that Government to properly perform its duties provided by the treaties, and for the evident benefit of commerce of the world, and to save expense and trouble to the United States, and to carry out the provisions of the treaty with Panama, the pending bill provides for free use of the canal by the public vessels of Panama, engaged in such proper public purposes.

Yet such a necessary and concededly proper use of the canal by our public authorities is taken as an argument to violate its rules and our treaties, to reverse our national policies, offend our neighboring nations, imperil our trade, and invite the scorn of honest men because of our greed and perfidy.

XII.

OBJECTIONS OF MINORITY.

DECISIONS OF THE UNITED STATES SUPREME COURT ON THE BRITISH TREATY.

The minority report on page 6 claims that the decision of the United States Supreme Court in the case of Olsen *v.* Smith (195 U. S., 332) can be construed as a basis for their contention, that by implication the Panama Canal treaty excludes coastwise vessels from its provisions as to equality of tolls. The contrary is the case, and the decision, in fact, sustains the view of the majority as heretofore expressed. The Supreme Court has repeatedly held that in construing treaties of the United States as to political and public questions, that it is bound to follow the construction given to them by the political departments of the Government, whose duty it is to negotiate and prepare such treaties and to administer and enforce them; that is, by the legislative or executive departments. (See J. C. B. Davis's Rules for Construction of Treaties, Rule I; Butler on Treaty Making Power of United States, secs. 391 and 460. Cases cited.)

So, in construing the language in the Panama Canal treaty with reference to a public question, the court would be bound to follow the practical and uniform construction relating to public and political policies already given to similar language in other treaties by the Presidents, departments, and diplomatic officials, and by Congress itself. The policy as to treatment of our whole coastwise commerce, certainly, is such a public question. This is exactly what the court did in the Olsen *v.* Smith case, cited by the minority.

It should be noted, that since the treaty of 1815, as construed by the Olsen-Smith case, covered only the subject of vessels and required the same treatment as to them, from and to the same port; the Canadians argued and acted as though the treaty of 1871 only covered the subject of vessels, though the language there was "equality of treatment as to citizens, subjects," and so forth.

So, in the controversy above described, the Canadians did treat American vessels identically the same as they did Canadian vessels; and upon this they claimed that they fulfilled the treaty; that it did not mean more and they could discriminate as to all else. Our Government insisted vigorously that the words "equality of treatment," and so forth, was far broader than "vessels" and than the scope of the treaty of 1815; and included traffic, ports, routes, citizens, and subjects, and that all must be treated equally and alike. That contention prevailed, and is now the basis of the construction and action by our Government as to all such language, which is substantially the provision in the canal treaty.

CASE OF OLSEN V. SMITH.

Texas had a statute requiring compulsory pilotage for all vessels entering its ports, but excepting domestic steam vessels in coastwise trade, as provided by section 4444, Revised Statutes United States. The court held, that as to a British vessel coming from a foreign port, such exception did not constitute a violation of the treaty between Great Britain and the United States containing the language "no higher or other duties or charges shall be imposed in any port of the United States on

British vessels than those payable in the same ports by vessels of the United States." The reason for such holding was substantially stated in the opinion, as cited in the minority report; that it is allowable under such language to consider different classes of vessels—those from foreign ports would be one class and domestic steam vessels in coastwise trade would be another class; and that such treaty was not violated because vessels of the class in the foreign trade were included within compulsory pilotage, while domestic steam vessels in coastwise trade might be exempt from it. This is obviously true, because the reasons for the existence of the two classes under the laws as to the compulsory pilotage are entirely different. But that is not all the case presented under the canal treaty.

DIFFERENCE BETWEEN CASES.

The British treaty of 1815 was one of the very oldest entered into by our Government, and by its express terms and its unvarying construction has included only the subject of "vessels" within its scope. But the canal treaty includes not only vessels but citizens and subjects, ports and places, routes and traffic, in both coastwise and foreign trade; as such language in the canal treaty has been construed by the proper authorities of our Government, the legislative and executive departments, in the cases of the Canadian treaty of 1871 and in the Central American treaties concerning commerce and trade across the Isthmus. This construction bears upon the exact language of the treaty under discussion, and the subjects which would be at once affected by the legislation; while the language of the treaty considered in the Olsen-Smith case is entirely different from the canal treaty, and covers only the single subject of vessels.

Further, the Supreme Court in the Olsen-Smith case held substantially that the treaty applied to vessels of the same class and from the same port to the same port; and that when vessels were of another class and from a different port, a different application of the treaty under the peculiar circumstances *already indicated by Congress* might be made. And this has been the practical construction of such treaties by the executive departments of our Government, for many years past. The Canadian case showed that this obvious defect in such treaties concerning coastwise navigation by including the subject of vessels only, has been corrected in nearly all subsequent treaties. The words "no higher or other duties or charges shall be imposed in the same port on vessels of the United States" are narrow and obsolete in scope, including only the one subject of vessels; so that much broader language was later used, such as found in the Canadian treaty of 1871, "shall enjoy use on terms of equality with the inhabitants, etc." That has been construed now by agreement of both Governments to include all vessels, ports, traffic, routes, citizens, and subjects; and such construction has been officially adopted by our Government. But the later treaties go much further to insure identical treatment in all respects. The canal treaty provides that "the canal shall be open to vessels of all nations observing these rules on terms of entire equality, so there shall be no discrimination against any such nation or its citizens or subjects in respect of the conditions on charges of traffic or otherwise." This is certainly broad enough to cover by its terms all phases of commercial intercourse and action.

Practically this same language is contained in the latest British treaty of 1910 concerning the canals of the Great Lakes.

COURT FOLLOWS CONSTRUCTION.

The Supreme Court has always followed the practical construction of the political departments as to provisions dealing with political and public questions, and undoubtedly will so continue, and the exclusion of the coastwise trade of one nation from the provisions of the treaty, and discriminating against such trade of the others, is a public and political question, which must be decided by the political powers of our Government. So that the case cited has no practical bearing upon the question here being considered. Yet it sustains the contention of the majority when understood in its bearing to the other treaties and policy of the United States. The court holds that under such treaty it is allowable to separate the vessels into classes, and that as to some classes compulsory pilotage may be charged; and as to the class of domestic steam vessels in the coastwise trade, that a law of the State exempting them would be sustained.

DECISION FOLLOWS CONGRESS.

That decision practically follows the judgment of the political departments, by which Congress established and the executive departments have enforced such law as to the different classes under such treaty. Several such classes should be considered with reference to this subject.

Under the laws, the compulsory pilotage would apply to all American and foreign steam vessels in foreign trade, coming from the same foreign port to the same port in the United States. It would also apply to all sail vessels in both coastwise and foreign trade. It would also apply equally to all steam vessels of all nations, including the United States, sailing from the same port in the United States to the same port in the United States, unless, under the Federal law, the United States steam vessels should be engaged in coastwise trade and had on board a licensed pilot who must be an American citizen, and was duly licensed as competent under the laws of the United States. In such case only, the American vessel would be exempt from compulsory pilotage. If a British steam vessel should also engage an American citizen as a duly licensed and competent pilot under the laws of the United States, and should proceed in ballast from one port of the United States to another port of the United States where compulsory pilotage is exacted, and then should be compelled to pay such pilotage where an American steam vessel under similar conditions would not, in such case it might be considered whether or not the vessels were treated the same and the treaty be violated. But no such case has been presented, and neither Congress or the courts have considered such a class. And until such case is presented, there can be no basis for the contention of the minority that by implication from such decision all coastwise trade and commerce is excluded from the treaties; and consequently the same construction should obtain as to the Panama treaty. A small, local class might be excluded for a good public reason, which would not violate the purpose or effect of the treaty, while the exclusion of a broader and more general class would so violate the treaty and the purpose of its existence.

A further examination of the treaty, the decision of the court, and the general situation as to commerce and navigation under such treaties, will still further strengthen the contention of the majority.

REASONS FOR CONTENTION.

It will be noted that in the various commercial treaties which the United States has made with other nations as to coastwise navigation and commerce, there are three different classes of arrangements:

(a) Where there is an express reservation of all coastwise trade applying to all articles, and the whole treaty.

(b) Where there is an express reservation of the coastwise trade applying only to one article and one subject and not to the whole treaty.

(c) Where there is no reservation or exception contained in the treaty or in any part of it, and yet Congress has made some exception in its legislation affecting commerce and navigation, in the operation of such treaty.

(Treaties are referred to by Commissioner Chamberlain, vol. 3, Hearings, p. 878.)

It is thus important to examine the conditions, and ascertain the fair and just rule which should prevail as to the action and construction of Congress and our Government, with reference to these three classes of arrangements. It is obvious and must be conceded, that under the first class, where there is a general express exception of the whole of the coastwise trade from the whole treaty, that Congress can do anything it pleases with reference to our coastwise trade. It violates no agreement and nobody can take umbrage at its action, whatever it may be.

NEXT CLASS NOT SO BROAD.

It is also obvious and must be conceded, that when the coastwise reservation relates only to one article or subject of the treaty, that Congress can do as it pleases concerning anything within the scope of such article or subject. As to the rest of the treaty to which the express reservation does not apply, the rule would be the same as to that concerning the third class, where there is no express exception or reservation at all.

RESERVATION NARROWER.

As to the third class, where there is no express exception or reservation; it is obvious that it would not be fair or just to allow such a wide scope or breadth of action, as where there is such an express exception. The exception and reservation implied from a treaty, should by no means equal the scope of the express exceptions on the same subject contained in other treaties. Otherwise, all express exceptions and reservations would be useless and injurious, because in a way limiting the effect. So in all fairness, such exceptions and reservations, by implication from the general terms of a treaty, are necessarily confined to such subjects as do not violate or contravene the express provisions of a treaty and the reasons for its existence; and should be such as may be necessary to promote the general purposes of the treaty.

PURPOSES OF TREATY.

The general purposes of a treaty of commerce and navigation, such as the British treaty of 1815, were to promote commerce and navigation between the two nations, on a basis of justice, equality, and reciprocity. Whatever will accomplish such re-

sults and will not violate the express provisions and purposes of the treaty is allowable under it, and can be fairly implied from its terms by either nation.

One of the necessities of commerce and navigation is competent pilotage in strange ports. To insure this, many nations and States have provided for compulsory pilotage, so there should be an assured compensation, adequate to secure and maintain a needed supply of pilots. Under the broad terms of most treaties, this would apply to all vessels alike, unless express exception be made.

RECOGNIZED EXCEPTIONS.

But it is recognized and admitted by everybody, that steam vessels in coastwise trade make many voyages in a year to the various ports between which they ply; and because of the numerous and regular trips and the character of them, are obliged to have pilots on board and attached to the vessel amply competent to do the work. But if such steam vessels in regular coastwise business, with competent pilots on board, were compelled to pay the same compulsory pilotage which others must do who only seldom need them, it would be extremely burdensome, if not ruinous to the business. But the business is a public necessity and should be encouraged and not unjustly burdened or ruined. So that such an exception as to a class of coastwise steam vessels with competent pilots, is necessarily implied in such treaties, for the purpose of promoting commerce and navigation and not violating the express provisions of them. It is just and reciprocal and for the benefit of everybody, and is so recognized by the leading maritime nations. This is the public construction of such treaties, by the political departments of the Government. It is this construction which has been sustained by the Supreme Court in the Olsen-Smith case.

OTHER EXCEPTIONS.

A similar class of exceptions exists with reference to tonnage taxes on vessels. The treaties provide, in substance, that all vessels similarly situated must be treated alike. Congress has so provided substantially, but because of entirely different conditions, and for the purpose of aiding and promoting and not of burdening or stifling commerce, has divided tonnage taxes into several distinct classes, as shown by the navigation laws of the United States.

This does not discriminate against or treat any nation unequally with our own. All vessels within each class are equally treated. Moreover, the classification is just and reasonable and one founded on natural and necessary conditions, which all men recognize. Such a classification in legislation is entirely justified, and will promote the very commerce which it is the purpose of the treaty to do. All nations recognize this fact, and will do this very thing. They are compelled to so do by the exigencies of their affairs. Every little petty difference as to conditions can not and should not be specified in a general treaty. But the general purpose and object of justice, equality, and reciprocity must always be observed. The same rules which we claim and apply to our own vessels, must always be admitted and recognized to apply to other nations. There has never been any difficulty about the classes of legislation which should be excepted from such general provisions. They concerned local and municipal matters of a limited scope, which do not contravene the purpose or effect of the general provisions or purposes of the treaty.

Applying this method of construction to the Olsen-Smith case and to the tonnage statutes, it is evident they do not infringe the general purposes of the treaty, to promote commerce by justice, equality, and reciprocity.

PANAMA TREATY OTHERWISE.

But the exception to the Panama Canal treaty which the minority proposes would clearly operate to the contrary. It would constitute a gross discrimination against vessels, citizens, commerce, places and ports, routes and traffic of our neighboring nations. It would help one competitor and trade over a vast region as against another; it would develop one section of our continent as against another; it would affect, directly or indirectly, a vast number of industries and interests of several nations; it would do the very thing which treaties are framed to avoid and prevent, and which in the end might precipitate a more serious conflict. The maritime Provinces of Canada could complain against a discrimination in favor of their competitors in a similar line of business in the New England States. The Central American States and Mexico could similarly complain against discrimination favoring the competition in which they might be interested adverse to them along the southern boundary of the United States. Especially would the northwestern and western Provinces of Canada complain against a discrimination against them and in favor of their competitors in the Pacific Northwestern States.

These are large matters of international importance and of the very nature which treaties are made to regulate and protect and prevent from more serious contentions. They do not concern local privileges, but a broad national interest.

The exception to be applied by the minority is not a petty local and municipal one, as these others concerning pilotage and tonnage have been. The exception of our coastwise commerce would affect a considerable part of the commerce of many nations, and do the very thing which our statesmen for more than 70 years have solemnly promised should not be done. The implied exception from compulsory pilotage of steam vessels, with native pilots in the coastwise trade, would not affect adversely the interest of any nation, and most of them do exactly as we have done and for the same reason. Because of these facts, the Olsen-Smith case, concerning part of an extremely limited class necessary to promote the purpose of the treaty, does not help the minority; but clearly does sustain the position of the majority of your committee, since it recognizes the rule that a proper construction of any treaty for public purposes must be made by Congress, exactly as was done in the Canadian matter.

CONGRESS HAS CONSTRUED TREATY.

In the clearest and strongest manner Congress has indicated its construction of such language as "Equality of treatment," contained in the Canadian and in the other canal treaties. It has held that the Canadian practice of preferential reductions were a violation of that treaty, and it provided retaliation for such action. While this continues on the statute books, it is submitted that, first, the similar language of the canal treaty must be construed in the way Congress directed as to the Canadian treaty; second, that exclusion by implication of coastwise business can not be made when Congress has so recently and by a law now in force decided to the contrary upon similar conditions; third, that the doctrine of exclusion by implication from the general terms of inclusion can never extend to such a class as the general coastwise commerce of a nation, which would violate the very purposes of the existence of the treaty and every pledge made in its negotiation and ratification.

XIII.

OBJECTION OF MINORITY AGAINST CUSTOMARY POLICY.

The minority vigorously argues that vessels using the canal should not pay for its use with any more reason than the vessels using the Soo Canal and other waterways of the United States should pay for such use, and that the historic policy of this country of free and equal use of its waterways should be so construed as to embrace the Panama Canal. It is true that all of the waterways of the United States are free and open to all vessels and commerce of the world on equal terms, and are free from any tolls against vessels and commerce.

This is done by virtue of treaties, by which the vessels and commerce of other nations receive the same and equal treatment in our waters as our own vessels; and in return our vessels and commerce receive the same and equal treatment in the waters of other nations as their own vessels.

By the act of Congress of 1884 there are no tolls or charges in our waterways against any vessel or commerce, including foreign and domestic, coastwise and oversea.

But no one seriously proposes such a policy of free tolls to everybody in the use of the Panama Canal. Our people do not believe that it would be just to them to expend about $400,000,000 for the construction of the canal, and anywhere from $25,000,000 to $50,000,000 annually in properly caring for it throughout the long future; and then receive no revenue from the commerce so greatly benefited by such vast expenditure. Our public revenues are greatly needed for other public purposes, and no foreign nation seriously asks us to consider such an absurd and extravagant proposition as free tolls to everybody.

Yet if we do not adopt such a policy of treating all nations equally and alike in the granting of free tolls, then we shall radically change our historic policy and treat some nations differently, discriminate in favor of ourselves and against the others, contrary to our expressed pledges as declared in the treaties, and contrary to our historic policy as expressed in our statutes and through our political leaders.

MINORITY URGES RADICAL CHANGE.

The minority urges that this radical change from our historic policy be made. The reason for this is given because it has not been our policy to levy tolls on interstate commerce, and because the Panama Canal is but the extension of our domestic waterway system and of our national coast lines. This general proposition is entirely erroneous for three reasons:

First. Congress has always authorized public improvements which in terms levy a toll on interstate commerce, such as

canals, bridges, and so forth. Every session enacts such laws, and they can be found in every volume of our statutes. No one can successfully deny such statement.

Second. The Panama Canal is not an extension of our domestic waterways system, and is not on the same basis as our domestic waterways. On the contrary, nearly every one of the eminent statesmen from the beginning of the enterprise has based his support and the policy of this Nation on the theory that this interoceanic canal is a world enterprise, a highway for the world's commerce, and so forth, and so is on an entirely different basis than any other of our waterways. This has been elaborately discussed in section 6 of these remarks.

The popular use of the term that the Panama Canal is "only an extension of our national coast line" causes confusion in the understanding of the rights and obligations concerning the use of the canal by our own vessels. President Hayes first expressed it as "virtually an extension of our coast line," while Secretary of State Knox, in his address at San Francisco, referred to it as "for all purposes of sovereign administration the canal is American territory and a part of the coast line of our country."

Neither of these responsible officials attempted to place its status as to international obligations the same as that of our own continental coast line or area, as those favoring free tolls seek to do. But if such were really the case, as they contend, then, in escaping from the Scylla of the provision of "entire equality without discrimination," including our coastwise trade under the canal treaty, they would be liable to fly into the Charybdis of the condition set forth by the Commissioner of Navigation in his last report, page 15:

> A long line of treaties point us to equal tolls or no tolls on American and foreign vessels entering the improved harbors of New York, New Orleans, San Francisco, and every other harbor, river, lake, or canal within the United States.

So that if the extreme contention without qualification concerning the extension of our national coast line to Panama be adopted, it might result in infinite perplexities not now realized by those who so jauntily use the term.

Third. The solemn treaties creating international obligations concerning this enterprise require us particularly to treat all other nations equally and alike with ourselves. These treaties differentiate this from all other waterways, and no one can fairly question the application of them and the entire difference between this and the various domestic waterways. This has been fully discussed, and it is not necessary to be here repeated. In his recommendation to the Senate, a short time before the adoption of the Hay-Pauncefote treaty, Secretary of State Hay in substance stated there was a consideration on the part of Great Britain for this principle of equality, neutrality, and protection assumed by us, and that is in the yielding of important material interests through the abrogation of the Clayton-Bulwer treaty. That of itself differentiates this from all other waterways under the control of our Government.

But on page 2 of the minority report it argues that—

> Free tolls at the Panama Canal to our coastwise trade would be the same kind of a "subsidy" that was granted to 41,000,000 tons of shipping that passed through the Soo Canal in 1911. It is true that we levy no tolls upon Canadian vessels using the Soo Canal, but that is because American vessels are accorded the same treatment by the Canadian Government at the Welland Canal. By virtue of a reciprocal arrangement we receive our quid pro quo for passing Canadian vessels through the Soo Canal free of charge.

ERRONEOUS STATEMENTS.

This statement and assumption as to the policy as to the Soo and Canadian Canals is entirely erroneous, and it is only necessary to examine the treaties between Great Britain and the United States to perceive such misstatement and fallacy.

Article 27, treaty of 1871, between the United States and Great Britain, contains the language already quoted with reference to the use of such canals.

Article 1 of the treaty proclaimed May 13, 1910, between Great Britain and the United States contained similar terms, quoted hereafter.

It will be perceived that there is no provision or hint of conditional reciprocal use of the American and Canadian canals; that is, that the United States should furnish its described waterways for use of Canada on condition that Canada should furnish its described waterways for use of the United States. On the contrary, it is expressly agreed in the 1871 treaty that they should be used "on terms of equality," and in the 1910 treaty "navigation shall continue free and open and equally to all vessels," and so forth, "rules and regulations shall apply equally alike," and so forth, "and they shall be placed on terms of equality."

This does not provide for conditional reciprocal use of one upon the express condition of the same kind of use for the other, but for use of both on terms of equality, though Congress in its retaliatory statutes, above described, does require that Canada should observe its treaty relations equally and reciprocally with us, or if it does not so do, the United States will not respect the express terms of the treaty and enforce the provisions of reprisal. The term "reciprocal" as used generally with respect to treaties does not carry the same meaning as the term "reciprocal" used by the minority with reference to the treaty arrangements with Great Britain concerning the Canadian waterways. The minority use the word as indicating a mere conditional exchange of physical privileges by which we use Canada's waterways on condition that on the same terms Canada can use our waterways. This is not the proper definition of "reciprocal" as applied to such treaty or most other treaties. As Secretary of State Blaine indicated in his memorandum in reference to the Canadian agreement, reciprocal use as to such treaty would include interpretation and construction of such treaty, the status of the parties, and equality as to conduct. By that it is meant that all the waterways of both parties are to be used by both on exactly the same basis. Equality of use of all is to be reciprocal and not the use of one on account of equal use of the other.

The Panama treaty provides for use "on terms of entire equality, so there shall be no discrimination as to conditions and charges of traffic," and so forth. The provisions and conditions are essentially the same in all of these treaties, and they must be construed by the same rules of fairness and justice, and all require the same result. It should be noted also that the Canadians do not now use our Soo Canal to any extent, since they have a far better one of their own, which we use more than they do. There could not be much reciprocity about such a condition where the Canadians have practically no use for our canal.

The general principles of reciprocity, equality, justice, and fairness underlie all these and other treaties. They were framed to produce such results, and it is the purpose of all civilized people and governments to accomplish these beneficent purposes.

XIV.

WOULD INJURE FOREIGN TRADE.

It has been shown by the statements from the most eminent leaders of our country, who have had the responsibility for the direction of the affairs for an interoceanic canal, that it was primarily designed to promote and protect our trade and commerce. Such has been the hope and expectation of all of our people, who have been glad to expend nearly $400,000,000 in its construction, and who are equally ready to expend as much as may be necessary to operate, maintain, and defend it. But such benefits to our people and to their trade and commerce, very largely will depend upon the policy adopted by us in the management and operation of the canal.

PROMISES TO WORLD.

We have promised the world that this canal would be constructed and maintained for the benefit of the commerce of the world, without any unfair advantage or preference to anybody. We have entered into treaty obligations by which all nations, commerce, people, and ports are to be treated equally and without discrimination; and we, greatest of all of the nations, notified the world that the United States, first of all, intended to observe and be bound by these rules and obligations. Yet now, for the sake of a possible and contingent benefit to a small industry and to a small section and small interest in this country, it is proposed to violate such treaties, obligations, and pledges and discriminate against other nations and in favor of one of our own interests. The nations other than the United States having coastwise or other connections by water between the two oceans are Canada, Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, and Colombia.

COMMERCE OF COASTWISE NATIONS.

These nations have an annual commerce with the United States of more than $700,000,000 annually. We greatly expect, that this will be vastly increased by the opening of the canal. But if we violate our agreements and pledges to these nations—discriminate against them, their citizens, commerce, and trade by means of such violation of the canal treaty—we must naturally expect, deserve, and will justly receive condemnation, reprisals, and retaliation from all of them. They have a direct interest in competition with us, and we promised them equal and just treatment and terms; and now it is asked that we abandon it when some local selfish interest demands it. More than that, such action would incite other rival commercial nations to stir up resentment against us, and to use our own action and our own construction of the treaty as a means indirectly to help our competitors and injure our commerce. This would inevitably follow.

OUR FOREIGN TRADE.

The latest statistical abstract shows that the foreign commerce of the year 1911 was as follows:

Exports	$2,049,320,199
Imports	1,527,226,105
Total	3,576,546,304

And all of this commerce, in some way or other, might be subjected to petty discrimination and disadvantages which foreign nations or their local governments might impose, and which would be without redress under our own construction of the words "equal treatment." Further, it has been estimated that of the exports more than $1,200,000,000 consists of manufactured goods in which our industrial interests are in severe competition with the like interests of rival nations, and that the citizens of this country have investments abroad in foreign countries of more than $2,000,000,000.

DISCRIMINATION EASY.

It is easy to conceive, that if we initiate a policy of reversal of construction of well-known words like "equality of treatment" and insist that domestic concerns can have a preference under such language, and put such a policy in effect upon the Panama Canal; that it will be the beginning of like construction by the nations affected and of a similar policy of retaliation and reprisals against this competitive commerce, and the interests of our own people. We lay ourselves open without redress by just such a contention as this. Such a policy and its legitimate consequences would injuriously affect nearly every industry and hamlet in our land, and cause a disturbance and lack of confidence which should not be underestimated. We seek an extension of our foreign trade, to employ our people and develop our resources. Nothing in the long run would tend more to produce the contrary effect, than to unsettle the confidence in our national good faith and honor among the people and nations of the world. It would be reflected back upon us at once, and our own people and industries and interests would suffer most.

Undoubtedly the Members of this House have all received a copy of the circular letter issued by Mr. Charles M. Everest, president of the Vacuum Oil Co., complaining strongly and justly against unfair discrimination against his company by the Austrian Government, which is clearly violating the terms of its treaty with the United States. The basis of the claim is unequal treatment of the American company as compared with its own citizens.

This complaint would be but a sample and a beginning of what would come from the business interests of this country on account of similar unfair discrimination by other nations.

At the present time our Government has a just basis to demand fair and equal treatment from any Government so violating its treaty agreements, and, if necessary, to make reprisals. But if we ourselves initiated a policy of unfair discrimination, notwithstanding our international pledges, we can not then complain at the same treatment of our citizens by other nations.

OTHER POLICIES AFFECTED.

It is not well for us to forget that, although our great commercial rivals among the nations have in a way assented to our national declaration of policy known as the Monroe doctrine, yet they are not very cordial in their assent. But they do resent the present application of it, that the European nations can do practically nothing in Central and South America without the permission of the authorities in Washington. This is irksome to them, and they would at once take advantage of this opening to prejudice the very nations we seek to help and protect, by calling attention to our breach of faith, our selfishness and greed, and by one means or another imperil our interests and prestige.

SUCH POLICY BASIS FOR HOSTILITY.

This unfortunate policy could be the basis for all sorts of unfortunate complications and misunderstanding; and inevitably result in the loss of sympathy and assistance from those nations with whom we should be on terms of the closest intimacy and mutual benefit, through the operation of the Panama Canal.

If any considerable part of these things should become true, the canal would become a curse to our people instead of the vast blessing which we have so fondly believed might come from it. It would be a strange commentary, that at a time when the United States Government has been sincerely seeking to establish and maintain the most cordial relations of amity and good will, not only with South and Central American Republics but with the other nations of the world; that greedy, private, and sectional interests should even seriously try to overthrow them all, and excite suspicion and ill will and reprisals, which might require years to straighten and allay. It should certainly be realized that such a course would do much to disturb our friendly international relations, and injure foreign trade and prevent the extension of our commerce on the Pacific and elsewhere. No one should minimize the evils of it. The whole country, all of our people and all of their vast and varied interests, are vitally concerned in such a proposition. Whenever the attention of the whole country is directed at such unfortunate possibilities, to assist the greed and narrowness of a few, the chance for evil is usually averted. The majority of your committee has perceived it, and has notified the nations of the world that the obligations and good faith of the United States will be maintained to the letter, so far as lies in our power. We have faith to believe that as they have ever done, our people will preserve their own integrity and self-respect, and deserve the decent respect and good will of all mankind.

XV.

REMISSION OF TOLLS WOULD NOT CORRESPONDINGLY DEVELOP THE AMERICAN MERCHANT MARINE.

There are two principal reasons given by the minority of the committee why tolls on coastwise vessels should be remitted. First, to develop and upbuild the merchant marine of the United States and cause the construction of new vessels, which would not be built except for such remission. Second, so that freight rates would be reduced to the consumer. As to the first proposition, the testimony before the Committee on Interstate and Foreign Commerce was practically unanimous that free tolls in coastwise business would cause the building of but few, if any, additional ships in the United States. See testimony of Mr. McGregor, president San Francisco Chamber of Commerce, page 997, volume 4, hearings; testimony of Mr. Raymond, manager of steamship lines, page 551, volume 1, hearings; testimony of Mr. George S. Dearborn, president American-Hawaiian Steamship Co., page 567, volume 1, hearings; Mr. D. E. Skinner, president Port Blakely Lumber Co., page 1046, volume 4, hearings. And none of the testimony anywhere has been stronger, than that it would be only one of several important factors toward the upbuilding of our merchant marine.

These were all of the practical business men who appeared before your committee. They are all actually engaged in large business enterprises, and are well acquainted with existing conditions, and nearly all of them appeared before the committee to favor the policy of remission of tolls to our coastwise trade.

REASONS FOR FAILURE.

The reasons for such improbability of development are obvious from the present situation. For nearly a century the coastwise trade of the United States has been confined to American vessels; and the coast-to-coast trade has always been considered a part of the coastwise business. In addition to such monopoly for this class of ships, section 11 of the pending bill prohibits ships owned or controlled by railroads competing in our interstate commerce between the coasts. So that the monopoly to the American vessels is still further restricted by excluding all ships owned by powerful rival interests; thus diminishing the ability of others to compete and the number of ships which can do so; and giving to those who remain in the coastwise shipping business, an advantage equaled by few industries in the world.

LONG AND SHORT HAUL CLAUSE.

Still further and yet even more important, the long and short haul section of the interstate-commmerce act, section 4, has been construed and probably must be construed as prohibiting any more blanket rates between eastern points and the Pacific coast; and the Interstate Commerce Commission in its last annual report has strongly indicated its policy of fixing a different basis of rates for these competing railroads from and to the Pacific coast. See also Opinion No. 1830, filed on the 21st day of March, 1912, in which Commissioner Prouty stated such policies, on page 165; also decisions in the Intermountain Rate cases.

INTERMEDIATE STATES WILL OBJECT.

The intermountain and interior States will very vigorously object to as low railroad rates between the coasts as formerly existed, if done at their expense and to their disadvantage; which will naturally throw much additional business upon the water carriers. This will vastly increase business for the canal beyond the expected and natural increase, which will necessarily come by reason of the opening of the canal, and the decrease of the water rates for transportation, and improvement of facilities.

RATES OF TOLL.

The rates of toll through the canal will be so low as not to be burdensome; and even if remitted would not to any extent increase business or the number of ships. The bill provides

for a maximum toll on the basis of $1.25 per net registered ton, and for a minimum toll of the proportional share of operating and maintaining the canal.

The testimony of Dr. Emory R. Johnson, Commissioner Chamberlain, and Col. Eugene T. Wilson all show the net registered ton, to include between a ton and a half to two and a half cargo tons, or, on the average, about one and two-thirds cargo tons would equal a net ton, which it is generally understood will be the basis for tolls at first. The proposed toll of $1 per net registered ton will amount to no more than 40 to 66 cents per cargo ton, or between 2 and 3 cents per hundred on the freight actually carried. It is obvious that this small reduction would not cause the construction of additional vessels for the coastwise trade, and so these practical men testified to your committee.

AMPLE TONNAGE ASSURED.

The testimony of Dr. Johnson and Mr. Dearborn shows the probability of an ample supply of tonnage for the coastwise trade, so that no subsidy or bonus is needed to secure such a supply. (Mr. Dearborn, p. 580, vol. 1, hearings; Dr. Johnson, p. 710, vol. 2, hearings.)

MONOPOLY NOT TO BE SUBSIDIZED.

It certainly would be a strange proceeding now, when the public mind is so aroused against special privileges, for Congress to continue a monopoly of a vast business to a certain class, and in addition to restrict that monopoly further, by excluding from such business all vessels operated or owned by wealthy and powerful rivals. And then yet further, by the interstate-commerce law, prevent the railroads from competing with such vessels as to a very large volume and class of carriage; and then, beyond all, grant a bonus and a subsidy to this favorite and restricted monopoly of $1 per net registered ton, every time it passed through the canal, which has and must cost the people so much of their treasure.

This is an accurate statement, and should bring the blush of shame to those who seek such special privileges for themselves, at the expense of a generous people.

REDUCTIONS TO CONSUMERS.

A similar condition exists as to the reduction of prices to the consumer on account of the remission of coastwise tolls. Mr. Skinner, Mr. McGregor, and Mr. Raymond testified on this point, and the only authentic statement to show a reduction of prices to the consumer, was on page 549, volume 1, hearings, when it was thought that lumber might be sold 25 cents per thousand cheaper in New York on account of free tolls.

The small toll of 2 or 3 cents per 100 pounds would obviously never reach the consumer, and would amount generally to 1 per cent or 2 per cent of the cost of the goods. Some exceptions might reach 5 per cent. But in general the proportion of freight to the cost would be so low as not to appreciably affect the consumer. (Testimony Col. Wilson, p. 126, hearings.) It would be completely absorbed by the transportation or distributing agencies, as stated in the testimony by several witnesses. They do not need this bonus and benefit, since they will be so greatly helped by the opening of the canal and the general reduction of rates on transportation.

BLANKET RATES CAN NOT CONTINUE.

The minority report assumes that freight rates will continue on the same basis as heretofore, after the canal shall be finished. Everyone knows, who will speak sincerely, that this will not be true. The coasts will largely benefit from the necessary reductions. The interior may benefit slightly or not at all. The railroads can not be compelled to reduce rates below the cost of carriage, and the interior points affected by a reduction of railroad rates, will certainly and vigorously object to a severe reduction on through coast rates by the railroads, to be recouped by an advance or a maintenance of local rates when otherwise there should be a reduction.

RAILROADS NOT AFFECTED.

The minority has vigorously raised the cry that imposition of tolls will help the railroads, by maintenance of the coast rates for the transcontinental lines. This is obviously done to conceal their own intentions to violate our treaties and betray the good faith and honor of our Nation; and cover any injury to commerce by reprisals, because of our own national perfidy. It is to be hoped that some benefit may be received by reason of the great reductions, which may ensue because of the opening of the canal. But it is also certain, that such effect will not be caused by the retention or remission of 2 or 3 cents per 100 pounds on freight charges through the canal. It will only be received through the vast increase of commerce, foreign and domestic; and the tremendous development of our country which will be created by means of this additional and cheap communication.

This increase can not be expected by a policy of creating hostility and reprisals among the nations, but rather by the natural and friendly understanding and intercourse which benefits all.

XVI.

COMMERCE PARTICULARLY BENEFITED—SHOULD BEAR ITS SHARE OF BURDEN.

The construction of the Panama Canal is and will ever continue to be a very costly public work to the American people. In the original bill of 1902 a limit of cost of $135,000,000 was provided for. Now the testimony shows that a limit of cost of $400,000,000 is necessary, excluding interest on the investment. It has been necessary that Congress should make annual appropriations, as set forth on page 396, Report of the Isthmian Canal Commission for 1911, as follows:

Statement of appropriations by Congress.

Purchase of canal rights, June 28, 1902		$40,000,000.00
Purchase of Canal Zone rights, Apr. 28, 1904		10,000,000.00
Construction of canal:		
June 28, 1902		10,000,000.00
Dec. 21, 1905		11,000,000.00
Feb. 27, 1906—		
Construction of canal	$5,340,786.00	
Reequipment of Panama R. R.	650,000.00	
		5,990,786.00
Construction of canal, June 30, 1906:		
Expenses in the United States	368,242.69	
Construction, engineering, and administration	21,018,537.24	
Civil administration	968,200.00	
Sanitation and hospitals	2,101,435.15	
Reequipment of Panama R. R.	1,000,000.00	
		25,456,415.08
Construction of canal, Mar. 4, 1907:		
Expenses in the United States	253,000.00	
Construction, engineering, and administration	20,366,000.00	
Civil administration	825,000.00	
Sanitation and hospitals	2,034,000.00	
Reequipment of Panama R. R.	1,385,000.00	
Purchase of Panama R. R. bonds	2,298,367.50	
		27,161,367.50
Construction of canal, Feb. 15, 1908:		
Expenses in the United States	18,600.00	
Construction, engineering, and administration	11,990,400.00	
Sanitation and hospitals	169,900.00	
		12,178,900.00
Construction of canal, May 27, 1908:		
Expenses in the United States	176,000.00	
Construction, engineering, and administration	26,085,000.00	
Sanitation and hospitals	1,575,000.00	
Civil administration	241,000.00	
Reequipment of Panama R. R.	1,100,000.00	
Payment to P. B. Banton for injuries	10,000.00	
		29,187,000.00
Construction of canal, Mar. 4, 1909, construction, engineering, and administration		5,458,000.00
Construction of canal, Mar. 4, 1909:		
Expenses in the United States	225,000.00	
Construction, engineering, and administration	29,368,000.00	
Civil administration	630,000.00	
Sanitation and hospitals	2,715,000.00	
Reequipment of Panama R. R.	700,000.00	
		33,638,000.00
Construction of canal, Feb. 25, 1910, civil administration		76,000.00
Construction of canal, June 25, 1910:		
Expenses in the United States	210,000.00	
Construction, engineering, and administration	35,300,000.00	
Civil administration	795,000.00	
Sanitation and hospitals	1,550,000.00	
		37,855,000.00
Construction of canal, Mar. 4, 1911:		
Expenses in the United States	180,000.00	
Construction, engineering, and administration	43,100,000.00	
Civil administration	680,000.00	
Sanitation and hospitals	1,600,000.00	
		45,560,000.00
Total for canal construction		293,561,468.58
Armament of fortifications, Mar. 4, 1911		1,000,000.00
Seacoast batteries, Canal Zone, Mar. 4, 1911		2,000,000.00
Private acts for relief:		
Elizabeth G. Martin, No. 97, June 17, 1910	1,200.00	
Marcellus Troxell, No. 174, Jan. 13, 1911	1,500.00	
W. L. Miles, No. 196, Feb. 13, 1911	1,704.18	
Chas. A. Caswell, No. 248, Mar. 2, 1911	1,056.00	
		5,460.18
Total appropriations by Congress		296,566,928.76

Including defenses and subsidiary works, the limit of $400,000,000 will be nearly or quite reached in the actual expenditure by future appropriations when the canal shall be opened. The annual cost of caring for the canal, including the interest and defense after it is once in actual operation, will

not differ much from the annual appropriations for constructing it, excluding the interest. On page 415, volume 1, Hearings Interstate and Foreign Commerce Committee, Col. Goethals testified concerning the future cost of operation, maintenance, sanitation, and protection of the canal, that the approximate cost, including interest, would be about $27,000,000 annually.

In his testimony before the Senate Committee on Interoceanic Canals, Dr. Emory R. Johnson testified, concerning the annual cost of caring for the canal, that it would cost for the same matters about $30,000,000 annually.

ITEMS NOT CONSIDERED.

It will be noted that none of these accounts as to expenses consider two very important and necessary items: First, the cost of naval protection to the canal and its works and the additional naval expenditures consequent upon the canal; second, the additional expense to the military establishment which must in the future be incurred to have ready for duty a fresh and suitable supply of troops, to replace those who suffer from deterioration from tropical service, and the pensions and retirements consequent upon tropical service.

ADEQUATE NAVAL PROTECTION.

Everyone realizes that naval protection is as necessary in the canal as military protection, and it must be at all times adequate or it is useless. There must be a certainty of communication between the continental United States and the Panama Zone within a reasonable time and under all circumstances, or the canal will prove to be an awful military liability instead of a military benefit to the country. No testimony has been taken, and opinions greatly differ as to what naval force will be necessary in the near future to accomplish this purpose. It will doubtless change from time to time, according to conditions. But it is entirely safe to assume that this additional naval expense to the United States will be several millions of dollars each year.

TROPICAL SERVICE FOR SOLDIERS.

It is commonly known also that soldiers suffer from prolonged tropical service and incur disabilities for which they are retired or pensioned; also that they can not remain longer than two or three years in the Tropics without being replaced by new or fresh troops. In order to recuperate they must have a prolonged service in the United States to recover their strength and efficiency.

There will be needed about 8,000 men to garrison and protect the canal. The Army also must have troops in the Philippines, Hawaii, and Alaska which also must be replaced from time to time as shall be necessary.

It would not seem that the present Army is large enough to properly garrison and protect these places, and have a sufficient number of troops in the United States to replace them as may be necessary, and maintain the Army at a proper standard of efficiency. It seems inevitable that additional forces must be supplied some time in the future on account of this increased necessity for tropical service.

INCREASED COST.

No one can now foretell the amount of such increased cost. But competent officials who have devoted much thought to the subject of expense in connection with the Panama Canal, estimate that in the not far distant future, the total expense for the proper operation, maintenance, sanitation, care, and protection of the canal, including interest, naval and military increases, and consequent expenses, will be between $40,000,000 and $50,000,000 per annum. The appropriation bills in the future will not be reduced from the period of construction; and including these other items just described, in the future they will probably be considerably larger, on account of the annual expense of fully caring for the canal.

MILITARY EXPENSES PUBLIC CHARGE.

Everyone admits the propriety and desires to defray all expenses for the national defense from the general Public Treasury. But, as has been shown, this canal was not constructed as a military necessity, but as a general commercial benefaction. The necessary defense for it must be paid by the Public Treasury, the same as all other defensive expenditures are paid. But the commerce which will be so largely benefited, in all fairness, should be willing and glad to pay its share of the benefit it receives directly from this vast and constant expenditure.

Dr. Johnson, in his testimony before your committee, on page 705, volume 2, Hearings, estimated at the beginning about 10,500,000 tons of shipping might use the canal in 1915. Col. De Vol, the chief quartermaster of the canal work, in a very carefully prepared pamphlet, estimated that in 1915 the commerce would be about 7,000,000 tons. Col. Church, an English authority, in a carefully prepared article in the Journal of the Royal Geographic Society, in March, 1902, estimates a much smaller tonnage and increase of business than does Dr. Johnson; as does also the late Joseph Nimmo, former Chief of the Bureau of Statistics.

Dr. Johnson and Mr. Dearborn estimated that there might be a reduction of freight rates of about 25 to 50 per cent.

Joseph N. Teal, Esq., of Portland, Oreg., most competent to speak on the subject of transportation, in a pamphlet sent to the committee, estimated a reduction of 25 to 50 per cent.

EVIDENT REDUCTION.

It is evident, then, that there will be a considerable reduction in freight rates and a saving to the commerce which will pass through the canal and to the people who are directly benefited by such commerce. So it is a natural and a proper question, Why should not this commerce, so largely and directly benefited by such expenditure, bear its proportion of the tremendous annual burden of caring for the canal? Why should it shrink from its fair share of the obligations, evade its duties, and seek to shift them upon the rest of the people, who do not receive such direct benefits from the canal? This share would be but slight and not at all injurious to the commerce affected. Dr. Johnson, in his testimony, shows that it would only be 5 per cent or less of the total freight rate and 10 per cent of the savings effected by the use of the canal. Col. Wilson showed a small ratio of freight to the value of the goods, so the canal dues would be yet a smaller proportion to the benefit received. Surely this is a petty share and contribution, when the rest of the people are compelled to pay so much for all future time for the benefit of this very commerce.

TOLLS NOT BURDENSOME.

No one desires to levy a toll which shall in any way diminish the use of the canal or in any way impair its real benefit to the American people or prevent it aiding tremendously in the development of our western coast. But when the people realize the enormous expenditures which have been and must be made on this account, and the very great benefit which will directly flow to the commerce which will use it, it does seem, in all fairness, that such commerce should do its fair share.

XVII.

UNFAIRNESS OF FREE TOLLS IN COASTWISE TRADE.

Everyone must concede, as a fundamental proposition, that it is no part of the function of the General Government to directly and purposely discriminate in favor of one part of the country as against other parts of the country; to directly subsidize the business of one part of the country so that it can compete thereby on unequal and more advantageous terms with the other parts of the country. On the contrary, it has always been and is regarded as the business of the Government to prevent and forbid unfair discrimination and treatment between different sections of our common country.

This principle is set forth in several clauses of the Constitution, and is made effective in numerous statutes. The general purpose and function of our Government is clear, to prevent discrimination, and prevent sectional inequalities and injustices, so far as possible.

COASTWISE BUSINESS.

Dr. Johnson estimated that the coastwise business by water between the Atlantic and Pacific coasts would be about 1,150,000 tons annually; and that there would probably pass through the canal in 1915, 10,500,000 tons. The Interstate Commerce Commission, in its opinion in the intermountain rate cases, estimated the coast-to-coast commerce at about 4,000,000 tons annually. The commission further estimated that of this vast commerce at least 93 per cent was capable of water carriage, thus leaving 7 per cent which must be transported exclusively by rail. It has been further estimated that of the competitive products used in intermediate country, fully 75 per cent probably came from the territory of the Central West, between the Allegheny and the Rocky Mountain States; and about 25 per cent was produced along the Atlantic seaboard. This has resulted from substantially the following conditions: That the cost of production of the various articles is about the same in all of this vast competitive region; and that if the cost of distribution and transportation should also be practically the same, then the competition would be on substantially even basis from the different sections of the country to the intermountain and coast territory. This has been the result of years of friction and discussion, and is at present the situation as to most products.

LONG-AND-SHORT-HAUL CLAUSE.

But the amendment to the long-and-short-haul clause—section 4—of the Mann-Elkins bill of 1910, and its enforcement as to the intermountain territory and elsewhere in the cases recently decided by the Interstate Commerce Commission, will completely change this situation, long before the canal will open for real business.

The policy of that law is to prohibit higher rates for a shorter than for the longer haul, and this principle will be obliged to be enforced by the Interstate Commerce Commission in some form or other. (Report of Interstate Commerce Commission for 1911. See decisions Commissioners Prouty and Lane in the intermountain rate case and opinion of Commissioner Prouty, Mar. 21, 1912, No. 1830, p. 165, already cited.)

SUCH SITUATION RECOGNIZED.

Everyone must recognize such fact and situation. When that shall be done, the railroads will not make reductions to the coasts on the noncompetitive business. It would not be just or necessary. On the competitive business from eastern points the commission has indicated that its policy will be, first of all, to abolish the blanket system of coast rates from the eastern and central sections of the country; next, that it will permit the railroads to meet water competition between the coasts within certain limitations, by establishing zones of territory where the railroads may charge a percentage of 25 per cent, 15 per cent, or 7 per cent, respectively, less to the Pacific coast than to the intermountain country. The power of the commission to do this, in this way, is assailed, and the question as to such authority is now before the Supreme Court. But if the commission can not accomplish this result in this particular way, it certainly will by another method; and, if necessary, undoubtedly Congress would extend its present powers, because there is a substantial justice in its main conclusion.

REDUCTION BY WATER COMPETITION.

These reductions of railroad rates to the coast as compared to the intermountain territory, are solely on account of existing water competition. The commission, from the zone substantially east of the Alleghenies, authorizes a reduction of 25 per cent for the coast rates from those to the intermountain territory, of 15 per cent for the coast rates from the zone next west, mainly to Chicago, and 7 per cent from the zone next west, substantially to the Missouri River, excluding the St. Paul and Omaha territory. That is its best judgment as to the effect of existing water competition concerning the territory within such zones. The remainder of the country must have equal rates to the mountains and coast; or, in other words, such territory is not affected by water competition on the ocean. That is the best judgment of the Interstate Commerce Commission as to the policy and justice of public action under existing conditions; and in that way it is expected that a part, at least, of the present system of competition will be preserved.

EFFECT OF OPERATION OF CANAL.

But when the Panama Canal shall be finished and in operation, as we have already considered and as the commission has stated in its reports, it may be fairly expected that rates from coast to coast on the 93 per cent of competitive products which can be carried by water, will be still further reduced from 25 per cent to 50 per cent.

REDUCTION WILL CHANGE RATES.

This will greatly change the absolute rates, and still more the relative and competitive rates between the various competitive sections and interests. If the estimation of the Interstate Commerce Commission be approximately correct as to the value and effect of existing water competition upon the traffic of the different territorial zones, then the proportions of present advantage to the sections would be 25 per cent to the eastern, 15 per cent to the next, 7 per cent to the next, and nothing to the westernmost competitive zone.

EFFECT OF CANAL.

If now the Panama Canal shall increase the value and effect of water competition from 25 per cent to 50 per cent by reducing water rates by such a proportion, as is admitted, then the same proportion would increase to the eastern zone from 25 per cent now to about 31 to 38 per cent; of the next zone from 15 per cent now to about 18¾ per cent to 22½ per cent; and of the next zone from 7 per cent now to 8¾ per cent to 10½ per cent; and the next zone not at all. It is very probable that the great increase of facilities and number of competitors will much further increase these differences between the different sections of the country. This clearly gives the eastern competitors a very great and increasing advantage over those from the Central States to reach the rich and increasing trade of the Pacific coast and the intermountain country. But the minority on this point argues that the western railroads will be obliged to also reduce their competitive rates to equally care for their competitive business.

RAILROADS CAN NOT REDUCE.

A little reflection will show that this can not possibly be done as to a very large volume of competitive business. First of all, the commission would not allow such reduction, as such policy would be grossly discriminating against the intermediate territory, which would not be just or fair. The intermediate people would bitterly complain, as they have in the past, and such gross discrimination could not be permitted to exist against them. Next, the railroads could not stand such reductions in their revenues to meet the water rates to the coasts and at the same time maintain only reasonable intermediate and local rates. The expenses of operating of railroads is necessarily increasing, and that can not be avoided. The public demands safety in transportation, and that requires vast expenditures for competent labor, equipment, facilities, and so forth, merely to be safe. The public will demand adequate facilities which must be increased in the very near future, and that will also require vast expenditures, which can only be met by means of ample revenues. These can not be realized if the railroads reduce their rates proportionally to the reduction caused by the canal. The wages paid to railroad employees can not possibly be reduced, and more than likely must be from time to time increased. That is just and proper and must be expected. The public and the railroad managements are beginning to prepare for such necessary conditions.

COMPETITIVE RATES NOT MUCH REDUCED.

The railroads will not be permitted to reduce their competitive coast rates so as to be out of fair proportion to their intermediate and the intermountain rates, and recoup by raising or maintaining local or intermediate rates which would otherwise be reduced. In other words, the competitive coast rates, because of new water competition on account of the Panama Canal must and should not be reduced at the expense of the rest of the country. If the revenues warrant, reductions ought to be made. But with an increased wage to labor, increased facilities at enormous cost and increased taxes exacted by public authorities; it is not reasonable to expect such reductions. Under this situation, it is evident that a much larger proportion than at present of the 93 per cent, the competitive proportion possible to be carried either by rail or water, will then be transported through the canal; and of course the Atlantic coast territory, as the producers, will get the benefit of such reduction of rates and consequent increase of business. This will necessarily much reduce the proportion of the competitive products now forwarded by and sold to the Pacific coast from the Central West; and proportionally increase that portion now produced and sold from the Atlantic coast. That is to be expected and nobody can complain, as such will be the direct and necessary result from the opening of the Panama Canal.

CONDITIONS EXTEND COAST TRADE.

This changed condition will also extend eastward the trade territory of the Pacific coast cities, and to the same extent diminish the trade territory of the cities of the Central West. These cities in this vast and productive region can not meet the greatly lowered water rates through the canal on many products now furnished to the coast, and the railroads will not and can not place them upon the existing competitive equality. No one can foretell the extent of the loss of territory and trade of the central western cities or of the corresponding gain of the coast cities. But such a condition is to be fairly expected and no one can fairly complain.

REAL COMPLAINT.

Now comes the real and just complaint. All of this territory, east and west, north and south, pays its fair proportion of the enormous expense of construction and annual operation and maintenance of this canal. The eastern and western sections receive very large and direct benefits at once, which, we trust, will be tremendously increased. The central sections are but slightly benefited and some not at all. Is it not fair, then, that the commerce itself, which is so largely benefited and the benefits so unequally distributed should pay its fair share of the annual burden of maintenance and operation? If it does not so pay its fair share, and free tolls be allowed on the coastwise trade; the only effect would be to enable the eastern producer to lay his goods on the coast from 2 to 3 cents per hundred cheaper in consequence of such free tolls, and by that means to place his central western competitors under this additional handicap. Then it would also enable the Pacific coast competitors to push their trade territory just a little farther eastward, so far as the 2 or 3 cents per hundred of free tolls would permit them. This additional territory so gained by them, would be taken from the existing trade territory of the Central West; solely by reason of this reduction of rates on account of free tolls. It would thus directly operate to discriminate and subsidize the coast producers and merchants, as against the Central West producers and merchants. This would be the sole and main effect.

The lumber producers on the Puget Sound claim that they should have this advantage to meet the cheaper freights of the

Canadian competitive territory. The customs tariff was levied to meet that exact situation, and these gentlemen want a protective tariff and free tolls both, even though our treaties prevent. Properly their argument would lead rather to free ships than free tolls, and they then would be placed upon an equality as to expense of transportation.

NO RAILROAD QUESTION.

The railroad question and welfare has nothing to do with this matter. The railroads will live and do business anyway. They will earn their revenues anyway. If they do not in one way, they will in another. The real loss of trade will not seriously affect them, as they can recoup in other directions. But it is entirely different with the industries in the Central West. If their competitive territory be seriously reduced, if their business be permanently lost, there can be no such redress, and to that extent it will interfere with the prosperity and advancement of that vast and patriotic section of the country.

EFFECT FROM TOLLS.

This section is entirely willing to pay its fair share of all public expenses in and about the canal, and it expects to see its competitors legitimately profit and advance by them. But it is unwilling to have such competing commerce exempted from its fair share of the public burdens, and especially from the burden conferring such direct and enormous benefits upon it, especially when such exemption and favoritism will unfairly reduce their trade and diminish their territory to that extent, more than is naturally or properly necessary. Free tolls would be but taking their own money to use in strangling and injuring their own business. It is taking the public money from the Central West, to use in dwarfing its development and impairing its legitimate advancement and influence.

NOT UNDERSTOOD.

It is difficult to believe that the business interests of the coasts realize this gross unfairness and injustice. It is difficult to conceive that the business man of any section of the country will deliberately plan to extort public funds from a competing section of the country and then use such funds to subsidize and extend their own private business and proportionally injure that of their competitors. This has not been tried before in this country and should not be sought now. We want the business interests of the coasts to receive their legitimate and tremendous advantages which will accrue them by reason of the construction of the Panama Canal. But it does seem to be the grossest injustice to continue to tax the Central West for all time, to build up and advance their already greatly favored rivals of the coasts, at the expense of competing territory which has generously and patriotically done its full share for the benefit of the whole country.

XVIII.

CONSEQUENCES OF VIOLATING TREATY RELATIONS AND PLEDGES.

On the 22d day of February, 1902, through a proclamation of the President of the United States, so authorized by the Constitution to do, the United States solemnly pledged itself that "such treaty and every article and clause thereof may be observed and fulfilled with good faith by this United States and the citizens thereof." What should properly be included in such obligation and pledge has been discussed. But it is now important to realize and summarize briefly some of the unfortunate consequences which would ensue, if the United States deliberately violated such solemn agreements. First, it would change and unsettle the construction of most of the existing treaties of commerce and navigation of the United States with other nations of the world. In most of them are employed the words "terms of equality," "equal terms," "like terms," and so forth; and the construction of such language has uniformly been that the provisions to which such "equal terms," and so forth, applied, must operate identically the same upon the two contracting parties. By the plan of the minority it is proposed to change such uniform and sensible construction of the words "terms of entire equality," and so forth, "so that there shall be no discrimination," and so forth; and hereafter by such words imply an exception of our own domestic commerce. If that be conceded, then fairly must the same be also conceded to the other contracting parties, and the treaties now in force would have an entirely different effect than at present.

WATERWAYS AFFECTED.

There are important straits connecting oceans or seas used by international commerce where the United States has insisted upon the application of the general principles of neutrality and equality; among them may be noted the Strait of Canso and the Strait of Magellan. Both of these are very important to our commerce, and it has always been the policy of our Government to insist upon equality of treatment and neutrality in their use. The treaties with the various nations practically provide for such use. The Panama Canal does not stand on entirely the same basis, because constructed at the expense of this country. But our Government has solemnly pledged its use on practically the same basis of that of these straits. If such general principle be violated by us in the use of the Panama Canal, it may be fairly expected that similar occasions may arise in the future, where the nations of Great Britain, controlling the Strait of Canso, and Chile, controlling the Strait of Magellan, if they shall be denied equal treatment and find their commerce discriminated against by our Government in the use of our great international highway at Panama, may also in same way give our commerce a dose of our own treatment in the use of their international waterways.

SOO CANAL.

For example, the largest and most important part of water traffic of this country is upon the Great Lakes, where last year there passed through the Soo Canal 62,363,218 tons, valued at $654,010,844, as shown by the last report of the Chief of Engineers, page 892. There passed through the American Canal, in 1911, 12,544 vessels, carrying 23,624,553 short tons of freight and 36,021 passengers; and through the Canadian Canal 6,854 vessels, carrying 32,804,286 short tons of freight and 33,670 passengers. Freight money paid for the year was $38,710,904. Of this freight carried 94 per cent was in American vessels and 6 per cent in Canadian vessels. The average number of vessels passing through the locks per day were as follows:

Through Poe Lock (depth of water in lock, 18.5)	38
Through Weitzel Lock (depth of water in lock, 12.9)	25
Through Canadian Lock (depth of water in lock, 19)	32

These figures show conclusively that the Canadian and the foreign business through these locks is of slight consequence, but that the bulk of it is the coastwise commerce of the United States. The Canadian vessels carried only 6 per cent of the total traffic, while the Canadian Lock passed 32,804,206 short tons and 33,670 passengers, as against 23,625,553 short tons and 36,821 passengers, for both American locks.

AMERICAN VESSELS USED CANADIAN LOCK.

It is evident that the large American vessels used the Canadian Lock to a very great extent. This is unquestioned, and the reasons are that frequently conditions of navigation make it more convenient and even important to so do; and still more important, the Canadian Lock has a depth of 19 feet, while the Poe Lock has 18.5 feet. The Canadian Lock has 6 inches more water, and each inch will transport on the average about 100 additional tons of freight; and by this the earning capacity of each freighter so using such depth could be increased from $75 to $100 for each trip, or double such sum for the round trip, and for a season would amount for each vessel between $2,500 to $3,000. (S. Doc. 105, 62d Cong., 1st sess., p. 15.)

VALUE OF CANADIAN CANALS TO THE UNITED STATES.

Last season 6,854 vessels passed the Canadian lock, and it is probable that at least two-thirds of them were American. So that the value of such use in additional freightage caused by the added depth alone would amount to fully $10,000,000 for the season.

On the Welland Canal the latest Canadian statistics show that the quantity of freight annually passed in American vessels from United States ports to United States ports has varied from a minimum of about 300,000 tons to a maximum of 775,000 tons; and that last year the Welland Canal passed in Canadian vessels 921,321 tons and American vessels 774,108 tons.

These figures show the importance of both waterways to the domestic commerce of the United States, far exceeding the importance of the Panama Canal concerning domestic trade.

TREATY PROVISIONS APPLIED.

There has already been discussed the provisions of each treaty; and if the United States insists on the policy and right to discriminate in its favor through the Panama Canal, equally under similar language in the Canadian treaty, can Canada discriminate in favor of its coastwise trade and against our coastwise trade on the canals of the Great Lakes? Canada did vigorously contend for just such a construction as the minority advocates, and undoubtedly would welcome it now. But it must be realized that such a construction and discrimination would affect many millions of people and hundreds of millions of traffic annually; and in the very region where the opening of the Panama Canal will admittedly discriminate against it as compared with its competitors.

WEST NEEDS CANADIAN CANALS.

The Central West needs the free and equal use of the Canadian canals and the St. Lawrence River, and must have them for its development and welfare. The existing conditions are satisfactory and conducive to prosperity. But such a change as advocated by the minority might precipitate a conflict which

would be disastrous in the extreme, and injure still further the great section already yielding by the canal more than its share to its competitors on the coasts. The Canadian commerce upon the Great Lakes no longer has use for our Soo Canals, and need no longer fear the reprisals of our statutes providing for discrimination in case Canada refuses to agree to our construction of the treaties relative to the canals. If Canada shall see fit to adopt, in reference to its Soo and Welland Canals, the exact construction the minority contends for the use of the Panama Canal, our commerce would be nearly helpless. Canada could use its own Soo Canal and would not mind any discrimination in the use of our Soo Canals. If we discriminated in the use of the St. Clair Channels, Canada could retaliate in the use of the St. Lawrence River. This but illustrates the dangers of such a policy sought by the minority.

It is submitted that such possibilities for evils to large sections of our country should not be precipitated by selfish interests, and they are passing the limits in their greed to help some petty special benefits.

POLICIES ENCOURAGE TROUBLE.

Such a condition would be likely to extend over the whole domain of our diplomatic relations in our use of foreign and international waterways. A deliberate breach of international good faith as to this most important treaty, would subject this Nation to suspicion everywhere—at home and abroad—of unreliability and perfidy. No nation could deal with us on the assurance that our most solemn agreements would be respected in case selfish private and local interests could persuade to the contrary. No one could safely trust our national agreements, in the fear that greedy and influential interests might at any time compel a violation of them. Such an example would impair the moral character of our own people and subject our public action in domestic and international matters to the severest test of corrupt pressure. The time to stop this greed and narrowness and consequent injury to our people and our Nation, is at its inception.

REPUTATION INJURED.

Such a reputation, lack of respect, and unreliability would injure our foreign relations of all sorts, and foreign nations would discriminate against us whenever possible. No one can overestimate the benefit of the highest credit and character in the world's affairs. Throwing it away now, as sought by the minority, would cost our people beyond measure and require years to recover, after its realization.

The domestic commerce itself would suffer also. The conditions of "equality and neutrality" are the basis of international agreements. When equality is not agreed to, then must "neutrality and fair dealing" cease also. If our coastwise trade be not subject to such rules of equality and neutrality; no one could foretell the evil consequences which might ensue in case of war, which might involve the Canal Zone. No nation would sympathize with its plight; and all the world would be glad to see it suffer; since it, by its own selfishness, would not be protected by the rules of the canal treaty and by the rules of neutrality.

REQUIRE LARGER MILITARY FORCE.

Such a condition of discrimination and dissatisfaction would require an enlarged armament and still more expensive military and naval preparations; to properly protect the coastwise commerce, from which the rules of neutrality are withdrawn and against which there would be constant and just discrimination and resentment. No one can foretell the difficulties to us, but we would begin to realize the benefit of preserving inviolate our faith and honor, and maintaining in all fairness and justice this international agreement and our pledges solemnly undertaken.

TRUE POLICY.

The true policy of Congress and our Government should be to treat every nation, all trade, every vessel, and citizen with the same fairness and equality. This will insure the largest use of the canal, the most agreeable sentiment toward it in the world's commerce. The majority of the committee has endeavored to do this and that commerce shall not be burdened in any way by it. Under these conditions we are confident that with the good opinion of the world, the natural and tremendous increase of our foreign and domestic commerce and development, will compensate our people for their vast expenditures.

The triumphs of the decade of construction are a just pride of a sensitive and mighty people, but this brightness will fade and these glories resolve to ashes, unless a similar constructive genius and an unswerving integrity shall compel these labors and sacrifices to contribute to the Nation's honor and prosperity. Our people must cast aside their prejudices and local self-interest, realize to the full their broad responsibilities and obligations, and appreciate the breadth and magnitude of the tasks and problems which confront them; if they do then, as in the past, we can face the future with confidence, that the most gigantic work of the ages will add its full share to the welfare and fame of our common country.

Treaties and acts of Congress relating to the Isthmian Canal.

Convention as to ship canal connecting Atlantic and Pacific Oceans, 1850. (Clayton-Bulwer treaty.) Concluded April 19, 1850; ratification advised by the Senate May 22, 1850; ratified by the President May 23, 1850; ratifications exchanged July 4, 1850; proclaimed July 5, 1850. (Treaties and Conventions, 1889, p. 440.)

ARTICLES.

I. Declarations as to control of canal, occupation of territory, and commercial advantages.
II. Neutrality of canal in case of war.
III. Protection of construction.
IV. Mutual influence to facilitate construction.
V. Guarantee of neutrality.
VI. Cooperation of other States.
VII. Mutual encouragement to speedy construction.
VIII. Protection to other communications.
IX. Ratification.

The United States of America and Her Britannic Majesty, being desirous of consolidating the relations of amity which so happily subsist between them, by setting forth and fixing in a convention their views and intentions with reference to any means of communication by ship canal which may be constructed between the Atlantic and Pacific Oceans by the way of the River San Juan de Nicaragua and either or both of the lakes of Nicaragua or Managua to any port or place on the Pacific Ocean, the President of the United States has conferred full powers on John M. Clayton, Secretary of State of the United States; and Her Britannic Majesty on the Right Hon. Sir Henry Lytton Bulwer, a member of Her Majesty's Most Honorable Privy Council, knight commander of the Most Honorable Order of the Bath, and envoy extraordinary and minister plenipotentiary of Her Brittanic Majesty to the United States, for the aforesaid purpose; and the said plenipotentiaries having exchanged their full powers, which were found to be in proper form, have agreed to the following articles:

ARTICLE I.

The Governments of the United States and Great Britain hereby declare that neither the one nor the other will ever obtain or maintain for itself any exclusive control over the said ship canal; agreeing that neither will ever erect or maintain any fortifications commanding the same, or in the vicinity thereof, or occupy or fortify or colonize or assume or exercise any dominion over Nicaragua, Costa Rica, the Mosquito Coast, or any part of Central America; nor will either make use of any protection which either affords or may afford, or any alliance which either has or may have, to or with any State or people for the purpose of erecting or maintaining any such fortifications or of occupying, fortifying, or colonizing Nicaragua, Costa Rica, the Mosquito Coast, or any part of Central America, or of assuming or exercising dominion over the same; nor will the United States or Great Britain take advantage of any intimacy or use any alliance, connection, or influence that either may possess with any State or Government through whose territory the said canal may pass for the purpose of acquiring or holding, directly or indirectly, for the citizens or subjects of the one, any rights or advantages in regard to commerce or navigation through the said canal which shall not be offered on the same terms to the citizens or subjects of the other.

ARTICLE II.

Vessels of the United States or Great Britain traversing the said canal shall, in case of war between the contracting parties, be exempted from blockade, detention, or capture by either of the belligerents; and this provision shall extend to such a distance from the two ends of the said canal as may hereafter be found expedient to establish.

ARTICLE III.

In order to secure the construction of the said canal, the contracting parties engage that if any such canal shall be undertaken upon fair and equitable terms by any parties having the authority of the local Government or Governments through whose territory the same may pass, then the persons employed in making the said canal, and their property used, or to be used, for that object shall be protected, from the commencement of the said canal to its completion, by the Governments of the United States and Great Britain from unjust detention, confiscation, seizure, or any violence whatsoever.

ARTICLE IV.

The contracting parties will use whatever influence they respectively exercise with any State, States, or Governments possessing, or claiming to possess, any jurisdiction or right over the territory which the said canal shall traverse, or which shall be near the waters applicable thereto, in order to induce such States or Governments to facilitate the construction of the said canal by every means in their power; and, furthermore, the United States and Great Britain agree to use their good offices, wherever or however it may be most expedient, in order to procure the establishment of two free ports, one at each end of the said canal.

ARTICLE V.

The contracting parties further engage that when the said canal shall have been completed they will protect it from interruption, seizure, or unjust confiscation, and that they will guarantee the neutrality thereof, so that the said canal may forever be open and free and the capital invested therein secure. Nevertheless, the Governments of the United States and Great Britain, in according their protection to the construction of the said canal and guaranteeing its neutrality and security when completed, always understand that this protection and guaranty are granted conditionally and may be withdrawn by both Governments or either Government if both Governments or either Government should deem that the persons or company undertaking or managing the same adopt or establish such regulations concerning the traffic thereupon as are contrary to the spirit and intention of this convention, either by making unfair discriminations in favor of the commerce of one of the contracting parties over the commerce of the other, or by imposing oppressive exactions or unreasonable tolls upon passengers, vessels, goods, wares, merchandise, or other articles. Neither party, however, shall withdraw the aforesaid protection and guaranty without first giving six months' notice to the other.

ARTICLE VI.

The contracting parties in this convention engage to invite every State with which both or either have friendly intercourse to enter into stipulations with them similar to those which they have entered into with each other, to the end that all other States may share in the honor and advantage of having contributed to a work of such general interest and importance as the canal herein contemplated. And the contracting parties likewise agree that each shall enter into treaty stipulations with such of the Central American States as they may deem advisable for the purpose of more effectually carrying out the great design of this convention, namely, that of constructing and maintaining the said canal as a ship communication between the two oceans for the benefit of mankind, on equal terms to all, and of protecting the same; and they also agree that the good offices of either shall be employed, when requested by the other, in aiding and assisting the negotiation of such treaty stipulations; and should any differences arise as to right or property over the territory through which the said canal shall pass, between the States or Governments of Central America, and such differences should in any way impede or obstruct the execution of the said canal, the Governments of the United States and Great Britain will use their good offices to settle such differences in the manner best suited to promote the interests of the said canal and to strengthen the bonds of friendship and alliance which exist between the contracting parties.

ARTICLE VII.

It being desirable that no time should be unnecessarily lost in commencing and constructing the said canal, the Governments of the United States and Great Britain determine to give their support and encouragement to such persons or company as may first offer to commence the same, with the necessary capital, the consent of the local authorities, and on such principles as accord with the spirit and intention of this convention; and if any persons or company should already have, with any State through which the proposed ship canal may pass, a contract for the construction of such a canal as that specified in this convention, to the stipulations of which contract neither of the contracting parties in this convention have any just cause to object, and the said persons or company shall moreover have made preparations and expended time, money, and trouble on the faith of such contract, it is hereby agreed that such persons or company shall have a priority of claim over every other person, persons, or company to the protection of the Governments of the United States and Great Britain, and be allowed a year, from the date of the exchange of the ratifications of this convention for concluding their arrangements, and presenting evidence of sufficient capital subscribed to accomplish the contemplated undertaking, it being understood that if, at the expiration of the aforesaid period, such persons or company be not able to commence and carry out the proposed enterprise, then the Governments of the United States and Great Britain shall be free to afford their protection to any other persons or company that shall be prepared to commence and proceed with the construction of the canal in question.

ARTICLE VIII.

The Governments of the United States and Great Britain, having not only desired in entering into this convention to accomplish a particular object, but also to establish a general principle, they hereby agree to extend their protection, by treaty stipulations, to any other practicable communications, whether by canal or railway, across the isthmus which connects North and South America, and especially to the interoceanic communications, should the same prove to be practicable, whether by canal or railway, which are now proposed to be established by the way of Tehuantepec or Panama. In granting, however, their joint protection to any such canals or railways as are by this article specified, it is always understood by the United States and Great Britain that the parties constructing or owning the same shall impose no other charges or conditions of traffic thereupon than the aforesaid Governments shall approve of, as just and equitable; and that the same canals or railways, being open to the citizens and subjects of the United States and Great Britain on equal terms, shall also be open on like terms to the citizens and subjects of every other State which is willing to grant thereto such protection as the United States and Great Britain engage to afford.

ARTICLE IX.

The ratifications of this convention shall be exchanged at Washington, within six months from this day, or sooner if possible.

In faith whereof, we, the respective plenipotentiaries, have signed this convention and have hereunto affixed our seals.

Done at Washington, the 19th day of April, A. D. 1850.

JOHN M. CLAYTON. [SEAL.]
HENRY LYTTON BULWER. [SEAL.]

Treaty between the United States and Great Britain to facilitate the construction of a ship canal. Signed at Washington, November 18, 1901; ratification advised by the Senate, December 16, 1901; ratified by the President, December 26, 1901; ratified by Great Britain, January 20, 1902; ratifications exchanged at Washington, February 21, 1902; proclaimed, February 22, 1902.

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A PROCLAMATION.

Whereas a convention between the United States of America and the United Kingdom of Great Britain and Ireland, to facilitate the construction of a ship canal to connect the Atlantic and Pacific Oceans, by whatever route may be considered expedient, and to that end to remove any objection which may arise out of the convention of the 19th April, 1850, commonly called the Clayton-Bulwer treaty, to the construction of such canal under the auspices of the Government of the United States, without impairing the "general principle" of neutralization established in Article VIII of that convention, was concluded and signed by their respective plenipotentiaries at the city of Washington on the 18th day of November, 1901, the original of which convention is word for word as follows:

The United States of America and His Majesty Edward the Seventh, of the United Kingdom of Great Britain and Ireland, and of the British Dominions beyond the Seas, King, and Emperor of India, being desirous to facilitate the construction of a ship canal to connect the Atlantic and Pacific Oceans, by whatever route may be considered expedient, and to that end to remove any objection which may arise out of the convention of the 19th April, 1850, commonly called the Clayton-Bulwer Treaty, to the construction of such canal under the auspices of the Government of the United States, without impairing the "general principle" of neutralization established in Article VIII of that convention, have for that purpose appointed as their plenipotentiaries:

The President of the United States, John Hay, Secretary of State of the United States of America;

And His Majesty Edward the Seventh, of the United Kingdom of Great Britain and Ireland, and of the British Dominions beyond the Seas, King, and Emperor of India, the Right Hon. Lord Pauncefote, G. C. B., G. C. M. G., His Majesty's ambassador extraordinary and plenipotentiary to the United States;

Who, having communicated to each other their full powers which were found to be in due and proper form, have agreed upon the following articles:

ARTICLE I.

The high contracting parties agree that the present treaty shall supersede the aforementioned convention of the 19th April, 1850.

ARTICLE II.

It is agreed that the canal may be constructed under the auspices of the Government of the United States, either directly at its own cost or by gift or loan of money to individuals or corporations or through subscription to or purchase of stock or shares, and that, subject to the provisions of the present treaty, the said Government shall have and enjoy all the rights incident to such construction, as well as the exclusive right of providing for the regulation and management of the canal.

ARTICLE III.

The United States adopts, as the basis of the neutralization of such ship canal, the following rules, substantially as embodied in the convention of Constantinople, signed the 28th October, 1888, for the free navigation of the Suez Canal, that is to say:

1. The canal shall be free and open to the vessels of commerce and of war of all nations observing these rules on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens or subjects, in respect of the conditions or charges of traffic or otherwise. Such conditions and charges of traffic shall be just and equitable.

2. The canal shall never be blockaded, nor shall any right of war be exercised nor any act of hostility be committed within it. The United States, however, shall be at liberty to maintain such military police along the canal as may be necessary to protect it against lawlessness and disorder.

3. Vessels of war of a belligerent shall not revictual nor take any stores in the canal except so far as may be strictly necessary; and the transit of such vessels through the canal shall be effected with the least possible delay in accordance with the regulations in force, and with only such intermission as may result from the necessities of the service.

Prizes shall be in all respects subject to the same rules as vessels of war of the belligerents.

4. No belligerent shall embark or disembark troops, munitions of war, or warlike materials in the canal, except in case of accidental hindrance of the transit, and in such case the transit shall be resumed with all possible dispatch.

5. The provisions of this article shall apply to waters adjacent to the canal, within 3 marine miles of either end. Vessels of war of a belligerent shall not remain in such waters longer than 24 hours at any one time, except in case of distress, and in such case, shall depart as soon as possible; but a vessel of war of one belligerent shall not depart within 24 hours from the departure of a vessel of war of the other belligerent.

6. The plant, establishments, buildings, and all works necessary to the construction, maintenance, and operation of the canal shall be deemed to be part thereof, for the purposes of this treaty, and in time of war, as in time of peace, shall enjoy complete immunity from attack or injury by belligerents, and from acts calculated to impair their usefulness as part of the canal.

ARTICLE IV.

It is agreed that no change of territorial sovereignty or of the international relations of the country or countries traversed by the beforementioned canal shall affect the general principle of neutralization or the obligation of the high contracting parties under the present treaty.

ARTICLE V.

The present treaty shall be ratified by the President of the United States, by and with the advice and consent of the Senate thereof, and by His Britannic Majesty; and the ratifications shall be exchanged at Washington or at London at the earliest possible time within six months from the date hereof.

In faith whereof the respective plenipotentiaries have signed this treaty and thereunto affixed their seals.

Done in duplicate at Washington, the 18th day of November, A. D. 1901.

JOHN HAY. [SEAL.]
PAUNCEFOTE. [SEAL.]

And whereas the said convention has been duly ratified on both parts, and the ratification of the two Governments were exchanged in the city of Washington on the 21st day of February, 1902;

Now, therefore, be it known that I, Theodore Roosevelt, President of the United States of America, have caused the said convention to be made public, to the end that the same and every article and clause thereof may be observed and fulfilled with good faith by the United States and the citizens thereof.

In witness whereof I have hereunto set my hand and caused the seal of the United States to be affixed.

Done at the city of Washington, this 22d day of February, A. D. 1902, and of the Independence of the United States the one hundred and twenty-sixth.

[SEAL.] THEODORE ROOSEVELT.

By the President:
JOHN HAY,
Secretary of State.

Mr. Chairman, I wish to be notified at the end of 30 minutes.

Mr. Chairman, in addressing this committee this afternoon as briefly as I can, I shall confine myself to the subject of the treaty rights of our own and the other nations concerning the canal; but, before discussing that subject, I wish to say just this about what has been said by the preceding and other speakers in favor of free tolls, concerning the help to the transcontinental railroads, that provision in the bill would be. I desire to say that all the testimony is before the House; every word of it. Nobody appeared before the committee against the proposition of free tolls among those interested, though our traffic expert, Dr. Johnson, and Col. Goethals, chief engineer of the canal, so testified. The only witnesses who appeared

before the committee, interested in the subject, were those in favor of free tolls. So this committee will realize that if there were any one class of men in this House who have not desired under any circumstances to help any railroad or any special interests through the operation of the Panama Canal it would be the majority members, as to this bill on both sides of the aisle, of the Committee on Interstate and Foreign Commerce.

The chairman, the gentleman from Alabama [Mr. RICHARDSON], the gentleman from Tennessee [Mr. SIMS], the gentleman from Missouri [Mr. HAMLIN], the gentleman from Colorado [Mr. MARTIN], the gentleman from Texas [Mr. SMITH], the gentleman from Illinois [Mr. SABATH], the gentleman from Maine [Mr. GOULD], the gentlman from Ohio [Mr. GOEKE], the gentleman from Wisconsin [Mr. ESCH], the gentleman from New York [Mr. MICHAEL E. DRISCOLL], the gentleman from South Dakota [Mr. MARTIN], and the gentleman from Michigan [Mr. HAMILTON], I have only to name them to the Members of this House to give this House the full assurance that those men have guarded and will guard the interests of the people to the utmost limit, and would allow nothing to be contained in the bill for the purpose of helping the interests of the transcontinental or any other lines or any other special interests. I think it only justice to them to have some statement like this placed in the RECORD. [Applause.] The majority of the committee believe that the reasons why we should not have free tolls are national and not local. With the exception of the very excellent address of the gentleman from Michigan, who takes a broad international standpoint, the other addresses have been simply local and designed to help special local interests on the Pacific coast, and that has been their standpoint in considering this matter. I wish to address this committee on the important questions from the broad national standpoint as worthy of the greatest engineering triumphs of the ages. The reason why we did not have free tolls are in substance these: First, because such a policy would clearly and plainly violate the solemn pledges of our Government and our international good faith.

Second. Such a policy would improperly and greatly injure the interests of our country among the other nations of the world, would greatly injure and impair our foreign trade, and injure our investments and interests in other countries.

Third. The policy of free tolls in the coastwise trade would not add one single vessel to the American merchant marine, as testified before our committee and which is contained in the testimony, and it would not make any appreciable difference to the consumers of the country, and so would not subserve any public purpose for our people.

Fourth. The enormous expense of operating that canal is little realized. Col. Goethals testified that the annual expense, including interest, would be between $27,000,000 and $28,000,000. Dr. Johnston testified before the Senate committee that the expense would be about $30,000,000 per annum. Other eminent authorities have testified, taking into consideration all the different phases of the expense caused by the canal, that the annual expense, including interest, would be between $40,000,000 and $50,000,000 per annum. Everyone realizes there would be a very great reduction of freight rates—anywhere from 25 to even 60 or 70 per cent. Why, in all fairness, should not this commerce, so greatly benefited by that reduction of freight rates, pay its share of the enormous burden, maintained throughout all time, of $40,000,000 or $50,000,000 per year upon the American people?

Fifth. These gentlemen, in discussing the economic features, all assume that the present system of blanket freight rates from the East to the coast will continue. The Interstate Commerce Commission in not less than three recent cases and in their last report have clearly indicated that their policy in the future would be to gradually abolish the blanket rates and establish a system of zone rates or something of that sort. If that be true, the present system by which the Central West competes with the coast would be abolished, because the coast rates, on account of water competition, would be lower than the interior rates, as they ought to be when the canal shall be finished. And when that shall be done it will benefit the coast producers and the merchants very much more than it can possibly benefit the interior merchants and producers. That benefit is just, and ought to be expected; but why, in addition, should the merchants and producers of the Pacific coast ask—in addition to these tremendous benefits which they are bound to receive from tolls, so that they can discriminate still further against the producers and merchants of the Central West—to take additional trade territory away from them? That is not natural, fair, or just. And yet that is practically the only effect of free tolls—to subsidize the coast interests at the expense of the interior.

Mr. MADDEN. Will the gentleman yield to a short question at that point? I was wondering whether this bill made any regulation for the making of rates by water by the Interstate Commerce Commission.

Mr. STEVENS of Minnesota. No; it does not.

I am about to discuss the subject of treaties, but I am just outlining in a general way why we should not have free tolls.

Now, six. The language of this treaty concerning the Panama Canal is almost identical in language with other treaties concerning not only the canals upon the Great Lakes, but other international waterways in which we are interested; and if the policy be adopted of providing by an implication—remember, by an implication—that our coastwise trade can be excluded, that same construction can be fairly allowed to other treaties concerning other national waterways. Consider the national waterways of the Great Lakes. The Canadian Soo last year passed 32,000,000 tons, three-fourths of it American tonnage. The Welland Canal last year passed 775,000 of American tonnage—all of this American trade. Now, if we discriminate against Great Britain under this treaty as to their coastwise trade, under similar language Canada and Great Britain can discriminate against us upon the coastwise trade of the Great Lakes, very much more important than the trade which can go through the Panama Canal. Now, those are in brief——

Mr. DOREMUS. Will the gentleman yield?

Mr. STEVENS of Minnesota. I will.

Mr. DOREMUS. I merely wanted to ask the gentleman if he recalls the last time Canada attempted a thing of that kind.

Mr. STEVENS of Minnesota. I will show that to the gentleman very clearly after a little.

Mr. DOREMUS. I wish he would explain that.

Mr. STEVENS of Minnesota. I will before I get through. I do not think the gentleman will be exactly satisfied with the situation, but I will be glad to do it.

That is the outline of the reasons why we ought not to have free tolls. In discussing the provisions of the treaty—and that is what I shall address myself to this afternoon—it is well to understand what the treaty is. The main proposition in this controversy is the treaty between Great Britain and the United States, made in 1901, and known as the Hay-Pauncefote treaty, which covers the Panama Canal. The Panama treaty contains the same, in substance, and discussion of the English treaty will cover the whole subject. The contention is concerning the provisions of article 3, containing six different sections. The first section of such article is the main section in dispute, and I will read the substance of it, so that the committee can have it clearly in mind.

The canal shall be free and open to the vessels of commerce and of war of all nations—

No qualification or exception—

of all nations observing these rules—

Notice that—

on terms of entire equality—

Notice that—no qualification or exception—

so there shall be no discrimination against any such nation or its subjects or its citizens in respect of the conditions or charges of traffic or otherwise.

In other words, the language of that section is just as plain as can be that the charges as to all vessels, of all nations, their citizens, their subjects, shall be on terms of entire equality, without any discrimination against anybody.

Clearly that covers every nation observing these rules. It covers all kinds of trade observing these rules. The language is plain.

But these gentlemen insist that there must be something else implied from that. The gentleman from Washington [Mr. HUMPHREY] insisted that the words "other nations" do not include the United States at all; that it excludes both coastwise and foreign trade. As I gather from the minority report, they only imply that the coastwise trade shall be excluded. They deduce that by implication, so that whatever basis they rest upon must be by implication from the plain terms of the treaty. There must be an exclusion of such coastwise trade by implication. It certainly is not directly provided.

There is nothing in the treaty itself that allows free tolls. It must be an exception implied by the general conditions of the treaty, and that is the only possible way.

Now I shall discuss that phase of the subject and, first, the intrepretation of the treaty itself. Article 1 provides that the canal may be constructed in either one of three different ways: First, by the United States itself directly, at its own cost; or, second, by a gift or loan of money—that, I presume, is by a guaranty of bonds to individuals or corporations—and, third,

by subscription to or purchase of stocks or shares, such as has been done by some nations as to Suez Canal.

There are three different ways by which the canal itself can be constructed. Now, I doubt if any of these gentlemen have the hardihood to assume that if the canal were to be constructed by a private corporation, as the Suez Canal was constructed, there would be any implication in this treaty by which that private corporation would be obliged to give free tolls to private vessels. I doubt if anyone would have the hardihood to assume that. And yet the language of the treaty and the rules and regulations of the treaty are identical concerning the three different methods of construction. The United States by this treaty is created as a corporation solely for the purpose of constructing and operating that canal, with identically the same provisions, the same responsibilities, and the same rights as though that canal had been constructed by a private corporation.

Now, this treaty and all its provisions are based on the Suez conditions. The Suez Canal was constructed by a private corporation, just exactly as this might have been constructed by a private corporation. The language of the Suez treaty, I say, is almost identical with this one in many respects; and this provision is based on the Suez rules, and nobody can contend that the Suez Canal can be compelled or allowed to give a preference to any vessel of any nation. On the contrary, there is an express prohibition against it, with one exception. Section 12 of the convention concerning the Suez Canal provides that the rights of Turkey, as the territorial owner, are expressly excepted. There is an express exception for Turkey, whereas there is no express exception in this case for the United States. So that it is clear that if any express exception had been desired for our own vessels, based on the analogy of the Suez Canal, it ought to have been stated. But it was not stated, and in all fairness, under any rules of construction, no express exception should be implied.

Now, second, article 3 is the main article in this treaty. It regulates the operation of the canal, the method of tolls, and the method of neutralization, and the last five sections regulate the method of neutralization. It will be noted that the two subjects belong together—equality of tolls and treatment and neutralization.

The two things are integrally connected. They are connected necessarily, for the reason that if any nation has a preference, and if any nation is at a disadvantage on account of that preference, such a nation which is at the disadvantage necessarily would not be willing to concede that neutrality should exist to the nation that is favored. Necessarily that is so all over the world in every treaty which has been made, that equality should coexist with neutrality, and the two are always placed together. I will insert in the RECORD very many cases and the remarks of very many of our statesmen and publicists to the point that neutrality and equality are inseparable.

Now, if by implication you exclude the coastwise trade from the provision as to equality, you necessarily exclude it from the exception as to neutrality. You do that necessarily, because they belong together, and that is clearly stated in the report of the Senate Committee on Foreign Relations, which reported the original Hay-Pauncefote treaty, in which Senator Davis, probably one of the great international lawyers of his day and generation, covered that point in a short clause, which is found on page 12 of the Senate report on the Hay-Pauncefote treaty:

> In conditions that may not be entirely remote we should find this provision, in letting our ships through the canal free from capture by our enemy, of great security to our coastwise trade.

And the same matter is discussed by Prof. John Bassett Moore, probably the most eminent of our publicists, in holding that if an exception be made as to equality, that exception must also be made as to neutrality. And yet the very essence of the existence of the treaty is that there must be both equality and neutrality.

Again, there has been discussion of the language of the preamble to this treaty and its connection. Now, everybody knows what a preamble is for. It is mainly for two purposes: First, to show the reason for the existence of the instrument and why it was made effective; and, next, to show how it should be construed, to make effective the reasons for its existence. Those are the two things that a preamble is for.

This preamble provides, in substance, that this treaty is made without impairing the general principles of neutralization established in article 8 of the Clayton-Bulwer treaty. Now, what does article 8 provide as the general principle? It provides three things: First, that there should be equality between the vessels of Great Britain and the United States—equality as to all vessels, not coastwise merely, but equality as to every kind of vessel; second, that there should be neutrality; and, third, joint protection. But gentlemen say it might be inferred that the word "equality" in this article 8 is so broad that coastwise vessels might be excepted, the same as it is desired to except them from the Hay-Pauncefote treaty. It is fortunate that that very word has been construed by the action of our own Government.

In 1895 Secretary of State Olney, of the last Cleveland administration, in his memorandum concerning the construction of these words, as to what constitutes "general principle," stated that these terms can be best understood by examining the previous seven sections of the Clayton-Bulwer treaty and ascertaining the reasons for its existence and the meaning of the terms and how they should be applied.

Now, the chairman of the committee [Mr. ADAMSON] yesterday read into the RECORD three different provisions of the Clayton-Bulwer treaty, in article 1, article 5, and article 6. I will place them in the RECORD; but they provide, in substance, that the making of this treaty and the existence of this canal shall be to secure the utmost equality—perfect equality, I think, is the term used—of the ships of all nations, and especially of Great Britain and the United States; and the language is expressly used, so that the ships of neither one, neither the United States nor Great Britain, shall be placed at a disadvantage or particular advantage on account of the existence of the canal. In other words, the making of the canal shall not operate in any possible way to place our ships at an advantage of Great Britain or the ships of Great Britain at an advantage of the United States.

Mr. LEWIS. Will the gentleman yield for a question?

Mr. STEVENS of Minnesota. Certainly.

Mr. LEWIS. I want to inquire whether the Suez Canal was subject to the same treaty attachments and obligations that are spoken of now with reference to the Panama Canal?

Mr. STEVENS of Minnesota. Practically, and the Hay-Pauncefote treaty is based upon the Suez treaty, with practically the same obligation.

Mr. CANNON. Will the gentleman allow a question?

Mr. STEVENS of Minnesota. Certainly.

Mr. CANNON. We exclude all countries from our coastwise trade?

Mr. STEVENS of Minnesota. Yes.

Mr. CANNON. It is not proposed to open it to any country?

Mr. STEVENS of Minnesota. Not that I know of. I hope not.

Mr. CANNON. How is it possible that this treaty should cover the coastwise trade so far as the tolls are concerned? It is free of cost on our seashore through our possession of the Panama Canal, and how can it be claimed, even granting, for the sake of the argument, that the gentleman's construction is not a strained one as to the foreign commerce—how can it be held that, as we monopolize our coastwise trade, Great Britain would be able to complain, by any construction of the treaty, that we could not relieve that coastwise trade from tolls?

Mr. STEVENS of Minnesota. I should be glad to answer the gentleman, but I would like to do it in my own way by continuing as to the construction of the treaty itself.

Mr. CLINE. Will the gentleman yield for a question right in that line?

Mr. STEVENS of Minnesota. I will yield to the gentleman.

Mr. CLINE. According to the rule of implication, if we purpose to relieve our own coastwise trade, is it not fair to include in it the other party to this contract, and also include the coastwise trade of Canada?

Mr. STEVENS of Minnesota. Yes; and I will discuss that at some length in a few moments. Now, gentlemen, the point I am trying to make is that the Clayton-Bulwer treaty provided clearly that the vessels of Great Britain should be treated just the same as the vessels of the United States, both coastwise and foreign; that that is the general principle which is provided, and that is shown in the preamble. In other words, the words "general principle" in the preamble required that there should be entire equality of treatment of all vessels, all traffic, and all trade, and in a few minutes I will show that that has been the construction put upon it by the United States itself as to the coastwise trade as applied to these words, and that is why I asked the gentleman from Illinois to wait for an answer to his question.

The United States itself has construed these identical words in the canal treaty and that in the Clayton-Bulwer treaty as requiring that the coastwise trade should be included in its terms and can not be excepted. I think that will answer the gentleman when I show him what the Congress and our Government has done.

But one thing more as to the making of the treaty.

Mr. FORDNEY. Will the gentleman yield for a question?

Mr. STEVENS of Minnesota. Yes.

Mr. FORDNEY. Is it not true that England rebates the tolls collected from her vessels?

Mr. STEVENS of Minnesota. Yes; and that is entirely valid under these treaties. We could do the same thing.

Mr. MARTIN of Colorado. I do not agree with the concession the gentleman from Minnesota has just made, that England rebates the tolls collected at the Suez Canal.

Mr. STEVENS of Minnesota. Perhaps I made my statement a little too broad. The gentleman from Michigan asked if it is not lawful under the treaty to have that done.

Mr. MARTIN of Colorado. No; I beg the gentleman's pardon; the gentleman from Michigan asked the gentleman from Minnesota if England did not rebate the tolls through the Suez Canal on her vessels.

Mr. STEVENS of Minnesota. Well, that is immaterial to this discussion.

Mr. MARTIN of Colorado. I shall undertake to show, when I get time, that England does not rebate the Suez Canal tolls.

Mr. STEVENS of Minnesota. Now, Mr. Chairman, a few words concerning the origin of the treaty and what was intended to be accomplished by the treaty. The treaty was initiated in 1898 by Secretary Hay himself, after the war with Spain had been finished. It was initiated by letters to the American Embassy in London, asking the American Embassy there to ascertain from the British foreign office upon what basis a new treaty could be made to supplant the existing Clayton-Bulwer treaty. The British foreign office made its statements, and they are on the files of the State Department and open for inspection by anybody who wishes to see them. The British foreign office stated clearly three things: First, that the British vessels of all kinds must be treated on even terms with our vessels of all kinds. There is no qualification or exception about it. It was a fair proposition. Second, there must be perfect equality; and, third, that the charges must be fair, just, and equitable.

Secretary Hay at once replied that these conditions were fair because they were a part of the historic policy of this country for more than 50 years—that the treatment must be identical among the vessels of all kinds, coastwise and foreign. Now, Secretary Hay stated that and the British foreign office agreed to that.

Mr. MADDEN. Was the word "coastwise" used?

Mr. STEVENS of Minnesota. It was used in a memorandum to us by Secretary White in the State Department. The treaty was framed in accordance with these provisions embracing this language. After I describe the conditions on the Great Lakes the gentleman will see why this language appears.

Mr. CANNON. Will the gentleman yield?

Mr. STEVENS of Minnesota. Yes.

Mr. CANNON. Was this pending the negotiation of the treaty, this construction of it, or after it was negotiated?

Mr. STEVENS of Minnesota. It was pending the negotiation—before it was negotiated.

Mr. CANNON. Then it was a mere part of the sparring back and forth.

Mr. STEVENS of Minnesota. No; but they agreed to it.

Mr. CANNON. Is it in the terms of the treaty that they agreed to it?

Mr. STEVENS of Minnesota. Yes.

Mr. CANNON. Using the word "coastwise"?

Mr. STEVENS of Minnesota. No; that is not necessary, as the gentleman will see in a few minutes as we proceed.

Mr. CULLOP. Mr. Chairman, will the gentleman yield?

Mr. STEVENS of Minnesota. Yes.

Mr. CULLOP. After that was done, when the treaty came before the Senate for ratification, it was then and there so construed, was it not?

Mr. STEVENS of Minnesota. Yes.

Mr. CULLOP. And an amendment was offered not to include the coastwise trade, and was voted down by a vote of 23 to 46.

Mr. STEVENS of Minnesota. Mr. Chairman, I am very glad that the gentleman from Indiana has recalled that to my mind. On page 16 of Senate Document No. 85 Senator Bard, of California, offered an amendment that coastwise business should be excluded. That was voted down.

The CHAIRMAN. The Chair will inform the gentleman from Minnesota that he has now consumed 30 minutes of time.

Mr. STEVENS of Minnesota. I shall take 10 minutes more, Mr. Chairman.

Mr. MANN. Mr. Chairman, may I ask the gentleman whether the memorandum to which he refers in the State Department was submitted to the Senate with the documents that were submitted?

Mr. STEVENS of Minnesota. It was submitted in a memorandum of Secretary Hay himself.

Mr. CANNON. In that same connection, will the gentleman also explain, touching the language to which he refers, if it is not true that the talk about the coastwise trade in the negotiations referred to the coastwise trade of Canada through the canal and not the coastwise trade of the United States?

Mr. STEVENS of Minnesota. Not at all. The only memorandum that exists in the State Department is a memorandum attached to the letter of Henry White, the chargé at London, and that memorandum states the view of the British foreign office, that there must be, as I think they say, perfect equality of all vessels.

Mr. MANN. Was that memorandum submitted to the Senate?

Mr. STEVENS of Minnesota. Secretary Hay submitted a lengthy memorandum of his own to the Senate, a very lengthy memorandum. The files of the State Department, of course, were not sent up there, but the memorandum contained the views I have just stated.

Mr. MANN. And that memorandum is printed?

Mr. STEVENS of Minnesota. Yes.

Mr. MANN. What I wish to inquire is whether the gentleman was calling attention to some secret information in the State Department which was not submitted to the Senate.

Mr. STEVENS of Minnesota. No; it is a matter of public record, and is noted in Moore's International Law. That is how I found it.

Mr. MANN. I think it was not submitted to the Senate. It was not before the Senate.

Mr. STEVENS of Minnesota. I do not suppose those identical papers were.

Mr. ADAMSON. Mr. Chairman, will the gentleman yield?

Mr. STEVENS of Minnesota. Yes.

Mr. ADAMSON. Mr. Chairman, I do not wish to contribute unnecessarily to the consumption of the gentleman's time, but before he gets away from his colloquy with the gentleman from Illinois [Mr. CANNON] I wish to call his attention right in this connection to the well-established rule, supported by unbroken precedent, and he can publicly challenge it now, forever, everywhere, that whenever a treaty is formed and no express mention is made therein of a distinction between coastwise and foreign trade there is no difference in the treatment, and every time an exception is made a reason exists and is shown for it.

Mr. STEVENS of Minnesota. The gentleman is entirely right, as I will show clearly.

To follow the suggestion of the gentleman from Indiana, Judge CULLOP, the conclusive reason under ordinary circumstances, when an amendment exempting coastwise trade is offered to a general provision which would include the coastwise trade, is that the Senate evidently did intend to retain the coastwise trade within the general provisions of the treaty. That is the natural use and construction of such language. The minority met that by a private letter from the late Senator Bard, of California, in which he stated that of course the Senate understood that the terms of the treaty might imply that coastwise trade be excepted just the same as fortifications. As to that there is only this to say: Senator Bard's amendment was offered in terms to article 3 of the treaty.

Article 3 provides, in substance, that the United States shall invite other nations to adhere to the terms of the treaty, and therefore Senator Bard offered an amendment to an article of the treaty which was not germane and of no consequence at all, and only a page before of this very pamphlet it shows that article 3 had been already stricken out on a motion of Senator Foraker, and that Senator Bard knew nothing about it. So Senator Bard's statement was known in the Senate or believed in the Senate that the implication excepted coastwise trade. It can be realized, the value of such a statement, since he did not know that there was not any such article in the treaty to which he offered the amendment. Further than that, there are 13 Senators in the Senate now who voted against it. Senator Frye from Maine and Senator LODGE offered bills as to Panama Canal tolls directly the contrary to the views expressed by Senator Bard, but in accordance with the views of the gentleman from Michigan, that the treaty does not allow inequality or discrimination; that the treaty does not allow discrimination in tolls; if we desired to help our coastwise trade it must be done by a direct appropriation from the Treasury. Now, those bills are a part of the files of this Congress and I will insert them in my remarks.

Mr. KNOWLAND. If the gentleman will permit me, I will read out of my own time from a letter of Senator Bard to me. In this letter which I have from Senator Bard he says:

I find I have omitted to say that when my amendment was under consideration it was generally conceded—

And he underscores the words "it was generally conceded"—

by Senators that even without that specific provision the rules of the treaty would not prevent our Government from treating the canal as part of our coast line, and consequently could not be construed as a restriction of our interstate commerce forbidding the discrimination for charges for tolls in favor of our coastwise trade, and this conviction contributed to the defeat of the amendment.

Mr. STEVENS of Minnesota. Mr. Chairman, I say that Senator Bard knew nothing about it, as is evidenced by a man who offers an amendment to a section that is not in existence. The fact that the most eminent Members of the Senate who voted on the subject entirely disagreed with Senator Bard, who did not believe it was proper to give them free toll, and two of them have introduced bills; and one bill is now pending in the Senate, based on the fact that the treaty did not allow a discrimination as to coastwise trade.

Mr. KNOWLAND. Does my colleague think that Senator LODGE does not believe that we can do this?

Mr. STEVENS of Minnesota. I say Senator LODGE has a bill pending in the Senate, based on the same proposition advanced by the gentleman from Michigan, that in order to help our coastwise trade we can not do it by free tolls, but it must be done by direct appropriations from the Treasury, and I will insert that bill in my remarks.

Mr. KNOWLAND. Senator LODGE authorized a gentleman in this city to telegraph to the railroad commission of California that he believed that could be done.

Mr. STEVENS of Minnesota. I will place in the RECORD the matter and the gentleman can judge just as he pleases. His official record is to the contrary, and if the gentleman's information concerning Senator Bard is about as reliable as that concerning Senator LODGE I hardly think that a great international work can be based upon that sort of information.

Mr. KNOWLAND. The gentleman does not question the reliability of this letter?

Mr. STEVENS of Minnesota. Oh, no.

Mr. ALEXANDER. If I understood the contention of the gentleman, we can not discriminate in favor of American shipping or the coastwise over foreign trade.

Mr. STEVENS of Minnesota. That is my contention.

Mr. ALEXANDER. I take it you concede this Government may, out of the Treasury, appropriate money to pay the tolls of American ships going through the canal.

Mr. STEVENS of Minnesota. Oh, yes; I think there is no doubt about it.

Mr. ALEXANDER. Would not that be a violation of the treaty to do that, but if we can do that indirectly, in other words, in the first instance, if we charge ships going through the canal a certain toll and then we reimburse them out of the National Treasury, is not that a violation of the treaty and can not we do that directly that you concede we can do indirectly?

Mr. STEVENS of Minnesota. Well, I am very glad to answer that, because the same thing is done at Suez, and the reason for it is this: The treaty provides that all nations, our own and others, must be placed on a basis of equality; that is, when we pass through the canal we are to be all treated just exactly alike. Now, each nation determines for itself when it reaches that canal as to its own policy of helping its ships through there based on an equality so far as going through the canal is concerned, but if our Nation insists on giving free tolls to its own ships on the canal, it then places itself on an inequality, and treats itself then differently from the way other nations are treated.

So that the very moment we place ourselves on a different class than the other ships of other nations, we place ourselves in a different situation from other nations. We treat them and their ships upon inequality, and the treaty requires equality, and that can only be done by allowing each nation to decide for itself what it shall do for its own shipping at the entrance of the canal. That is the doctrine of the regulation at Suez and that is the doctrine as to this canal.

Mr. MOORE of Pennsylvania. Will the gentleman then explain why subsequent to the two treaties with Great Britain a treaty was entered into with the Government of Panama by which free tolls were allowed to vessels belonging to that Government?

Mr. STEVENS of Minnesota. I will get to that. But now I want to say a word as to the fortifications.

Mr. MOORE of Pennsylvania. Will the gentleman take that up?

Mr. STEVENS of Minnesota. I will be very glad to do so and follow it next.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. STEVENS of Minnesota. Ten minutes more, Mr. Chairman.

There was a prohibition against fortifications in the original treaty and then a sort of contradictory amendment in the Senate allowing defenses in a sort of way. And when these provisions were stricken out both Secretary Hay and Lord Lansdowne, the British foreign minister, sent memoranda, and in both of them it was stated that the language of the treaty as it now stands allowed fortifications, and the burden was upon the United States itself to defend that canal, its neutrality, and guarantee its protection in its own way. I will place those views in the RECORD.

But if the burden is upon the United States to use its land and naval forces to protect the canal, to protect its neutrality, and to protect its rights, it can use in the management of the canal those public vessels belonging to the Government which may be necessary to be used for canal purposes, as set forth in the treaty. And for that reason the United States has a right to send its war vessels through the canal, and the same right and necessity exists for sending the vessels of the Republic of Panama through the canal, for the purpose of making effective the purposes of the treaty.

Now, article 4 of the treaty provides that the sovereignty of the zone, the change of sovereignty, shall not affect the rights under the treaty. So the burden is upon the United States to see that article 4 is enforced, that the sovereignty of the zone is protected, and the rights under the sovereignty are protected. In order to do that and carry it into effect we provide that Panama shall protect its own sovereignty, subject to the general protection of the United States. In our treaty with Panama we stated then, "You do your own policing, you provide your sanitation, provide harbors of refuge for all vessels free of expense, and the vessels and forces necessary to protect such things," and for that purpose we let the public vessels of Panama which are required by that treaty through the canal free of expense.

Mr. MOORE of Pennsylvania. It is only a question of whether we could make that exception in our own behalf.

Mr. STEVENS of Minnesota. We do. We let our own public vessels, owned and used by the Government for public purposes, not private vessels, with nothing to do with commerce and trade and nothing to do but to protect the sovereignty of the canal, go through free of toll.

Mr. HUMPHREY of Washington. Will the gentleman yield? In the treaty the vessels of commerce and of war are in the same sentence and connected together, are they not, in which it says "vessels of commerce and of war"?

Mr. STEVENS of Minnesota. Certainly.

Mr. HUMPHREY of Washington. How can you let war vessels through free and not let commercial vessels through, when exactly the same language is used in the treaty as to both?

Mr. STEVENS of Minnesota. For this reason: The words "public vessels" in the bill, including Government vessels, are for the purpose of defending the canal and its neutralization. In the treaty those words refer to those vessels not necessary to protect the canal. Lord Lansdowne and Secretary Hay agreed clearly upon this point, that under the treaty the United States clearly had the right to use its own forces, including war vessels, to protect the sovereignty of the United States and of the zone and to regulate the management of the canal, to preserve neutralization, and all those things. It is as necessary for us to use our own war vessels for protection and defense, just the same as we use our own public vessels for carrying out the purposes of the canal management under the treaty.

Mr. MOORE of Pennsylvania. Does the agreement as to the Suez Canal allow vessels of commerce belonging to Turkey to pass through on more favorable terms?

Mr. STEVENS of Minnesota. It makes an exception as to the territorial sovereign. Turkey can do as it pleases under such an express exception.

Mr. MOORE of Pennsylvania. Then, Turkey is not on all fours——

Mr. STEVENS of Minnesota. It is. If we desired an express exception, we should have said so at the time. We did not say so at the time.

Mr. MOORE of Pennsylvania. In other words, we have lost our chance?

Mr. STEVENS of Minnesota. The gentleman has stated the matter accurately. We have lost our chance. Now, one thing more——

Mr. FORDNEY. Would not it be right that you should have the privilege to rebate tolls to the American ships?

Mr. STEVENS of Minnesota. I did not say that. I say we have no right to pass them through free and pay them afterwards. We have the right to rebate them under just such a bill as has been introduced by the gentleman from Michigan [Mr. FORDNEY].

Mr. FORDNEY. Then, conceding that again, would we not have the right to have American vessels enter into an agreement with this Government that their ships shall be used as auxiliaries to our Army and Navy, and for that consideration receive a rebate of the tolls?

Mr. STEVENS of Minnesota. Well, Mr. Chairman, the language of the bill is very direct. It says "public vessels of the United States." Whatever shall be necessary for the protection of the canal, for the protection of the sovereignty of the United States and of Panama, as applied to the canal, undoubtedly could go through free. But that is for the executive departments or the canal authorities under the bill to decide.

Now, one thing further. These gentleman have very generally argued that the Clayton-Bulwer treaty was wholly superseded, and that there was no contract, no reason, no consideration for the existence of the Hay-Pauncefote treaty, and that we got the worst of the bargain, and that there is nothing in it for us to enforce, so far as coastwise trade is concerned.

Let me call the attention of the committee to this: When Secretary Hay was obliged to negotiate for this treaty he was confronted with this situation: Under the existing treaty, as all our administrations had admitted, Great Britain had certain rights, territorial rights, shadowy in a way, but she had rights of joint protection and control of any interoceanic canal. It was absolutely necessary, the United States and most of our statesmen believed, to get rid of those rights. Now, Great Britain, on the other hand, said: "We will give you the sole right to build the canal and run it in your own way, provided you take equally as good care of our commerce as you do of your own," so that when we came to make the bargain, we said: "You yield the right of joint protection over the canal, and any shadowy right you may have in Central America, and we in our turn will yield our preferential rights in behalf of our own commerce and place yours and ours on the same basis."

The words of the treaty carry out exactly that bargain. Now, let me read the final result of the action of the United States. When President Roosevelt submitted the Hay-Pauncefote treaty to the Senate he stated in his message that this treaty did not impair the general principle of neutralization which I have described. When he finally promulgated the treaty he stated in his proclamation of promulgation that this treaty did not impair the right, under general principles of neutralization of treating all nations alike under these treaties, and then he added these significant words:

> Now, therefore, be it known that I, Theodore Roosevelt, President of the United States, have caused the said convention to be made public, to the end that the same and every article and clause thereof, may be observed and fulfilled with good faith by the United States and the citizens thereof.

In the exact language of the treaty itself the President of the United States bound us solemnly and morally, as a Nation and as a people, to observe every article and clause of that treaty and all the terms thereof. So that our own Government, our own officials, our own history, the very reason for the existence of the treaty itself, compel us to treat all vessels of trade, either coastwise or foreign, alike.

Mr. WILDER. Mr. Chairman, will the gentleman yield?

Mr. STEVENS of Minnesota. I yield to the gentleman from Massachusetts for a question.

Mr. WILDER. Is there anything in the Clayton-Bulwer treaty or in the Hay-Pauncefote treaty that lets England in any way into our coastwise trade?

Mr. STEVENS of Minnesota. No, sir.

Mr. WILDER. Then, manifestly unequal things are not equal, and if England can not get into our coastwise trade under any circumstances, how can England be put upon a par or equality with our own coastwise trade? She is not in it at all, and if she is not in it at all, how can there be any discrimination against her where she is not involved?

Mr. STEVENS of Minnesota. I will tell the gentleman. The treaty was made to cover just this point: England desired that her commerce should not be placed at a disadvantage with our commerce; she desired that her citizens should not be placed at a disadvantage with our citizens, on account of the construction of the canal. Now, the citizens of the Maritime Provinces have in many ways competing business with the citizens of New England. The people of Mexico and Central America have competing business with the citizens of our Middle West and the southern Gulf States, and the citizens of the British Provinces on the Pacific coast have competing interests with our citizens on the Pacific coast.

Especially the people of the northwest Pacific coast of the United States have competing business interests with the Canadian Pacific coast. Now that treaty was framed for the purpose of allowing all British vessels and British business interests and British citizens to have exactly the same rights through that canal and at the canal that similar interests of our own people have had. In other words, that in the use of the canal their competing trade should not be placed at a disadvantage with our competing trade, and that was the very reason why Great Britain consented to that treaty and yielded its own rights so that that should be done, and we agreed that it should be done.

Mr. WILDER. Quite right; but the line of demarcation clearly is where we come in competition with British vessels.

Mr. STEVENS of Minnesota. The gentleman is entirely wrong, and if he will allow me and will be patient I will reach that point and show him that our Government itself has decided that exact contention directly to the contrary. I will come to that right now.

The CHAIRMAN. The gentleman has consumed 50 minutes.

Mr. STEVENS of Minnesota. Mr. Chairman, 10 minutes more.

The CHAIRMAN. The gentleman has 10 minutes more.

Mr. STEVENS of Minnesota. In 1871 the United States concluded at Washington a treaty with Great Britain concerning the use of the canals on the Great Lakes. Article 27 of that treaty reads as follows:

> Her British Majesty engages to urge upon the Government of the Dominion of Canada to secure to the citizens of the United States the use of the Welland, St. Lawrence, and other canals in the Dominion on terms of equality with the inhabitants of the Dominion.

Now, let me read the canal treaty. Remember the Canadian treaty provides the use of the Canadian canals "on terms of equality." The canal treaty provides:

> All nations observing these rules on terms of entire equality, so there shall be no discrimination.

Under that British treaty concerning the Canadian canals a very serious dispute arose in 1888. Canada insisted that the words "terms of equality" did not include its coastwise trade, because the coastwise trade of Canada is confined to Canadian interests, just the same as the coastwise trade of the United States is confined to United States vessels. Accordingly the Canadian Government framed rules in council providing for the export of grain; that the tolls on the Welland Canal should be 20 cents a ton; that if the grain that went through that canal was exported from Montreal or east of it a rebate of 18 cents per ton should be allowed on such exports; and then provided later that if that grain was transshipped in Canada the 18 cents should be allowed, but that if it were transshipped in the United States the rebate would not be allowed, but that the whole 20 cents must be paid. At that time there was a great competition beween the Canadian ports on Lake Ontario and the American ports on Lake Ontario as to such transshipment, and the American business interests along all of the Great Lakes, at Duluth, Chicago, Detroit, Buffalo, and Cleveland, all passed resolutions, just as similar ones have passed resolutions now, only they took the opposite position then from what they take now. At that time the Chamber of Commerce of Detroit stated:

> We believe that it was the intent of the twenty-seventh article of the treaty of Washington to secure to both American and Canadian vessels and citizens equal advantages in the use of the Welland Canal, the same as is granted to all vessels passing through the St. Clair Flats and Falls of St. Mary.

In other words, these chambers of commerce then took the position that the Canadians had no right to discriminate in favor of their local business, in favor of their local vessels, in favor of their coastwise business and of their own citizens under the words of the treaty "equality of treatment."

The Lake Carriers' Association, probably then and now the largest association of vessel owners in the United States, took very strong opposition to the action of the Canadian Government, and submitted many memorials to the Cleveland administration. President Cleveland investigated the matter very carefully through Secretary Bayard, and sent a message to Congress, in which he insisted that we did not get equal rights with Canadian vessels, because our ports, our trade, our traffic, and our citizens were being discriminated against, because the action of Canada violated the words "on terms of equality." The Canadian Government did nothing, but continued its discriminations, as described.

The matter continued into the administration of President Harrison. President Harrison in due time transmitted two messages to Congress, in which he took the same position as did President Cleveland, that the words "equality of treatment" covered everything—vessels, citizens, ports, routes, traffic, everything. The Canadian Government stated that the

words "equality of treatment" only covered vessels. The negotiations went along until 1892, when President Harrison sent a final message to Congress, which I have here, setting forth all of these facts.

There were two bills introduced in Congress, one in the House and one in the Senate. In the House it was introduced by the Representative from Georgia, Mr. Blount, the chairman of the Committee on Foreign Affairs, and in the Senate by Mr. Davis, of Minnesota. In the meantime the House Committee on Rivers and Harbors had passed a resolution denouncing the discrimination and demanding the facts, and Secretary Blaine set forth these facts in a reply to the Committee on Rivers and Harbors, in which he said that Canada was guilty of obvious discrimination under the treaty. The House Committee on Foreign Affairs in a report stated, in substance, the facts that I have stated to you, and finally concluded its report with the strongest language, denouncing the unfairness and perfidy of the Canadian Government.

Remember that Canada was, as stated by a committee of this House, making identically the same contention that is now made by the minority, that the coastwise trade of Canada was not included within the words "treatment of equality."

When the bill came before the House Judge Blount, of Georgia, discussed the bill elaborately, and I will put some of his remarks in the RECORD. These will be found on page 6531, volume 126, of the RECORD of 1892. He stated in substance that the treaty forbade Canada to discriminate in favor of its coastwise trade, business vessels and citizens. He accused them of discrimination in favor of some things—that they violated the provisions of the treaty requiring "equality of treatment."

Mr. Hitt, Republican minority Member at that time, took exactly the same position, and he discussed that also elaborately and to exactly the same effect, and these can be found also in this volume.

The House then passed the bill unanimously and it went to the Senate. Senator Frye reported a bill which was passed in the Senate unanimously, and is on the statute books to-day, and that is the statute which was called to my attention by the gentleman from Michigan. That provided in substance that if Canada does not observe the reciprocal rules of equality of treatment—in other words, if Canada does not grant us equality of treatment with her own citizens in the use of her canals—we would discriminate against her in tolls through the Soo Canal.

The basis of the statute and the reasons for its existence are that the language "equality of treatment" covers coastwise and foreign trade, citizens and vessels.

Remember that was in 1893. Five years later almost the same officials of both nations undertook to frame the Hay-Pauncefote treaty. Sir Julian Pauncefote represented Great Britain during all of that time and subsequently in the Hay-Pauncefote treaty. Mr. Hay was not in public life, but Mr. Adee, who framed the major part of the report sent in by President Harrison in 1892, was in the State Department then and during the framing of the Hay-Pauncefote treaty, as he is now. Senator Davis introduced the original bill in 1893 for Canadian discrimination, and made the report on the Hay-Pauncefote treaty in 1900. Senator Frye and Senator LODGE were also in the Senate.

In this House the Member who transmitted most of the complaints was Representative PAYNE, of New York. Many Members of the House will remember that such was the contention, and no question was raised by anyone in this country that the words "equality of treatment" did not embrace Canadian coastwise trade. In fact, such was the insistence of our Government for five years through two administrations, two Presidents, three Secretaries of State, and no one ever objected to this construction in the Senate and the House that the words "equality of treatment" covered both coastwise and foreign trade, all citizens and all vessels. That is the why such language, only stronger, was placed in the Hay-Pauncefote treaty, while the words in the treaty I have spoken of—that of Washington—was equality of treatment. The Hay-Pauncefote treaty contains corresponding words, "entire equality of treatment," so that there should be no discrimination.

The CHAIRMAN. The gentleman from Minnesota has spoken one hour.

Mr. CANNON. I hope the gentleman will be given time to complete his remarks.

Mr. ADAMSON. The gentleman has control of his own time. But I think before he concludes he ought not to leave the subject of this contention without reminding the gentlemen on the other side of the old story in the spelling book that has never been reversed, that it depends on whose bull is gored on how loud they holler. [Laughter.]

Mr. STEVENS of Minnesota. Now, Mr. Chairman, I wish to show the effect of the construction of the Hay-Pauncefote treaty, as claimed by the minority. Remember there is another treaty of 1910, almost identical, the appropriate section of which I will place in the RECORD.

Remember, the construction of the words "equality of treatment" was required by us as embracing both coastwise and foreign trade and was forced by our Government against the contention of Great Britain and the contention of Canada. Such construction is on our statute books to-day by the act of Congress and the two administrations of our Government. Such is the law. Suppose we reverse ourselves by this other treaty with Great Britain at Panama. Suppose we say that although on the Great Lakes the words "equality of treatment" must cover for both Nations vessels coastwise and foreign, all trade, all ports, all citizens, yet in Panama, with the same nation, a similar treaty containing the words "entire equality of treatment, so there shall be no discrimination," excepts our own coastwise trade. What will Great Britain and Canada have to say? Canada will say, "Very well, gentlemen, we accept your construction of your own treaty, but we will put into force the old discriminations against you on the Great Lakes which we contended for before under the same construction you insist upon now, and then see what will happen."

Mr. Chairman, it should be borne in mind that there are three canals at the Soo—two owned by the United States and one owned by Canada. The Canadian canal is by far the best of the three, because it is 6 inches deeper and broader, and the currents around White Fish Point are a great deal better for its use. With the 6 inches of additional depth advantage in the Canadian canal vessels are enabled to carry about 100 tons per inch additional freight. If you will examine a Senate document of the last session, you will find that a board of engineers estimated that each inch will carry about 75 to 100 tons of iron ore or like freight, which is worth on each trip about $100 for each vessel and for the year $2,500.

There were 6,500 vessels, carrying 32,000,000 tons, passed through the Canadian Soo last year, while through our two canals there passed only 23,000,000 tons. Ninety-four per cent of all the commerce which passed through the Soo canals was American coastwise commerce, while only 6 per cent was Canadian commerce. It is obvious that more than two-thirds, probably three-fourths, of all that commerce that passed through that Canadian canal was our domestic coastwise commerce.

Mr. SLAYDEN. And originated with us.

Mr. STEVENS of Minnesota. Yes; and it ended with us, most of it being coal and grain and lumber. If we discriminate against Canada and Great Britain at Panama, Canada has an equal right for the same reason under similar treaty agreements to discriminate against us in the Soo Canal and also in the Welland Canal. Last year there passed through the Welland Canal 775,000 tons of American coastwise trade. Canada could then proceed to discriminate against us as to 24,000,000 tons or so of our coastwise trade passing through the Canadian Soo, and 775,000 tons of our coastwise trade passing through the Welland Canal. If you gentlemen force that discrimination in Panama against Canada, then Canada will have exactly the same right to force that discrimination against us in the Great Lakes, and I submit to this committee that is too important a matter to trifle with merely for the sake of helping a few merchants and shipowners engaged in the domestic trade of this country. [Applause.]

Mr. MARTIN of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. STEVENS of Minnesota. Certainly.

Mr. MARTIN of South Dakota. Mr. Chairman, the gentleman has already shown the committee that probably the American shipping yearly passing through the Canadian Soo Canal is somewhere in the neighborhood of 25,000,000 tons.

Mr. STEVENS of Minnesota. Of our coastwise commerce.

Mr. MARTIN of South Dakota. And the estimates of our own coastwise trade through our own canal at Panama, which is involved in this proposition, are only about 1,160,000 tons.

Mr. STEVENS of Minnesota. Yes.

Mr. MARTIN of South Dakota. In other words, we are risking very much to gain very little.

Mr. STEVENS of Minnesota. That is the point.

Mr. HUMPHREY of Washington. Mr. Chairman, will the gentleman now yield?

Mr. STEVENS of Minnesota. Certainly.

Mr. HUMPHREY of Washington. As I understand it, we agreed that Canadian vessels should use our canal and in turn that our vessels should use their canal.

Mr. STEVENS of Minnesota. On the contrary, just the opposite. The gentleman is incorrect about that, as he is in most of his other statements about this matter.

Mr. HUMPHREY of Washington. What I want to ask is this question. They give us something down there. We use their canal and they use ours.

Mr. STEVENS of Minnesota. They do not use ours at all. That is where the gentleman is incorrect, as I say, as usual.

Mr. HUMPHREY of Washington. Does the gentleman deny that our vessels do use the Canadian locks?

Mr. STEVENS of Minnesota. I have just tried to prove that twenty or twenty-four millions of tons use them every year.

Mr. HUMPHREY of Washington. I thought the gentleman disputed that fact.

Mr. STEVENS of Minnesota. No; I did not. As I say, the gentleman, as usual, is in error. [Laughter.] I think I know what he is striving to get at. He is trying to say that Canada does not use the American canals?

Mr. HUMPHREY of Washington. Does the gentleman deny that they use our locks?

Mr. STEVENS of Minnesota. I say they do not appreciably. I do not mean to say that some Canadian vessels do not go through our Sault Canal. Of course they do. They have got a better canal of their own and they use it generally, but once in a while a stray vessel will go through our canal. The situation is this: There is nothing in this treaty agreement with Great Britain concerning Canada that that Government shall have the right to use our Sault on the condition that they give us the right to use their Sault. There is no such provision. The provision is that each Government treats the other on terms of entire equality in the use of all canals.

Mr. HUMPHREY of Washington. The Government has never charged any toll on their own ships going through the canal?

Mr. STEVENS of Minnesota. No.

Mr. HUMPHREY of Washington. They do not have to go into a treaty to let their own ships go through there?

Mr. STEVENS of Minnesota. No.

Mr. HUMPHREY of Washington. And they have never charged toll?

Mr. STEVENS of Minnesota. No; but the gentleman knows that if we charge any tolls on that canal we shall have to charge Canada as well as ourselves and ourselves the same as Canada, and that is the point where a great many gentlemen seem to misapprehend. We admit we have the right to say that every vessel shall go through the canal without any tolls at all, but if we charge tolls on Canada we have to charge on ourselves as well as anybody else. And that is exactly the situation at Panama. We can let all vessels go through free, but if we charge any tolls all must be treated alike.

Mr. HUMPHREY of Washington. Perhaps the gentleman will answer this while he is at it. I would like for the gentleman to read the short opinion in the case of Olsen *v.* Smith.

Mr. STEVENS of Minnesota. I will discuss that very thing right now.

Mr. HUMPHREY of Washington. I hope the gentleman will do so.

Mr. STEVENS of Minnesota. The case of Olsen *v.* Smith, upon which the gentleman relies, is this: In Texas is a law requiring compulsory pilotage as to all vessels, with an exception that as to American vessels in the coastwise trade that such vessels shall be exempt from compulsory pilotage. The question was raised in the courts as to whether that Texas statute was valid, on account of violating the treaty with Great Britain. Remember, this question arose concerning a British vessel coming from a foreign port as against an American vessel coming from a home port. This is the question that was presented to the court of Texas, which then went to the United States Supreme Court.

The United States Supreme Court held in substance this: That the law of Texas, with the exception, which was the exception provided by an act of Congress, incorporated in the State statutes, especially because it was an act of Congress regulating interstate commerce, did not violate the English treaty, which provided that there should be the same charges and dues, if I remember rightly, on English vessels as on our own vessels—that is, from the same port to the same port. The Supreme Court decided in substance that Congress had established different classes of vessels under such construction; sail vessels might constitute a class; that steam vessels in foreign trade might constitute a class; that steam vessels in the coastwise trade might constitute a class; and that Congress had the right under the treaty, if such class of vessels did not violate the terms and provisions and purposes of the treaty, to except such a class from the operations of the treaty as necessary for the purpose of promoting the purposes of the treaty: That is the substance of the decision; and right here let me say there are three kinds of provisions in our treaties in reference to our coastwise trade: First, a general clause of exception of all coastwise trade from the provisions of all parts of the treaty; second, an exception to one particular article of the treaty with reference to coastwise trade; and third, where there is no exception at all. Now, everybody knows that where we expressly and in terms except the coastwise trade from the treaty we can do anything we please concerning such coastwise trade, and nobody can complain. When we except a part of the treaty, say one article, from the operation of the coastwise laws, we can do anything we please concerning that article, but as to the rest of the treaty we are subject to the general provisions, with exceptions by implication.

Now, when we come to the third class of exceptions by implication nobody will pretend an exception by implication will be as broad and as general as an express exception excepting the coastwise trade. So that the courts and diplomatic officials have construed that implied exceptions embrace such a class as carries out the purpose of the treaty and does not violate the terms of the treaty.

The CHAIRMAN. The 10 minutes of the gentleman has expired.

Mr. STEVENS of Minnesota. Mr. Chairman, I will have to take 10 minutes more to answer this question. Everybody knows that these treaties of commerce and navigation are made for the purpose of promoting commerce and navigation. That is the purpose of the treaty. Everybody knows that compulsory pilotage is needed in very many ports where there is not business enough to earn good pilots a sufficient living, unless they can charge practically all the vessels which use that port and use that harbor.

For that reason compulsory pilotage is used all over the world for the purpose of furnishing an adequate supply of pilots absolutely necessary for commerce and navigation, and that was the reason for the use of compulsory pilotage at Galveston. Everybody knows, too, that in the coastwise trade of any country steam vessels make many trips, some of them several a day and some of them several trips a week, and that many of these vessels are small with a small business. If those coastwise vessels were subject to the same law of pilotage as foreign vessels, possibly making one trip a year, they could not pay, and such business would probably be abandoned.

The result is that by the common acceptation of all the nations steam vessels in coastwise trade are excepted from pilotage laws, and in this country we have this additional provision that such vessel must itself carry a pilot duly licensed by our Government, which requires that he shall be an American citizen. So that this exception, provided by the statutes of the United States, substantially requires that where an American steam vessel in the coastwise trade has a pilot who is an American citizen, such vessel need not be under compulsory pilotage for these reasons. Now, that kind of provision carries out the purpose of the treaty of navigation. It provides business to help foreign trade. It carries on domestic trade. Instead of violating that treaty, it practically carries out the provisions of it. Now, the United States Supreme Court has held always in construing the provisions of the treaty wherever it affected the general broad question of public or political importance, that it would follow the action of the political departments of the Government; that is, of the executive department or the legislative department. Now, the legislative department has construed that provision as to compulsory pilotage by providing that steam vessels in coastwise trade having on board a licensed American citizen is but carrying out the purposes of our treaty. Under that same uniform construction of the Supreme Court, always since we have had a Government, if any occasion should arise the court would be bound to follow the construction of Congress concerning the Canadian treaty, just as it followed the construction of Congress as to compulsory pilotage.

I think it is evident that that case instead of helping the gentlemen in the minority helps us, because it shows that the courts will follow as to the political and public questions the practical construction of the political departments of our Government.

Now, just note the difference. The exception in that case of compulsory pilotage concerned only a little municipal regulation for the purpose of helping all commerce and competing with none. These gentlemen ask an exception which would cover the trade of continents, which would cover the trade of millions of people and of thousands of vessels. The very purposes of treaties, that all trade should be compelled to be on an equality, compelled to be neutral, fair, and just, are the very purposes for which treaties are created. But the exception which is discussed in this Smith-Olsen case is for the purpose merely of carrying out a municipal regulation and performing some necessary local service.

Mr. DOREMUS. Will the gentleman yield for a brief question? Is it not a fact that in the Olsen case the Supreme Court

based its decision upon the express ground that it was no concern of Great Britain what treatment we accorded our coastwise trade?

Mr. STEVENS of Minnesota. No, sir.

Mr. DOREMUS. Has the gentleman got the opinion there?

Mr. STEVENS of Minnesota. No, sir.

Mr. DOREMUS. It is an easy matter to settle that question.

Mr. STEVENS of Minnesota. The court did not discuss it. I am discussing what the Supreme Court has followed in construing these treaties.

Mr. KNOWLAND. Will the gentleman give me time to read a few lines from this decision?

Mr. STEVENS of Minnesota. Certainly; read anything you want.

Mr. KNOWLAND. I will read:

Neither the exemption of coastwise steam vessels from pilotage resulting from the law of the United States nor any lawful exemption of coastwise vessels created by the State law concerns vessels in the foreign trade, and, therefore, any such exemptions do not operate to produce a discrimination against British vessels engaged in foreign trade and in favor of the vessels of the United States in such trade. In substance the proposition but asserts that because by the law of the United States steam vessels in the coastwise trade have been exempt from pilotage regulations, therefore there is no power to subject vessels in foreign trade to pilotage regulations, even though such regulations apply without discrimination to all vessels engaged in such foreign trade, whether domestic or foreign.

Mr. STEVENS of Minnesota. Is that what the gentleman wanted to read? That is exactly what I have been contending, namely, that Congress has a right concerning every treaty to establish different classes, to provide for a class of foreign trade in sailing vessels; it has a right to fix a class of steam vessels in coastwise trade, with American pilots, for the purpose of carrying out the treaty; not for the purpose of violating it. That is the essence of the whole question. The exception must not violate the language or purposes of the treaty. But it should, on the other hand, make them effective. The court said that Congress was doing right. And Congress said that such is the proper course in that kind of treaty to treat that sort of business. Congress has indicated its views in a similar way as to the language of the Canadian treaty.

Mr. DOREMUS. Is it not a fact that for a great many years no tonnage duties have been levied on the steam vessels in coastwise trade, and still they are levied on the vessels of Great Britain, and Great Britain has never complained of that treatment?

Mr. STEVENS of Minnesota. And I will venture to say there are six or eight different classes of tonnage duties. I do not know how many there are, but I know there are several. But every single one of those classes is either an act of Congress, setting forth a distinct public policy, or else is an exception which contributes to the carrying out of the purpose of the treaty for the promotion of commerce and navigation and the general purposes of peaceful trade. I thought I had covered that. There is one other class of treaties upon which I desire to address the committee for just a moment.

The United States has negotiated many treaties concerning an interoceanic canal, probably a dozen with the different nations of Central and South America, and I have set them forth specifically in my remarks. In every single one of those treaties there is a provision providing for "equal treatment" or "entire equality of treatment," or "perfect equality of treatment" between our business and their business and between our vessels and their vessels and between our people and their people. Now, the United States has construed these words also. In the treaty of 1884 between the United States and Nicaragua, known as the Frelinghuysen-Zelaya treaty, there was this provision in substance, that the commerce and navigation of the two nations should be treated on terms of equality, provided that the coastwise trade is expressly excepted. In other words, in that treaty it was declared, according to the uniform interpretation of those words, that "equality of treatment" covered both coastwise and foreign trade; and when we desired to exclude our coastwise trade from the operation of a canal treaty we had to do it with a special exception, and that was exactly what was done in the Frelinghuysen-Zelaya treaty.

It was also expressly provided in that Frelinghuysen-Zelaya treaty that the canal should not be neutralized, knowing that the nations of the world when they could not secure equality of treatment of the canal would not consent to neutralization also; so that the two must go together.

The construction of that treaty also provided that where we desired to except coastwise trade from the import of the words "equal treatment," or "entire equality," or "perfect equality," we had to expressly say so. And I will defy anybody, in the course of 100 years of the diplomatic relations of this country with all the nations of the world, to show one single exception. On the contrary, a long line of statesmen who for 50 years have written and spoken concerning the Panama treaties have taken the position that this canal was to be built for all the nations of the world and for the commerce of everybody, and that everybody should have equal treatment in passing through the canal.

Up to within the last two or three years nobody had even dreamed that coastwise trade could possibly be excepted. Nobody ever thought that coastwise trade could be excepted until the selfishness and greed of the merchants and shipowners of the coasts in the last few years have tried to imply that exception from the plain language.

Now, let me show you what it means. Remember that there are probably 30 or 40 different treaties of this country containing similar terms. Remember that if we once begin to imply that "equal treatment" leaves out our citizens, other countries will imply the same thing and insist that "equal treatment" will also leave out their citizens.

Undoubtedly Members of this House within the last week have had presented to them copies of a pamphlet from the Vacuum Oil Co., of New York, declaring that they have been discriminated against in their business by the Government of Austria, which is under obligations to treat that company equally with its own citizens. Now, if we once initiate the policy of providing that our commerce and trade and our people shall be excluded from the words "equal treatment," other nations will treat us exactly the same as we treat them. That is what Austria seems to be doing right now, only, like David Harum, it seems to be doing it first. Think, gentlemen, what it means. The foreign trade of this country amounts to more than $3,500,000,000 annually. More than a billion and a quarter of that is made up of manufactured products competing with similar products of other nations. Other nations would be glad to have an opportunity and an excuse to discriminate against us. More than $2,000,000,000 of American capital is invested abroad. These interests ramify into every hamlet and village of our land and they concern many millions of our people scattered over every State. All our people are interested in the equal treatment that our commerce shall receive everywhere all over the world, wherever our trade extends, and unless our commerce and interests are protected equally and fairly we know they will shrink and shrivel beyond measure. If we once initiate a policy of discrimination in favor of our own people and adopt that method, we will find that it will return to plague us a thousandfold, because other nations will go us many times better. If we shall benefit by the canal at all, it will be chiefly by increasing our trade on the Pacific Ocean, as has been so splendidly shown to the committee this afternoon by the gentleman from Wisconsin [Mr. ESCH]. What will every one of those nations having treaties with us containing such words do if we notify them that, although we have pledged ourselves to observe the rules and articles in our canal treaty, yet we intend to violate them, so far as we are concerned, by letting in our coastwise commerce free and discriminating against their coastwise commerce? What will they do? They will discriminate against us in return. Our competitors in Europe will expect and help them to discriminate against us. Such a policy will injure us a thousandfold.

Gentlemen, at the beginning of this great enterprise we can not afford that kind of business. There is only one thing which we can do and that is to observe the good faith that we have pledged to the nations of the world, to observe the good faith which is clearly expressed and promised in the treaty, and to observe the good faith that we owe to ourselves. And when that canal shall be opened to everybody, all nations, all trade, on terms of entire equality and justice, then the canal will be a benefaction to us and to mankind. [Applause.]

Mr. BARTHOLDT. Mr. Chairman, I do not know whether I have drawn the right inference from the remarks of my friend from Minnesota [Mr. STEVENS] regarding the neutrality of the canal. Does the gentleman hold that if we practice discrimination against other nations, those powers will not consent to the neutralization of the canal?

Mr. STEVENS of Minnesota. I think that would be the only possible inference from the doctrine laid down by the publicists and our own authorities.

MESSAGE FROM THE SENATE.

The committee informally rose; and Mr. FINLEY having taken the Chair as Speaker pro tempore, a message from the Senate, by Mr. Crockett, one of its clerks, announced that the Senate had passed with amendments bill of the following title, in which the concurrence of the House of Representatives was requested:

H. R. 18960. An act making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1913.

The message also announced that the Senate had passed bill and joint resolution of the following titles, in which the concurrence of the House of Representatives was requested:

S. 4007. An act for the relief of the J. Kennard & Sons Carpet Co.; and

S. J. Res. 107. Joint resolution authorizing the granting of permits to erect reviewing stands in connection with the unveiling of the Columbus Memorial Statue on the Union Station Plaza to the citizens' general executive committee of the Columbus memorial unveiling.

The message also announced that the Senate had passed with amendments bill of the following title, in which the concurrence of the House of Representatives was requested:

H. R. 14052. An act authorizing the Secretary of Agriculture to issue certain reports relating to cotton.

OPERATION OF PANAMA CANAL.

The committee resumed its session.

Mr. STEVENS of Minnesota. I yield to the gentleman from South Dakota [Mr. MARTIN] 30 minutes, and then the other side will take charge.

Mr. MARTIN of South Dakota. Mr. Chairman, the gentleman from California [Mr. KNOWLAND], my colleague upon the committee, and the gentleman from Washington [Mr. HUMPHREY], I think quite disingenuously, have undertaken to leave the impression with this committee that this is a controversy between the railroads and the people. The railroad bugaboo is exploded often enough on the hustings, without being made the basis of promoting a bad cause in the House of Representatives, and the unfairness and the absolute inapplicability of the insinuation to this controversy is so apparent that perhaps it ought to have a passing notice.

In my judgment the railroads of the United States are practically indifferent as to whether there shall be free passage through the Canal or a toll of $1 per net registry ton. The railroads are vitally interested in the question as to whether they may own, directly or indirectly, the ship-transportation companies and therefore practically stifle competition through the canal. This committee has taken up that subject and has put into this bill, and the majority of the committee in this report are standing for a provision which prevents and forbids railroad companies, either by common stock ownership or in any other manner, from being interested in lines of shipping engaged in this coastwise trade which might be competitive with the transcontinental railways. And I hope I will be indulged to say that a bill introduced by myself upon that subject is the basis, almost in its exact language, of the first paragraph of section 11, which settles that competitive policy as against the railroad companies. The people of the Pacific coast are vitally interested in that question, as is any citizen who desires to see absolutely free commerce on the high seas, in order that we may have absolutely competitive conditions with the railroad companies between the coasts. But this question whether 50 cents a ton, the highest that it is anticipated will be put upon the actual cargo or freight ton upon the commerce going through that canal in the coastwise trade, is an absolutely insignificant consideration, which does not in any sense go to the core of this question of competition.

I have not placed my opposition to the proposition for free tolls for the coastwise traffic upon the basis of the legal side of the argument, although it does seem to me that the legal argument so masterfully made by my colleague upon the committee, the gentleman from Minnesota [Mr. STEVENS], who has just taken his seat, is practically unanswerable. And now that it has been made a demonstration that the Government and the people of the United States are vastly more interested, not only because of the international right of this proposition, but because of our own financial interests in maintaining that doctrine, I have, from this moment forward, no concern as to what this House or this Congress will do upon the subject, because we are asked, by virtue of showing a little additional favoritism to some coastwise commerce on the seas, which is estimated by our experts will amount in the first year to about 1,160,000 tons, to risk important advantages which we now enjoy in our coastwise commerce on the Lakes of something like 25,000,000 tons in our relations with Canada. I think that if the Canadian Government were the real party to the Hay-Pauncefote treaty, which it is in effect, as well as Great Britain, the applicability of the argument of the gentleman from Minnesota [Mr. STEVENS] to the coastwise trade would be appreciated, because a moment's reflection will show how vitally the Canadian people are interested in that proposition. They have many products that enter into direct competition with the products on our Atlantic and Pacific coasts. For example, a boat starts from Seattle loaded with salmon bound for New York. A British vessel starts from Vancouver loaded with salmon from their own great fisheries upon that coast. Under the doctrine here proposed, the destination of both boats being New York, it being in strictly competitive commerce—the Canadian people with our own—the Canadian boat would have to pay toll and the American boat could pass through free. So I think a little reflection will show that the Canadian people are interested in this coastwise proposition.

But I base my argument for the brief time that I shall address the House upon other considerations altogether—on the question of policy and fairness in the adjustment of the relations growing out of this great canal enterprise. I oppose free tolls, although I may say that in the first instance, before these hearings, my inclination was toward the idea of free tolls to the American coastwise trade. I was possessed of the general idea that there was something the matter with our merchant marine, and perhaps by giving it some favoritism in connection with the coastwise trade we might promote the merchant marine. I have come through the investigation with an entirely different idea of the situation.

There is something the matter with the American merchant marine, but it is more deeply seated than the little question of 50 cents a ton upon the cargoes of the vessels. I was talking a few days ago with a prominent shipbuilder of the United States. He said that the great handicap to a vessel flying an American flag in the merchant marine grows out of the original cost of the vessel. The proposition of labor on the high seas is an element, but not nearly so important as the original investment. The coal question is a larger factor than the labor upon the ship in its operation, but back of it all is the fundamental difficulty that the American ship costs from 40 to 50 per cent more to purchase or build in the United States than it does abroad, and this gentleman gave a reasonable explanation of that. He says the ships made on the Clyde and in the foreign shipbuilding yards generally are standardized; that they are made after a general plan and pattern. You go to a certain shipbuilder on the Clyde and tell him that you want a ship of a certain size or a certain shape, and he will say, "I do not make that kind of a ship, but there is another place a little way up here where they do do that kind of work." The work is standardized and the cost of production is thereby much reduced. The shipbuilder said that the American yards have not become standardized from the fact that the types of vessels are of such great variety. But he says that that problem is being solved, and that when American yards are standardized, each yard building its own type of ships, that then the conditions at home and abroad will not be so very wide apart.

But that is a diversion. I oppose free tolls to coastwise vessels because it is unnecessary for the American merchant marine and because it is unfair to the people of the United States. We ought not to impose on the American people a tax for the benefit of that particular limited portion of our industry upon the seas.

The American coastwise trade is already a monopoly. No foreign ships can engage in it. It is not only theoretically, but practically, a monopoly. One line of ships working on the coast will stop at certain points and another line at certain other points, so that while passing up and down the same general territory there is very little competition one with another. If we were to favor any particular part of the merchant marine, we ought to favor the part that needs assistance, that part which undertakes to fly the American flag in foreign commerce. These gentlemen from the Pacific coast and the Atlantic coast urge free tolls for the American coastwise trade, but they do not go further and advocate free tolls for the vessels that fly the American flag in the foreign trade. If we were to give free tolls by discriminating in favor of the American ships, we should favor those ships that engage in the South American trade, encourage the ships, when the canal is opened, that are in foreign commerce, and not these coastwise ships that no foreign ships can compete against. The ships that start from New York and Boston to cultivate that splendid trade which we ought to build up on the western coast of South America must compete with the shipping interest of all the world. And if we were, in this legislation, at the very start to establish any policy favoring one branch of the American shipping over another, for one I would favor collecting the toll from the coastwise ships that have a monopoly of the trade and give it for the encouragement of the American merchant marine that has the courage and hardihood to enter the commerce of the high seas and open the markets of foreign countries for our vast, growing manufactures and for our surplus products of the farms.

What will be the effect of the opening of this canal upon the coastwise shipping? Most beneficial in every way. The testimony before the committee clearly shows that the moment that canal is in operation the lines of ships that carry commodities

between the two coasts—the Pacific and the Atlantic—and return will gain by going through the canal in the cost of transportation in the neighborhood of $4 per ton for actual cargo of freight carried.

Mr. Dearborn, the president of the American-Hawaiian Co., one of the most important shipping companies plying in this traffic, a company which is building now some 12 or 13 new ships to increase their ability of transportation to the extent of something like 500,000 additional tons per year, practically stated their operations by way of Tehuantepec of unloading upon the one side and taking across by the railroad and reloading on ships on the other side, as compared with passing through the canal, which they can do when the canal is open, ought to account for a saving to them of in the neighborhood of $4 per ton. What does that mean upon the rates between the two oceans. Citrous fruits from California now distributed altogether by rail cost $25.76 a ton, or $1.15 a hundred, from Los Angeles to New York. Mr. Teal, an authority upon that subject, calculates that as soon as this canal is open refrigerated boats can be started with citrous fruits at Los Angeles and landed in New York for $7 per ton. The transfer across the Tehuantepec route is impracticable. Not much fruit is shipped that way. The freight that does go by Tehuantepec perhaps cost between San Francisco and New York on an average of something like $10 per ton. Reduce that down by $4, as Mr. Dearborn says it can be done, and they can be carried at $6 per ton. The railroads, it seems to me, can not possibly compete with this water transportation for any commerce that will bear the allowance of the time necessary for the route, and this Panama route is going to shorten the time of transportation even over the Tehuantepec route by practically one-third. The same witness, Mr. Dearborn, states they now take from San Francisco to New York practically 30 days upon an average for their trips, and although the distance run to Panama will be longer, so much time is lost in loading and unloading and transferring across the Isthmus at Tehuantepec that he estimates 10 days can be cut off that trip and that boats between San Francisco and New York and New York and San Francisco can make the trip in 20 days instead of 30 days. What does that mean? It means the increasing of the earning capacity of the boats practically by one-third, by the saving of one-third of the time, which is an additional advantage to the shipping through the Panama Canal, over and above the $4 saving already referred to.

Mr. HAMLIN. Mr. Chairman, will the gentleman yield?

Mr. MARTIN of South Dakota. Certainly.

Mr. HAMLIN. I want to also remind the gentleman that in Mr. Dearborn's testimony he said that the fact that they could go through the canal without breaking cargo was a very great item as compared to their being compelled to transfer now at Tehuantepec on account of breakage and stealing, and so forth.

Mr. MARTIN of South Dakota. There are necessarily very serious losses in that way.

Mr. KENDALL. How long does it take to go through the canal?

Mr. MARTIN of South Dakota. About 12 hours for the transfer through the canal. It takes that many days to unload at Tehuantepec and send it across the Isthmus and reload on the other side.

That ship company, I say to the credit of American enterprise, is making a success of the business now, and will make a greater success when this canal is in operation. It encountered very great losses at first in its effort to handle that trade. A very large portion of their cargo is sugar, and the natives of that southern country have a sweet tooth, and the result was that the company lost literally tons of sugar in transfer across the Isthmus at Tehuantepec. My understanding from his testimony—I do not desire to be unfair—is that this saving of $4 between the two routes in favor of Panama covers a fair estimate of their loss in the transfer at Tehuantepec.

Mr. BARTHOLDT. The difference of cost to which the gentleman from Missouri called attention is included in the $4?

Mr. MARTIN of South Dakota. I think so. I think that is a fair interpretation of the testimony. After opening up a transportation route which gives the seaboard States on both oceans practically a clean reduction of $4 per ton in the transportation of every ton of cargo that can be induced to go by way of water, the gentlemen from the Pacific coast are here insistent, as though the very life of the coast depended upon it, that in addition to that $4 per ton we must add another 50 cents per net cargo ton to repay the expense of going through the canal.

I proceed now to state that in my judgment it would be grossly unfair to the general interests of the people of the entire country to do that. This canal is being built. It is not yet being paid for.

The cost of the canal will be approximately $375,000,000. Congress has authorized the Department of the Treasury to issue bonds covering the entire cost. As a matter of fact, 2 per cent bonds to the extent of $85,000,000 have been issued, and we have issued quite an amount of 3 per cent bonds, and undoubtedly the balance of the issue will be at 3 per cent. What will be the cost per year, the necessary cost for operating this canal in the interest of the commerce of the world? Col. Goethals and his expert engineers have already calculated the necessary organization of force for operating the canal, and they estimate that the cost of operation, with a fair allowance for maintaining sanitation and civil government, will be upon the average $4,000,000 per year. Two per cent interest on our $85,000,000 and 3 per cent interest on the balance up to the cost would amount to $10,393,679 per year, making the necessary outlay that the people of the United States must pay every year upon that enterprise $14,393,679 for operating and interest, without any allowance for the military and naval force necessary to police and protect the canal. Col. Goethals estimates that the military force and the military operations necessary will cost $8,500,000 per year and that the naval expense will be $1,200,000 per year; altogether, military and naval expenses, $9,700,000 per year, making a total of a little over $24,393,679, the best estimate we can obtain thus far of what it will cost a year to maintain that canal. Now, personally, I am willing to take a very liberal view of this situation in the interest of commerce. I am willing to say that perhaps never, certainly not for several decades, should we charge anything against that enterprise for military and naval force. We maintain about a certain amount of standing Army and Navy, and I do not know but that it may just as well be engaged in maneuvers and in operations in that part of the world as anywhere else, and, so far as I am concerned, that may be eliminated. But I think that no patriotic financier would very seriously urge that as long as we have interest to pay upon those bonds we ought not properly to recoup the interest we pay out upon that investment, together with the operating expenses. What are the estimates as to what will be the traffic through the canal? We have had estimates from different sources, and, personally, I think that the figures of Dr. Johnson, the commercial expert from the Pennsylvania University, who has been in the employ of the Government for some years in connection with this canal question, are as reliable as any advance estimates can be, and he estimates that the business of the canal for the first year of its operation will be 10,000,500 tons net register. I think there is a general agreement between the members of the committee and with the departments of the Government interested in these matters that probably the first experimental toll that should be put upon ships going through the canal should be $1 per net register ton, which would be approximately 50 cents per cargo ton. In this bill the President is limited to not more than $1.25 per net register ton and not less than enough to pay operating expenses.

If those figures are right as to the tonnage that will go through the canal, we would have the first year receipts of $10,000,000, out of which we could pay $4,000,000 operating expenses and would have $6,000,000 to apply upon our $10,000,000 of interest. Now, personally, I believe that for the first 10 years' operations of the canal we ought not to be ambitious to do more than pay the operating expenses and the interest. If the world's commerce through the Panama Canal shall increase sufficiently, I believe at the end of the first decade a portion of the income can be applied upon the principal, and certainly no American citizen can object if in the course of several decades the principal itself could be wiped out. Certainly we would be derelict in our duty as Representatives if we do less than provide by these tolls for the operating expenses from the beginning.

Mr. KNOWLAND. Will the gentleman yield?

Mr. MARTIN of South Dakota. I do.

Mr. KNOWLAND. Is it not a fact we could more than double the operating expenses and still not tax every coastwise ship on the estimated tonnage?

Mr. MARTIN of South Dakota. I am inclined to think we could. The coastwise tonnage is not a large item.

Mr. MADDEN. It is only about a million and a half tons a year.

Mr. MARTIN of South Dakota. The estimates of the first year's coastwise trade is 1,600,000 tons. It is an item insignificant in amount in comparison to the importance of treating the great commercial nations of the world with absolute impartiality in the operation of the canal.

Great Britain may send large shipping through that canal in its trade with the Orient, or she may divert her oriental shipping elsewhere if offended by our giving certain preferences to our coastwise trade which we deny to the Canadian coastwise

trade, and I think this would result in a loss in revenues to the canal.

Mr. CANNON. Will the gentleman allow me? Canadian coastwise trade is foreign trade from Canada to some other nation?

Mr. MARTIN of South Dakota. It may be from Canada to some other nation, or it may be from Canada to the United States.

Mr. CANNON. That is foreign trade.

Mr. MARTIN of South Dakota. But that is merely a name, and it affects the commerce of Canada just as surely as though you give it some other name. At the beginning of my remarks I gave an illustration of the reason why Great Britain and Canada are interested in this proposition.

A shipload of salmon may start from Vancouver to New York, and a shipload of the same commodity may start from Seattle to New York, each interested in that commerce. The Canadian would have, to begin with, our tariff wall to get over, which is one handicap, and in addition it would have very good reason to complain if in its efforts to get through the canal to its legitimate port it must pay 50 cents per freight ton upon its entire cargo and a competitor from Seattle pass through free of toll.

Mr. CANNON. But if the gentleman will allow me, the same argument would let all the commerce of all the world through. Canada, a foreign government, a part of Great Britain, passes through the canal to our markets. That is just as much foreign as if Japan passed through the canal to our markets. Therefore, it seems to me, with all due respect to the gentleman, that his illustration is not an apt argument for the reduction of a tax on our coastwise trade.

Mr. MARTIN of South Dakota. I will answer the gentleman that I think it as an apt argument. When my good friend from Minnesota [Mr. STEVENS] was making his argument those who were asking for free toll on the coastwise trade admitted that we were not at liberty to give free toll to foreign trade. Of course a very specious suggestion could be made, which was made by the gentleman from Massachusetts, that foreign ships could not enter into our coastwise trade now and are not interested in it.

Mr. CANNON. The gentleman's idea is that if the United States——

The CHAIRMAN. The time of the gentleman from South Dakota has expired.

Mr. MARTIN of South Dakota. I would like 10 minutes more.

Mr. STEVENS of Minnesota. The gentleman from South Dakota wants 10 minutes more. Will the gentleman give his consent?

Mr. ADAMSON. There are some gentlemen who want to get away on the boat to-night.

Mr. MARTIN of South Dakota. I will close in five minutes if you will yield me that.

Mr. ADAMSON. I yield to the gentleman five minutes more.

Mr. STEVENS of Minnesota. And I yield five minutes additional, Mr. Chairman.

Mr. MARTIN of South Dakota. I may say, Mr. Chairman, that this question of absolute legal right under the treaties to make distinction in favor of our own coastwise trade has not seemed to me to be a matter of very vital importance, anyway. I think most of those who argue in favor of it concede that as to our foreign trade and our ships entering into foreign trade we are not in a position to make a concession of that kind. That is the position of the Commissioner of Navigation, who was an urgent advocate of free tolls to all American ships, whether in the coastwise trade or otherwise. If we want to get these subsidies or these special considerations for American ships, or have a monopoly of any particular trade, let us do it by an indirect provision, appropriating to them the amount of the tolls, although it is a type of morals in diplomacy that I concede I do not subscribe to with any enthusiasm; that when you get away from home and deal with foreign nations you can do what we never allow one American citizen to do against another—that is, to do by indirection what you promised not to do.

If the gentlemen on the Pacific coast do not think they are going to get a sufficient benefit by this canal, offer an amendment here which will donate the amount of tolls as subsidy to the ships. But when you do that give it to the ships that go into the South American trade, because they have no monopoly of transportation and our coastwise boats have.

Mr. ADAMSON. I hope the gentleman will not offer them encouragement to offer an amendment to this bill. Let them stand on their own proposition if they want it.

Mr. MARTIN of South Dakota. I think that any suggestion that I may make in reference to the matter will not be followed by the free-toll advocates. They are smart enough to make it themselves if it can be made to work.

I say this: That if we are going to give any further privileges or subsidies to the coastwise States or communities, who are in the very nature of things to be the chief beneficiaries from this canal, it is not necessary to give them everything we can scrape together right now. We do not know what is to be the effect of this canal on the commerce of the United States. It is largely experimental; it is largely conjectural.

It is in evidence that of the trade going from the Atlantic to the Pacific coast by the transcontinental railways, at least 90 per cent is a class of commerce that can be accommodated by going by boat; and while our experts think that not over 10 per cent of the transcontinental freightage, the through freight, is going to go by boat, yet I think they are too low in their estimates. If 90 per cent of the traffic between the Atlantic seaboard and the Pacific can go just as well by boat as by rail it certainly will go by boat, for water transportation does not cost over one-third of transportation by rail. I think we had better hold free tolls in reserve out of consideration for the balance of the people until we know whether the great benefits of this vast enterprise are going to be distributed over the country with anything like equality.

It is not impossible but that, if we put through free the coastwise trade by means of the Panama Canal, the through freight carried now by the transcontinental railways would be so far diverted the other way as to make it impossible for those railroads to operate, depending alone upon the interior commerce, without a large increase in freight rates for local or intermediate traffic.

And we of the intermediate States, from Indiana to Nevada, and from Canada to Mexico, may find, if we throw down the last card that we have in this game at the very outset—we may find ourselves taxed to pay the interest on this great indebtedness, which inures mostly to the benefit of the coastwise trade—that we will be further taxed by increased freight rates between the coastwise cities and intermediate States. And, in my judgment, it is an absurd policy on our part now, in addition to giving these coastwise States a reduction of $4 a ton in their transportation, to listen to their cry and to their demands for 50 cents more per ton at the opening of the canal.

If, as we hope, this great enterprise shall operate for the benefit of the people of the entire Nation, and we find that by making an additional concession of free tolls to the shipping companies—for this is a question purely of the whole people on the one side and the shipping companies on the other—if we find that we can make further compensation to them by subsidy or otherwise, we should wait until it can be shown that this can be done in justice to the people of the entire country without unduly magnifying the benefits to be derived from this great undertaking by the people of the coastwise localities. [Applause.]

Mr. ADAMSON. Mr. Chairman, by direction of the gentleman from Louisiana [Mr. BROUSSARD] I yield one minute to the gentleman from Colorado [Mr. RUCKER].

Mr. RUCKER of Colorado. Mr. Chairman, I do not desire at this time to discuss this proposition at length, but I am in favor of anything that will build up our merchant marine. My friend, Lewis Nixon, of New York, who has given great study to this proposition, addressed a letter to the New York Chamber of Commerce on the 6th day of February last, and I ask leave to incorporate in my remarks that letter to the chamber of commerce.

The CHAIRMAN. The gentleman from Colorado [Mr. RUCKER] asks unanimous consent to extend his remarks in the RECORD by the insertion of a letter. Is there objection?

There was no objection.

Following is the letter referred to:

LETTER TO THE PRESIDENT AND MEMBERS OF THE CHAMBER OF COMMERCE OF THE STATE OF NEW YORK, IN DISCUSSION OF THE REPORT AND RESOLUTIONS OF THE COMMITTEE ON FOREIGN COMMERCE ON PANAMA CANAL TOLLS.

[By Lewis Nixon.]

NEW YORK, *February 6, 1912.*

To the President and Members of the Chamber of Commerce of the State of New York.

GENTLEMEN: The report of the committee on foreign commerce and the revenue laws on Panama Canal tolls in the Monthly Bulletin of March, 1912, is so misleading in its general tenor that a short analysis is called for in the national interest.

I must leave the city for a few days, on the 6th of March, and so can not be present at the meeting on the 7th; hence must use this means of calling attention to the statements contained therein.

The report of the commissioner of navigation has been garbled to bolster up what appears to me an unpatriotic conclusion and misleading statements made as to treaty obligations.

Your committee says:

"When the Panama Canal was first considered it was not anticipated the cost would be as great as the finished result will show."

Many prominent engineers pointed out the certainty of exceeding the first estimates. Once committed to this enterprise, it was known that

the United States could not turn back. At any rate, the fact that it will cost far in excess of the sum that our people thought they were to invest in such an enterprise is hardly a good argument in favor of our not forcing those chiefly benefited to pay at least a part of the unexpected expense.

There are extensive quotations from the Clayton-Bulwer treaty, although this treaty, born in misrepresentation and continued in breach of faith, is no longer binding and is not even published in the 1904 Compilation of Treaties in Force, issued by the Department of State.

In quoting article 1 of this supplanted treaty you will note certain * * * after the words "agreeing that neither will ever erect or maintain any fortifications commanding the same or in the vicinity thereof."

What is omitted by the committee is as follows:

"or occupy, fortify, or colonize or assume or exercise any dominion over Nicaragua, Costa Rica, or the Mosquito coast or any part of Central America; nor will either make use of any protection which either affords or may afford, or any alliance which either has or may have, to or with any State or people, for the purpose of erecting or maintaining any such fortifications, or of occupying, fortifying, or colonizing Nicaragua, Costa Rica, or the Mosquito coast, or any part of Central America, or of assuming or exercising dominion over the same."

I can not believe that the members of your committee are so unacquainted with American history as not to know that the conversion of English lumber camps on the eastern coasts of Honduras and Nicaragua into what was practically British territory, through virtue of occupation in anticipation of the building of the Nicaraguan Canal, was considered by American statesmen of that period as a virtual abandonment by us of the Monroe doctrine, as it was and is to the present day.

So, acting in good faith and believing Great Britain would keep her promise, as supplied above, though omitted by your committee, the treaty was ratified and proclaimed. In 1848 England, under the mask of Mosquito Indians, seized and occupied Greytown. After the treaty was once signed England continued in possession, even supporting the farce of a Mosquito Indian king.

Just so long as it seemed possible that the Nicaragua Canal would be built England continued in possession, getting the Austrian Emperor to bolster up her claims by indorsing Great Britain's guardianship of the coast, Great Britain then converting the lumber settlement of Belize into a Crown colony. In 1891 and 1892, when work was being vigorously carried on upon the Nicaraguan Canal under Menocal, we find an English syndicate busily engaged in railroad building and English influence reflecting upon the good faith of the United States in the capital of Nicaragua, saying that our country would not keep its promises, and holding out the hope to Nicaragua that the Republic would be given the sovereignty of the coast. Local discontent was freely used as an excuse for interference and to betray treaty promises. In 1894, after work was abandoned in Nicaragua, that part of the Mosquito coast lying abreast of Nicaragua was converted into the Department of Telaya of the Republic. But England still occupied Belize. It will be noted that no mention is made in the Clayton-Bulwer treaty of fortifications in the West Indies. We had no territory there, but England did.

It was upon the flimsy foundation of this dead treaty that many Americans based their contention that we had no right to fortify the Panama Canal. This Clayton-Bulwer treaty, while not in any sense binding now, contemplated a canal through territory alien to both the contracting parties, although, as we see, England, in spite of promises written into the treaty, kept her grip on contiguous territory.

But the Panama Canal is through our territory, under own own flag, and is paid for by us as a Nation.

Now, as to another altogether misleading and inexcusable statement. The committee says:

"This treaty (Clayton-Bulwer) was further extended in 1901 between those respective Governments."

Your committee should know that this is misleading. The Clayton-Bulwer treaty was replaced by the Hay-Pauncefote treaty and is no longer to be taken into account. The only common idea is that of neutrality.

The statement of the committee is evidently meant to give the impression that the treaty of 1901 supplemented the treay of 1850.

That there shall be no doubt as to the facts, I quote article 1 of the Hay-Pauncefote treaty, which says:

"The high contracting parties agree that the present treaty shall supersede the aforementioned convention of the 19th April, 1850."

So long as the Hay-Pauncefote treaty exists we acknowledge two masters for the Canal Zone, and under any and all definitions in international law the delegation to the United States, in article 3 (Panama treaty, 1903), of the sovereignty of such canal is meaningless, as a divided sovereignty over territory under our flag should be impossible under the circumstances.

And yet we are told by the committee that the Hay-Bunau-Varilla of 1903 reaffirms the treaty of 1850, though this treaty confirms our right to use land and naval forces and fortifications to protect the canal.

So the conclusion is drawn by the committee as follows:

"It would therefore appear that unless these treaties (1850, 1901, and 1903) can be abrogated by consent of both parties, the United States could not honorably discriminate in its favor as against Great Britain."

Yet this report is to be taken as a basis for a vote by this Chamber upon the operation of one of the most important works ever undertaken by our Government.

Ignoring the fact the President of the United States finds nothing in the Hay-Pauncefote treaty to forbid favoring our own vessels, ignoring the fact that the superseded treaty of 1850 to which the committee harkens back for a frail foothold of argument was violated by Great Britain, we find the committee even ignoring the facts of the Hay-Pauncefote treaty. Let us quote direct from this treaty and drag no ill-odored bag across the scent.

Section 1 of article 3 says:

"The canal shall be free and open to the vessels of commerce and of war to all nations observing these rules, on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens and subjects, in respect of the conditions or charges of traffic or otherwise. Such conditions and charges of traffic shall be just and equitable."

Section 5 of article 3 says:

"The provisions of this article shall apply to waters adjacent to the canal, within 3 marine miles of either end. Vessels of war of a belligerent shall not remain in such waters longer than 24 hours at any one time, except in case of distress, and in such case shall depart as soon as possible; but a vessel of war of one belligerent shall not depart within 24 hours from the departure of a vessel of war of the other belligerent."

No one could possibly construe such plain statements as in any way but that we are to open the canal "to the vessels of commerce and of war to all (other) nations on terms of entire equality."

All I think will admit that the constitutional authority for building the canal exists in the war power of the United States. Two Presidents have confirmed this view in their statements that this canal is an addition to our war power, as it admits of quick transfer of our naval forces from one ocean to the other.

Yet the committee says that under section 1 of article 3 of the Hay-Pauncefote treaty that we can not discriminate in favor of our own commercial vessels in the matter of tolls or otherwise, and therefore we can not do so in regard to our own war vessels so that if during war with a foreign power we find an enemy's ship in the canal we can not chase it out, and if it leaves such waters we must wait 24 hours before giving chase. Being given under article 2 "the exclusive right of providing for the regulation and management of the canal," if engaged in war, our warships finding themselves in the canal, must chase themselves out.

Such interpretation is a reflection upon the general intelligence of the community and we can well understand how the statesmen of other nations hold their tongues in their cheeks at our gullibility and our desire to begin charity abroad. And yet such ridiculous interpretation is a logical sequence to the committee's unqualified reading of section 1, article 3.

The report of the committee thus far is an unanswerable argument in favor of immediate abrogation of the Hay-Pauncefote treaty on the score of infringement of our sovereign rights, violation of the Monroe doctrine, and incompatibility with the constitutional operations of the canal. We wanted to get rid of the Clayton-Bulwer treaty, as its existence was a reflection on our national self-respect, but why it was necessary to ask a European nation's permission to build and control a canal through our own territory, under our own flag, and with our own money, I am at a loss to understand. Treaties are the supreme laws of the land, but no more so than our Constitution, which we may amend and our laws which we may repeal. At any rate, the treaty for our present purposes means only that we shall treat the vessels of all other countries under our rules on terms of equality, though even this interpretation limits disadvantageously our sovereignty, as I think there should be preferred treatment for the vessels of all the western Republics, even Canada, as against European or Asiatic vessels.

However, we shall now follow other arguments, or, rather, examine their premises.

The committee states:

"The Suez Canal since its opening has charged the same rate of tolls to all nations, though its stock is practically owned by Great Britain and France."

With delightful ingenuousness we are to be led to the conclusion that a canal through territory foreign to both France and England operated by a company in which they both own stock is the same as a canal built, owned, and operated by a government in its own territory, and that only the altruism of England and France prevents their operating it in their own interest. The Suez Canal has paid for itself several times and now pays about 30 per cent per annum, but we hear no movement on the part of the chief user to make it free to all vessels.

The committee says that "it is asserted and generally credited that some governments make returns to their shipping passing through the Suez Canal in the nature of subsidies that in whole or in part offset the canal tolls."

I can see no use for the phrase "generally credited" except to give the impression that such belief is unwarranted.

Following this, that we may get a fuller light upon what the committee would have us believe, we find the committee saying:

"As many of the steamships availing of these subsidies do not pass through the Suez Canal, it can hardly be asserted with fairness that the subsidies are given for canal purposes. Your committee does not feel that it is called upon in this report to discuss the question of subsidies, but to adhere strictly to the question of tolls."

But the committee implies a doubt, draws a conclusion, and then abandons the line of thought.

Why not discuss the question if such discussion be enlightening? Other nations do directly rebate Suez Canal tolls and the committee must know it and know, too, that the subsidies which it tries to make general are in most cases directly voted to equalize such tolls. So why run away from the issue, or must we only provide a free feast of commerce, to which all the world is bidden to partake, at our expense?

The Russian Government in 1909 appropriated 650,000 rubles in exact terms to pay the tolls of the merchant steamers of the Russian volunteer fleet, both for tonnage and for all men, women, and children carried.

The British P. & O. Co. receives in subsidies enough to nearly pay all its canal dues, although it operates through the canal a number of boats apart from mail steamers.

The North German Lloyd receives an annual subsidy on its vessels using the canal of $1,385,000. Japan pays a subsidy of $1,336.947 to the Nippon Yusen Kaisha for its steamers through the Suez to Europe.

The Massageries Maritimes, the largest French company using the Suez Canal, was paid for its lines to China, Japan, Australia, and Madagascar $2,145,000 in subsidies.

Austria specifically provides by law for payment of Suez tolls on Austrian steamers from Trieste to Bombay, Calcutta, and Kobe.

The Swedish Government calculates its subvention to the Svenska Ostasiatiska Kompaniet to represent the amount of tolls paid by the ships of the company for passing the Suez Canal. I think the above not only pertinent, but enlightening.

Let us again quote from the committee's report:

"Although the Commissioner of Navigation in his report just issued favors the payment by the United States Government of tolls upon American vessels, he makes the following statement: 'It is not questioned that the traffic of the Panama Canal should supply revenue for its maintenance and possibly in time for the partial amortization of the expense incurred in construction. Toward this revenue we must ourselves contribute in some way, for even if our treaty obligations will permit us to impose upon foreign nations the entire burden of paying for the canal, not for an instant would there be a disposition to adopt so ungracious a policy or, in fact, could it be commercially feasible.'"

Of course this is all qualified, but it is a very fine distinction in commercial ethics which forbids charging a fair price for services rendered when there is no compulsion as to usage and vessels will only pass through the canal when it is to their advantage to do so.

However, since the committee seems to draw comfort and inspiration from the utterances of the Commissioner of Navigation, I will quote him further: "A deliberate conclusion to tax directly American shipping to pay for the maintenance of that canal when no tolls are imposed on vessels, American or foreign, for the use of our other improved highways will be well-nigh inexplicable save as the definite surrender of the oceans to others by the United States except as we may use its waters from time to time for the maneuvers of our war fleets."

This has an American ring about it.

Further quotations will prove that the Commissioner of Navigation has not "the opinion that tolls should be charged and to all alike," as the committee rather too hastily concludes.

The committee again quotes from the commissioner, though with what object it is hard to judge:

"A long line of treaties binds us to equal tolls on American and foreign vessels entering the improved harbors of New York, New Orleans, San Francisco, and every other harbor, river, lake, and canal within the United States."

Of course they do. I do not deny that we give much for nothing and that we have been worsted in practically every one of our commercial conventions.

But such river and harbor improvements are for our own commerce, while the canal may be used by vessels that never reach one of our ports and in direct competition with us.

A policy deliberately adopted which aids other vessels in our trade undoing is monstrous and unpatriotic. Does the committee wish the chamber to think that there is no difference in their respective effects upon the national economy between the Panama Canal and Ambrose Channel?

While swallowing the camel of $24,550,000 tolls on the Suez Canal for 1910, the committee strains at the idea of $14,500,000 for the Panama Canal.

As the best and fullest use of the canal for several years will be by foreign vessels, why not let those vessels, which from our inadequate equipment will reap the greatest profit and develop their own countries' trade, pay charges in proportion to advantage obtained? The Suez Canal started with tolls of 10 francs per gross ton, with a surtax, but they are now about $1.30 per net ton. There is every reason why we should start with an adequate toll, which can be lowered as the volume of travel increases.

It will be found necessary in all probability to write off the cost of the canal and to be content for at least a number of years to pay operating charges of all kinds, and by a surtax to raise a sum for insurance against accidents, such as earthquakes or other troubles, renewals, and wear and tear.

On such a basis $1 per gross ton would be sufficient. The net ton is not a true measure of the bulk or volume of the vessels, and hence the gross ton should be employed as being the more equitable standard by which to gauge charges. The committee knows the difference between gross and net tonnage, but ignores it. The surtax might be levied on passengers or goods which do not come from or go to United States ports.

As regards the coasting trade, there is a vast difference between domestic and foreign transportation. It is claimed that the coasting rates will serve to regulate railroad rates. We have from the beginning preferred our coasting vessels by constitutional regulation of trade, and our coasting trade is prosperous, and with naval orders keeps alive the shipbuilding industry.

There is no question in anyone's mind as to our right to prefer our coasting vessels, such preference being within the constitutional power to regulate commerce.

The committee is here to be criticized more than at any other part of its report, for while not passing upon preference for the coasting trade it shuts out such preference in its resolution by recommending a toll of $1 per ton on all tonnage passing through the canal.

Let us see how the committee disposes of this most important problem:

"The question of American shipping doing a coastwise tonnage passing through the canal free of tolls is a most difficult one to solve. There is a great diversity of opinion, and until this matter has been definitely determined by our Government in relation to the existing treaties with Great Britain and other countries your committee does not feel qualified to pass upon it."

But does the committee give their country the benefit of the doubt and qualify their recommendation? Not at all. They ask the chamber to pass the following resolution:

"*Resolved*, That the Chamber of Commerce of the State of New York favors a rate of $1 per ton on all tonnage passing through the canal, and urges upon Congress to take early action upon this important matter."

Not a single exception. The committee interprets the treaties and settles the coasting-trade preference at one blow. How the chancelleries and the shipping rings of our European rivals will rejoice at the sounding of such attack upon American shipping by New York's great chamber of commerce.

I am not building vessels any more and can not be charged with a selfish interest in this great question, but I am at a loss to understand why I find myself so often combating un-American policies. We see our dependence upon the oceans progressively increase, and while we rail at monopoly on land we look with complacency upon the growth of an all-powerful monopoly upon the seas in the ships of our commercial and political rivals and in the arts and accessories of navigation.

This chamber should go much further in its recommendations.

The Spooner Act provided for building the canal, but not for its operation. The splendid work done by Goethals and Gorgas and the great men on the Goethal staff, such as Hodges, Devol, and Sibert, should not be lost in usefulness to the Nation. A plan of control, including the physical, such as upkeep and operation; sanitary; fiscal and civil, such as schools, courts, and police, must be studied. This chamber should have views upon such questions which would be of use; at any rate it can urge upon Congress the importance of an early determination.

But in the adjustment of tolls we shall see the greatest measure of good or ill for the American merchant marine. If you are not willing to aid in the building up of our merchant fleet through differential tolls, that is a question of conscience alone. But do not quiet that conscience by believing that any treaty stands in the way of preferring our own.

I oppose the resolutions offered because the premises upon which they are based are misleading and incompetent and the resolutions themselves carelessly drawn and harmful.

I beg to submit the following substitute resolutions:

The Chamber of Commerce of the State of New York, having considered the problem of tolls upon the Panama Canal, recommends as follows:

1. That for the next 10 years the interest on the canal bonds shall not be charged against the tolls.

2. Foreign vessels in the foreign trade to pay a toll of $1 per gross ton register if of foreign build; foreign vessels built in the United States to pay 30 cents per ton; United States vessels in the foreign trade to pay 20 cents per ton; United States vessels in the coasting trade to pay 10 cents per ton; no charge to be made for United States men-of-war; men-of-war of other nations to be charged as merchant vessels; vessels in ballast to pay half rates.

3. Any surplus over operating expenses from the sum above collected shall be placed in a special fund, to be expended for canal purposes or amortization of bonds, as decided by Congress.

This sum shall be further added to by a surtax on all vessels not carrying cargoes to or from United States ports of 10 cents per gross ton, regardless of flag; and on all passengers not coming from or going to American ports on the vessel which brings them to the canal there shall be a charge of $2 each.

4. That this chamber urge upon Congress the need of immediate legislation fixing the control of the Canal Zone and the operation of the canal.

I need not point out to the chamber the delicate ground upon which it stands in accepting a report of a committee as a basis for action, which report attempts to construe a treaty in such a way as to hamper our country in disputes which may arise under this treaty in the future.

I have not hesitated to put facts strongly before the chamber, as I have considered it my duty to do as an American citizen, glorying in my selfishness in my country's interests.

I am always ready to discuss such questions and am sending a copy of this letter to each member of the committee.

I trust that it will be found that in the rush of other duties they have not fully weighed the questions upon which they report and that they may go more fully into the subject before committing themselves to a policy the only arguments for which are un-American arguments.

Very respectfully, LEWIS NIXON.

Mr. HUMPHREY of Washington. Mr. Chairman, I make a similar request, and ask leave to extend my remarks in the RECORD.

The CHAIRMAN. The gentleman from Washington [Mr. HUMPHREY] asks unanimous consent to extend his remarks in the RECORD. Is there objection?

There was no objection.

Mr. ADAMSON. Mr. Chairman, at the instance of the gentleman from Louisiana [Mr. BROUSSARD] I yield 30 minutes to the gentleman from Missouri [Mr. ALEXANDER].

The CHAIRMAN. The gentleman from Missouri [Mr. ALEXANDER] is recognized for 30 minutes.

Mr. ALEXANDER. Mr. Chairman, it is impossible for me in the time allotted to me to discuss this question as I would like to. I wish to discuss it from the standpoint of the American merchant marine. I will say, in passing, that I am not undertaking to reflect the views of the committee of which I have the honor to be chairman, for I do not know the views of the committee as a whole. I do know, however, that the members of the Committee on the Merchant Marine and Fisheries are all very anxious to do something to restore our American merchant marine in the foreign trade.

It is true that our coastwise merchant marine is greater than that of any other nation, and if we include our coastwise merchant marine we have a larger merchant marine than any other nation save Great Britain; but it is a source of humiliation to American citizens that more than 90 per cent of our foreign trade is carried in foreign ships and has been for many years past. I will not undertake to go into the causes of the decline of our American merchant marine. They are many and have often been discussed on this floor. But with this bill pending I could not let the occasion pass without suggesting to the majority of the Committee on Interstate and Foreign Commerce that, if it may be done consistently, they should be willing and anxious to respond to this demand and concede something to our American merchant marine.

Mr. SABATH. Will the gentleman yield?

Mr. ALEXANDER. Yes.

Mr. SABATH. Will the gentleman suggest what could be yielded to our American merchant marine in this bill that would benefit it?

Mr. ALEXANDER. If the gentleman will be patient, I will try to elucidate that question.

So far as the general features of this bill are concerned, they have my approval, so far as they relate to the administration of the Canal Zone, although the bill lodges vast and almost autocratic power in the Executive; but I recognize the peculiar situation in the Canal Zone and in the administration of the canal, and I am not disposed to question the wisdom of this legislation for that reason.

I wish to say, further, that I am in entire accord with the committee in the legislation proposed by section 11 of this bill, and I shall support the substitute for section 11 that will be offered by the committee.

I do not believe that the railways of the country should own and operate ships; and while this bill is intended primarily to provide for the administration of the Canal Zone, as it has undertaken to legislate upon this other question which I regard as a large and important question, I shall support the substitute for section 11, which I understand will be offered by the chairman of the committee [Mr. ADAMSON], because it is a notorious fact that our coastwise trade, both on the Atlantic and on the Pacific, is controlled by the railroads; that there is not a line of ships between New York and Galveston or on the Pacific Ocean that is not controlled for the most part by the railroads of the country. So long as that is true, we can not have that open competition between the waterways and the railroads that all thoughtful men agree is necessary.

Mr. HAMLIN. Will my colleague yield just there?

Mr. ALEXANDER. Yes.

Mr. HAMLIN. I want to call the attention of my colleague to the testimony before the committee that the American-Hawaiian Steamship Co., of which Mr. Deering is president, is an independent company, not one dollar of the stock or interest in which is owned by any railroad.

Mr. ALEXANDER. Where does that line operate?

Mr. HAMLIN. In the coastwise trade. I want to call the attention of my colleague further to the fact that he says he does not object to tolls being levied upon the coastwise trade. He has not asked for free tolls. Not one dollar of the stock in that company is owned by any railroad company, so he says.

Mr. HUMPHREY of Washington. Will the gentleman yield on that point?

Mr. ALEXANDER. Yes.

Mr. HUMPHREY of Washington. If I recall, it appears in the hearings; but, whether it appears in the hearings or not, it is a fact that that steamship line is operated in connection with a railroad.

Mr. HAMLIN. Oh, no; that is not in the hearings at all.

Mr. HUMPHREY of Washington. That is a fact.

Mr. ALEXANDER. Their relations are so intimate with the railroads that there has never been any friction between them. There is no competition between them, and from all appearances they are in perfect accord. Yet that company has been quoted from time to time as a justification for canal tolls. Just as soon as they do come in competition, just as soon as they do make a lower rate than the railroads, then there will be friction between them; and, like most other lines that have dared to do so, it would not be long until they would be put out of business. But whatever that relationship may be, it is one of comity and friendship, and there is no fraction between them.

Mr. HAMLIN. In the interest of accuracy of record, I want to say that the testimony by Mr. Dearborn is undisputed that there is a competition between his ships and the transcontinental railroads, and that they always cut under the railroad rates. He said he kept his ear to the ground, and when the transcontinental railroad companies made a rate his company made a lower rate, and that not one dollar in his company is owned by the railroad companies; and that statement was not disputed before the committee.

Mr. ALEXANDER. I undertook to read the testimony, but I did not read it in full, and I am unable to state what the fact is in that regard, but the committee of which I am chairman is charged with an investigation of the relationship existing between these different shipping lines, and we may reveal a different state of facts.

Now, I do object to section 5 of the bill, or that part which undertakes to commit us to the doctrine that under our treaty relations with Great Britain we may not discriminate in favor of American shipping. If it was intended that this question should go over for future consideration, why undertake in this bill to make a declaration of that kind? Why try to commit Congress to the doctrine both with reference to the coastwise and our foreign trade? Hence I object to this language in section 5:

> No preference shall be given nor discrimination shown, directly or indirectly, to the vessels of any nation, its citizens or subjects, other than vessels belonging to the Government of the United States (including those belonging to the Panama Railroad Co.) and the Government of the Republic of Panama, observing the rules and regulations of the Panama Canal.

I say if it was the intention that this question should go over and be considered by future Congresses, that language has no place in this bill. The question should be left open for discussion and consideration in the future.

I must confess that the situation here is an anomalous one. I would think that an American citizen, a Member of this Congress, jealous of the rights of his own country and his own flag, would leave it for some other nation to contend that we may not discriminate in favor of American shipping in the matter of tolls on the Panama Canal. I can very well understand why the railroads do not want this discrimination. I can very well understand why the foreign shipping interests do not want this discrimination. But, so far as I am advised, the Government of Great Britain is not contending that we may not discriminate in favor of American shipping in the tolls in the use of the Panama Canal. Hence, I say, this eloquence and this zeal is misplaced.

Mr. KNOWLAND. Will the gentleman yield?

Mr. ALEXANDER. Yes.

Mr. KNOWLAND. Further than that, it is a fact that the leading shipping authorities of Great Britain admit that we have the right to discriminate in favor of our coastwise vessels.

Mr. ALEXANDER. I take the statement of the gentleman from California as correct; I am not advised on that question.

Mr. SABATH. Will the gentleman yield?

Mr. ALEXANDER. For a very brief question.

Mr. SABATH. How would this provision benefit the foreign steamship business?

Mr. ALEXANDER. Is it not the gentleman's opinion that if we discriminate in favor of American ships in the use of the canal we would benefit our ships in the foreign trade?

Mr. SABATH. The foreign ships are excluded from doing any business in our coastwise trade.

Mr. ALEXANDER. I am not talking about coastwise trade alone; I take the larger and broader view. I say we should discriminate in favor of American shipping, both in the coastwise and in the foreign trade. That is my view. [Applause.] The greater necessity is in the foreign trade, because in that direction is the greater need to extend our commerce. There is an absence of American ships in the foreign trade. True, our American ships have a monopoly of the coastwise trade, and to save my life, after having heard these learned arguments, I still can not understand how they can justify the claim that we are bound by treaty not to discriminate in favor of American ships in the coastwise trade when foreign ships are excluded from the coastwise trade.

The gentleman from Minnesota [Mr. STEVENS] in his very able speech has undertaken to prove that it will be a violation of the terms of the Hay-Pauncefote treaty for us to discriminate in favor of our vessels in the coastwise trade, and to support his contention refers to the Welland Canal. Yet the two cases are not paralleled in any respect.

We have never asked Canada to let us share in her coastwise trade. Her vessels have a monopoly of that trade, as do our vessels of our coastwise trade. The trade between the United States and Canada on the Great Lakes is foreign trade. The Welland Canal connects international waterways—Lakes Erie and Ontario. The canal is built on Canadian territory and is under the control of the Dominion Government. It is true that in 1888 and again in 1891 representations were made by the United States that the stipulated equality in the use of the canal was denied in Canada. The tolls charged on grain, flour, and certain other articles passing through the Welland Canal amounted to 20 cents a ton, but for some years, by an annual order in council issued before the opening of lake navigation, a rebate of 18 cents a ton was granted on grain carried to Montreal or points east thereof.

Mr. TOWNER. Mr. Chairman, will the gentleman yield?

Mr. ALEXANDER. Yes.

Mr. TOWNER. I would suggest to the gentleman that I think it would be of advantage to everybody if he would also insert in his remarks the history of the controversy with the Dominion of Canada with regard to the Welland and Soo Canals. I think the facts regarding that ought to be in the RECORD.

Mr. ALEXANDER. I shall do that.

Mr. TOWNER. I entirely agree with the gentleman that they in no wise carry out the intention of the gentleman from Minnesota [Mr. STEVENS].

Mr. ALEXANDER. I quote from Moore's Digest of International Law, volume 3, page 681, the history of that controversy:

> In 1895 the United States and Canada each appointed three commissioners to confer on the question of the feasibility of building such canals as should enable vessels engaged in ocean commerce to pass to and fro between the Great Lakes and the Atlantic Ocean. This action was taken on the initiative of the United States under an act of Congress approved March 2, 1895. (For. Rel. 1895, I, 705–707; report of Mr. Olney, Secretary of State, to the President, Dec. 7, 1906, For. Rel. 1896, lxxiv.)
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> QUESTION AS TO TOLLS.
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> In 1888 (a) and again in 1891, representations were made by the United States that the stipulated equality in the use of the canals was denied in Canada. The tolls charged on grain, flour, and certain other articles passing through the Welland Canal amounted to 20 cents a ton, but for some years by an annual order in council issued before the opening of lake navigation a rebate of 18 cents a ton was granted on grain carried to Montreal or points east thereof. The effect of this system, which violated, as the United States maintained, the stipu-

lated equality, was aggravated by the ultimate denial of any rebate on cargoes transshipped, as often as was necessary, for passage through the canal from larger to smaller vessels if the transfer was made in a United States port. On April 4, 1892, a new order in council was issued, which, while fixing the canal tolls at 20 cents a ton on freight of all kinds, allowed a rebate of 18 cents on wheat, Indian corn, peas, barley, rye, oats, flaxseed, and buckwheat originally shipped and actually carried to Montreal, or any port east thereof, in case such products were exported, and provided that the right to the rebate should not be lost by intermediate transshipment, if it took place in Canada. (b) By another order in council, dated April 11, 1890, and mentioned by the United States as a discrimination, the toll on cargoes bound eastward was reduced from 20 cents to 10 cents a ton, while the full rate was continued on cargoes bound westward.

The Canadian Government argued (1) that its orders in council, as they applied to Canadian and American vessels alike, did not infringe the treaty, and (2) that, as article 30 of the treaty of Washington, granting a reciprocal participation in special coasting trade and bonded-transit privileges, expressly authorized the United States to suspend those privileges in case Canada should deny the equal use of the canals under article 27, and as article 30 had been terminated on notice given by the United States, the agreed penalty for discrimination which might exist had already been exacted. (c) The Canadian Government proposed, however, as a compromise, to abolish all rebates on condition that the free and equal use of the Sault Ste. Marie Canal should be maintained, and that article 30 of the treaty of Washington should be restored (d).

The United States replied (1) that the treaty guaranteed equality of treatment not merely to vessels of the United States, but also to their citizens; (2) that this equality was violated by the system in question, since it required grain bound to United States ports to pay 10 times as much toll as grain bound to Montreal, and discriminated against American vessels, ports, consumers, and trade routes; (3) that the termination of article 30 of the treaty of Washington by a notice in conformity with article 33 thereof, could on no theory be held to have forever exhausted the power of the United States to retaliate for any failure of Canada to observe the engagements of article 27; and (4) that clear rights conferred on citizens of the United States by treaty could not be purchased by concessions which the same treaty did not require (a).

The matter was submitted by the President to Congress, (b) and by an act approved July 26, 1892, it was made his duty, whenever he should be satisfied that the passage through the Canadian canals of vessels of the United States, or of cargoes or passengers bound to a United States port, was prohibited, made difficult, or burdened by tolls which, in view of the free passage permitted to all vessels through the St. Marys Falls Canal, he should deem unjust and unreasonable, to suspend by proclamation such free passage and impose tolls, not exceeding a certain amount on vessels of subjects of the discriminating Government or on cargoes or passengers in transit to its ports. A proclamation, dated August 18, was issued August 20, 1892 (c).

It specified as the particular ground for action the rebate allowed under the order in council of April 4, 1892, in favor of the Montreal route and Canadian transshipments, this preferential treatment constituting, as was declared in correspondence, "the concrete condition of disfavor to citizens of the United States, which the President was constrained to examine and act upon"; (d) and directed the collection after September 1, 1892, of a toll of 20 cents a ton "on all freight * * * passing through the St. Marys Falls Canal in transit to any port of the Dominion of Canada, whether carried in vessels of the United States or of other nations."

By a Canadian order in council of February 13, 1893, it was directed that "for the season of 1893 the canal tolls for the passage of the following food products: wheat, Indian corn, peas, barley, rye, oats, flaxseed, and buckwheat, for passage eastward through the Welland Canal be 10 cents per ton, and for passage westward through the St. Lawrence Canals only 10 cents per ton; payment of the said toll of 10 cents per ton for passage through the Welland Canal to entitle these products to free passage through the St. Lawrence Canals."

On the strength of assurances that this order was in full substitution of the expired orders of 1891 and 1892, and involved the abandonment of all provisions as to rebates or against transshipped goods, the President, February 21, 1893, issued a proclamation suspending that of August 18, 1892 (a).

By an order in council, dated April 17, 1896, all fees previously exacted from vessels navigating inland waters, when entering or clearing above Montreal, were abolished. It was stated that the Canadian Government, while maintaining its former contention that certain charges exacted in the United States ports from Canadian vessels constituted a discrimination in favor of United States ships, took the action above stated in order that no cause for friction with the United States authorities in regard to the matter should exist (b).

It will be noted that Canada would not at first yield to the contention of the United States, but contended that its orders in council did not infringe the treaty, but proposed, however, as a compromise to abolish all rebates on condition that the free and equal use of the Sault Ste. Marie Canal should be maintained and that article 30 of the treaty of Washington should be restored.

Article 30 of the treaty of Washington, granting reciprocal participation in special coasting trades and bonded-transit privileges, and expressly authorizing the United States to suspend these privileges in case Canada should deny the equal use of the canals under article 27, had been terminated on notice given by the United States.

The President and the Canadian Government failing to come to an agreement, the matter was submitted to Congress, and the act of July 26, 1892, was passed, providing that so long as the President should be satisfied that the Canadian Government should discriminate against vessels of the United States in the passage through the Canadian canals certain tolls should be charged the vessels of Canada for passage through the St. Marys Falls Canal.

The result was that the Canadian Government, by order in council of February 13, 1893, made a new regulation satisfactory to the United States, and on the strength of assurances that this order was in full substitution for the expired orders of 1891 and 1892, the President, on February 21, 1893, issued the proclamation suspending that of August 18, 1892, which was based on the act of July 26, 1892.

Later, the Canadian Government, by order in council dated April 7, 1896, abolished all fees previously exacted from vessels navigating inland waters when entering or clearing above Montreal. Thus the controversy was happily ended.

Nevertheless it clearly appears that Canada never did concede that she had violated any of the treaty rights of the United States. The only way we forced her to make concessions to us was by the Congress passing the act of July 26, 1892, by which we gave Canada to understand that if she did not concede to us reciprocal treatment in the use of the Welland Canal we would deny to her the free passage of her vessels through the St. Marys Falls Canal.

Just what that controversy and its settlement has to do with our right to grant to American vessels free tolls in the use of the Panama Canal, I repeat, I am unable to understand.

It might be bad policy for us to do as contended by the gentleman from Minnesota [Mr. STEVENS], but it can not be seriously contended that we violate the terms of any treaty between ourselves and Canada in doing so, and it can not be seriously contended that Canada should be accorded equal treatment with American vessels engaged in the coastwise trade in passage through the Panama Canal under the Hay-Pauncefote treaty, unless such treatment may be claimed for the vessels of Great Britain and of all other nations that may apply therefor.

That we have the undeniable right to discriminate in the matter of Panama Canal tolls in favor of vessels of the United States engaged in the coastwise trade and, if we elect to do so, grant them free tolls, is settled by the decision of the Supreme Court of the United States in the case of Olsen *v.* Smith (195 U. S., 332). In that case the treaty with Great Britain expressly provided that—

> No higher or other duties or charges shall be imposed in any ports of the United States on British vessels than those payable in the same ports by vessels of the United States.

The court held that this treaty was not violated by either the Texas statute or section 4444 of the Revised Statutes of the United States, exempting coastwise steam vessels from the payment of pilotage charges.

Mr. Justice White, now Chief Justice, speaking for the court, said:

> Nor is there merit in the contention that as the vessel in question was a British vessel, coming from a foreign port, the State laws concerning pilotage are in conflict with the treaty between Great Britain and the United States, providing that "no higher or other duties or charges shall be imposed in any ports of the United States on British vessels than those payable in the same ports by vessels of the United States." Neither the exemption of coastwise steam vessels from pilotage resulting from the law of the United States nor any lawful exemption of coastwise vessels created by the State law concerns vessels in the foreign trade, and, therefore, any such exemptions do not operate to produce a discrimination against British vessels engaged in foreign trade and in favor of the vessels of the United States in such trade. In substance, the proposition but asserts that because by the law of the United States steam vessels in the coastwise trade have been exempt from pilotage regulations, therefore there is no power to subject vessels in foreign trade to pilotage regulations, even though such regulations apply without discrimination to all vessels engaged in such foreign trade, whether domestic or foreign.

This decision, it seems to me, should settle the question once and for all. But in the absence of any decision by this great tribunal, it should be plain that we have the right to treat our vessels engaged in the coastwise trade as we please, in view of the undisputed fact that no foreign vessel may participate in that trade, and it is no concern of theirs how we treat our vessels in the coastwise trade, whether we grant them free tolls or not.

But it was not my intention to give this phase of the subject more than a passing notice.

The gentlemen entertaining the contrary view, however, have expressed their contention with such earnestness and plausibility that I have felt it my duty to give it more extended notice.

But my contention is that we may not only discriminate in favor of vessels of the United States engaged in the coastwise trade, but that we may discriminate in favor of vessels of the United States engaged in the foreign trade in the matter of tolls in the use of the Panama Canal, and, following my thought on that subject, is it not a little remarkable that the President of the United States, having in view our treaty with Great Britain, should deliberately announce in a message to Congress that, in his opinion, we have a clear right to discriminate in favor of our shipping, not alone in the coastwise trade, but in the foreign trade as well. I quote from the message of President Taft

to the Congress in December, 1911 (62d Cong., 2d sess., H. Doc. 343), in which he says:

I am confident that the United States has the power to relieve from the payment of tolls any part of our shipping that Congress deems wise. We own the canal. It was our money that built it. We have the right to charge tolls for its use. Those tolls must be the same to everyone, but when we are dealing with our own ships, the practice of many governments of subsidizing their own merchant vessels is so well established in general that a subsidy equal to the tolls, as equivalent remission of tolls, can not be held to be a discrimination in the use of the canal. The practice in the Suez Canal makes this clear.

Mr. CLINE. Mr. Chairman, will the gentleman yield?

Mr. ALEXANDER. Certainly.

Mr. CLINE. I will ask the gentleman if the President does not say the tolls would have to be paid at the canal, and they could be recouped by legislation, and that that was lawful; and does he not say it in that identical communication?

Mr. ALEXANDER. No; his language is:

I am confident that the United States Government has the power to relieve from the payment of tolls any part of our shipping that Congress may deem wise.

Mr. MANN. Mr. Chairman, will the gentleman yield?

Mr. ALEXANDER. Certainly.

Mr. MANN. I hold in my hands a letter from the Secretary of State—Secretary Knox—and also a letter from the Secretary of War, Mr. Dickinson, the latter stating that a bill which I introduced which would permit a discrimination in tolls both as to coastwise trade and to foreign trade carried in American bottoms, met the approval of the President of the United States—all approving that proposition under the treaty.

Mr. TOWNER. Will the gentleman from Illinois not put that also in the RECORD?

Mr. MANN. I may insert them in the RECORD when I make some remarks.

Mr. ALEXANDER. The Secretary of War, Hon. Henry L. Stimson, in his last annual report, page 54, is equally clear in his opinion that the United States may legally and morally relieve American vessels from payment of tolls for use of the Panama Canal without violating the provisions of the Hay-Pauncefote treaty. I quote his language:

Involved in the problem of fixing tolls is the question whether the United States has the right under the treaty to pay the tolls on American vessels using the canal. An examination of the treaty and the surrounding circumstances to my mind leaves no doubt as to the right of the United States, both legally and morally, to pay the tolls on its vessels. This is a perfectly recognized practice in respect to the tolls of the Suez Canal, the toll rules of which canal were adopted by the United States in the Hay-Pauncefote treaty for the government of the Panama Canal. At least one of our national competitors in the use of the Panama Canal—Spain—has already taken steps to provide for the payment out of her national treasury of the Panama tolls on one of the Spanish lines which will use that canal. Furthermore, I can see no difference, save in form—provided the tolls for other nations are kept reasonable, as we have also covenanted to do—whether the United States should make this appropriation out of her own Treasury to American vessels, by receiving the toll money from them first and repaying it to them, or by simply relieving them from the payment of tolls in the first place.

The Secretary of Commerce and Labor, Hon. Charles Nagel, in his annual report, pages 102 and 103, entertains the same opinion. His statement is as follows:

Every State in the Union with navigable waters crossing its boundaries furnishes precedents of congressional appropriations for the establishment and maintenance of improvements at the continuing expense of the Federal Treasury and without a dollar's help from the vessels which enjoy the advantages of such improvements. Where the future of American shipping is at stake, and the domestic commerce of both seaboards and the Gulf is involved, there is no apparent reason to depart from a principle which has been so constantly invoked. * * *

The Panama Canal is being built in the belief that it will benefit all sections of the country and nearly every form of American industry. Our merchant ships and shipyards are as essential to the Nation as our battleships. They have at least a claim to equal consideration in canal legislation and appropriations with other American industries. Every argument to tax the American merchant ship which uses the canal would apply with equal force to a tax directly on American cotton, lumber, fruit, coal, grain, and other cargo carried by the ship through the canal. It is feasible to use the canal for the promotion of American navigation in a manner consistent with treaty obligations, with precedent at home and abroad, and with our fixed policy of untaxed navigation on improved waterways.

When the gentleman from Minnesota, in answer to my question, answered "that our Government might refund to American vessels all or part of the tolls paid by them for passage through the Panama Canal, whether in the coastwise or foreign trade," he gave away his whole case, for it is absurd to say that if by the terms of the treaty we may not discriminate against foreign shipping in the matter of tolls we can secure the same result in this direct manner. I say it would not be honorable to do it in that way. It would be a subterfuge and would not be recognized by any self-respecting nation. So that when that concession is made on the part of the proponents of this bill they virtually give away their case.

As I say, I do not intend to further discuss the question whether or not this Government may grant free tolls to our vessels in the coastwise trade without reference to whether or not we may do so in the foreign trade. If the provisions of the Hay-Pauncefote treaty were without doubt, if they were clear and unequivocal that we could not discriminate in favor of our vessels in the foreign trade, I do not believe it could be seriously contended for one moment that we may not grant free toll to our vessels in the coastwise trade, and that was the view of the Supreme Court of the United States.

The gentleman from Minnesota [Mr. STEVENS] contends with equal force and eloquence that we may not discriminate in favor of our vessels in the use of the Panama Canal in the foreign trade, and on that question I wish to join issue with him.

He casts aside the opinions of the President of the United States, of the Secretary of War, of the Secretary of Commerce and Labor, all distinguished lawyers, as of little weight in the solution of the question.

He seems to overlook another important fact. Although the position of our President on this all-important question has been known for many months, and the question has been given great prominence in the press and magazines of the country, no word has come from the British Government or any other maritime nation, so far as I am advised, that we may not grant to America a less rate of the tolls than to foreign shipping, or for that matter free passage through the Panama Canal. I attach great significance to this circumstance, for if there is any plausible ground on which the position of our Government in this matter might be questioned I fancy Great Britain and other maritime nations would be quick to seize upon it.

I can readily understand why our transcontinental railroads and the foreign shipping interests might support this contention, prompted by selfish interests, and I am not finding fault with them for doing so, but I have been cudgeling my brain to find a plausible reason why my esteemed friend, the distinguished chairman of the Committee on Interstate and Foreign Commerce, and the majority of that committee should press that view with so much zeal and eloquence. I believe them sincere in their desire to help our merchant marine. I am inclined to think their error lies in misunderstanding the influence and effect the opening of the canal will have upon the future of our merchant marine, and their judgment is controlled by a wish to make the canal pay as a commercial enterprise. In both views I believe they are mistaken. As I view the situation the canal, if wisely administered, will be a valuable asset in the building up of our merchant marine and in the extension of our foreign trade in American ships, not only in South America but to the Orient and other parts of the world.

The gentleman from Minnesota in his construction of the Hay-Pauncefote treaty gives great significance to the language in the preamble to that treaty, that the contracting parties agreed that the canal should be built "without impairing the general principle of neutralization established in article 8 of the Clayton-Bulwer treaty."

Now, from that language, "without impairing the general principle of neutralization established in article 8 of that convention," he gives those words very great weight in construing the articles of that treaty. In fact, he reads them into the treaty and would make them a part of the treaty. To my mind that is indefensible. If we want to have an interpretation of those words, or if we want to interpret those words to see what effect they had or what scope they shall have given in the treaty, let us go to the treaty itself. Now, there has been much said on the question of neutralization, and yet that is a term of wide significance which does not allow a definite meaning and which can not be applied to any specific treaty and made a universal rule of action. It has been violated time and time again in our treatment of the Panama Canal, and to accept those words as a justification for the position of the committee that we may not discriminate in favor of American ships in the use of the Panama Canal, to my mind is entirely untenable. Why, if we take the Clayton-Bulwer treaty as a basis, or if we undertake to interpret article 8 of that treaty and translate the spirit of that treaty into the Hay-Pauncefote treaty, we violate it in many respects. We violated it in our treaty with Panama, because we expressly provide that ships of the Government of Panama shall pass back and forth through the canal free of toll. It is nothing to say that her shipping in tonnage is negligible. We are contending for a principle, and if the contention of the gentlemen on the other side is correct, then we have violated the spirit of that treaty in granting this concession to Panama. If we grant it to Panama we can grant it to the various Governments of South America, but my contention is that we do not violate the treaty in that regard. Then, again, in the fortification of the canal we violate the principle of neutrality in its broad definition.

We are going further. We propose to place a military force on the canal. Is that simply to police the canal and maintain order on that 10-mile strip that has been conceded us by the Government of Panama? Is it possible that we are going to an annual expense of about $10,000,000 for Army fortifications simply for the purpose of policing the canal? Will it be necessary to expend a larger sum for that purpose after the canal is completed than now with many thousands of people engaged in the construction of the canal? Certainly not. There are those on this floor who have contended we could not fortify the canal; that it would be a violation of the treaty with Great Britain. At the same time, unchallenged by Great Britain, we are fortifying the canal. We are going ahead to place an army on the Canal Zone unchallenged by Great Britain, not simply for the purpose of policing the canal alone, but to protect it from hostile attack by any foreign nation. Not content with the declaration of Great Britain that it shall be regarded as neutral, not content with treaties that may be negotiated with foreign nations by which the neutrality of the canal may be recognized, we are preparing, by force, to protect our rights in the Canal Zone and to that great canal. But it is said if we grant discriminating duties to American ships we are violating the rule of equality. Now, just one moment on that question. We are spending $400,000,000 in the construction of that canal. Four per cent interest on that amount would be $16,000,000 a year. We propose to pay, according to the estimates of these gentlemen, from forty to fifty million dollars a year for its protection, maintenance, and operation, and yet notwithstanding that vast expenditure, to which no foreign nation has contributed one penny, notwithstanding the fact that the canal is being built on land to which the Government holds the absolute title, it is solemnly contended here, under the Hay-Pauncefote treaty, that we have no right to discriminate in favor of American ships by granting them the use of that canal at a less toll than we grant to foreign ships. The proposition is wholly untenable, to my mind. Gentlemen talk of the doctrine of equality. How could any foreign nation have the courage to make such a claim in view of these facts?

And yet that is the contention of these gentlemen, and they press it with great zeal. Why they should do it, I do not know, unless prompted by the considerations to which I have already referred.

Mr. SULZER. Or anybody else.

Mr. ALEXANDER. I do not understand it. And the other doctrine—that when you levy a toll it does not affect the price of the commodity to the consumer; that it will be absorbed in the rate—is another specious contention. They would have us believe that this barrier is a blessing and that to remove it is a curse and that it is a distinct disadvantage to the American people if we open that waterway and make it free to our shipping between the Atlantic and Pacific coast.

I am quite willing, so far as I am concerned, that our shipping, both in the coastwise and foreign trade, may pay some amount of toll; that they shall contribute toward the maintenance and operation of the canal, but I do insist that when these tolls are framed they should distinctly give an advantage to our American merchant shipping. [Applause.]

But to return to the construction of the Hay-Pauncefote treaty. To learn the terms of the treaty we should refer to the treaty itself. Article 2 provides that the canal may be constructed under the auspices of the Government of the United States, either directly at its own cost or by gift or loan of money to individuals or corporations, or through subscriptions or purchase of stock or shares, and that subject to the provisions of the present—the Hay-Pauncefote, not the Clayton-Bulwer—treaty, the Government of the United States shall have all the rights incident to such construction, as well as the exclusive right of providing for the regulation and management of the canal.

Could language be more clear and free from ambiguity than this?

But it is said that article 3 of the treaty places it beyond peradventure of doubt that in the levying of tolls we must observe the rule of equality as between ourselves and other nations. To do so by giving that rule the interpretation contended for by the gentleman from Minnesota, we must require the following considerations: First, that the canal is built on American territory, purchased at an expenditure of $50,000,000; second, the annual payment to the Republic of Panama of $250,000, beginning February 26, 1904; third, the expenditure of $400,000,000 in the construction of the canal; fourth, the annual expenditure of $40,000,000 to $50,000,000 in the defense, maintenance, and operation of the canal. But how could other nations share the benefits of the canal with us on terms of entire equality unless they would come in and share with us this great burden? [Applause.]

And yet without consideration and assumption of any obligation on their part other than to observe such conditions and charges of traffic as shall be just and equitable what do we, in article 3 concede to other nations? First, that "the canal shall be free and open to the vessels of commerce and of war of all nations on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens or subjects, in the conditions or charges of traffic, or otherwise; that such conditions and charges of traffic shall be reasonable; second, that the canal shall never be blockaded, nor shall any right of war be exercised, nor any act of hostility be committed within it. And yet these, with some minor provisions, are the rules adopted by the United States as the basis of neutralization of the Panama Canal, according to the very terms of the treaty, and referred to as substantially embodied in the convention of Constantinople, signed on the 28th day of October, 1888, for the free navigation of the Suez Canal.

If it was the intention of the framers of the treaty that vessels of the United States should pay the same tolls for use of the canal why did not the framers of the treaty say so in unmistakable language? Why provide, referring to foreign nations, that the United States should make the conditions and charges of traffic just and equitable? To my mind the only answer is that the right of the Government to fix the tolls for its own shipping was so apparent and fully recognized that the only concession that could be reasonably insisted on was that other nations should be treated fairly and equitably in that regard.

Then, too, the British representative no doubt had in mind the interpretation given to the convention of Constantinople and the fact that the Turkish Government, whose authority was recognized in Egypt at the time the concession was made to De Lesseps to build the Suez Canal, might pass its vessels through the canal free of tolls; that the Russian Government pays the tolls of the merchant steamers of the Russian volunteer fleet; that the British Pacific & Orient Co. receives in subsidies nearly enough to pay all its canal dues; that the North German Lloyd receives an annual subsidy on its vessels using the canal of $1,385,000; that Japan pays a subsidy of nearly equal that amount to the Nippon Yusen Kaisha for its steamers using the Suez Canal; that Austria-Hungary specifically provides by law for payment of Suez Canal tolls on Austrian steamers from Trieste to Bombay, Calcutta, and Kobe; that subsidies are paid by the French Government to its largest company using the canal amounting to about $2,500,000 annually.

In the light of these facts it could hardly be contended that our Government may not remit all or part of the tolls of its vessels using the canal, and it is no cause for wonder that foreign nations are not demanding that our Government should charge the same tolls for American ships as for their own.

Again it is contended by a majority of the Committee on Interstate and Foreign Commerce, led by their able chairman in his inimitable and facetious style, that if we favor our shipping in the matter of tolls for use of the Panama Canal we will be granting them subsidies; something justly obnoxious to a majority on this floor, if not to the American people. I have been as much opposed to subsidies to our merchant marine as the gentlemen who make their claims. I believe there is a better way to rehabilitate our merchant marine, and as one of the means of doing so the committee of which I have the honor to be chairman has reported to the House a bill for free ships for the foreign trade and for free material, which I hope will be passed before this session closes.

But if the contention of the gentleman is correct the policy of the Government in reference to our great harbor and inland waterways is all wrong.

The river and harbor act of 1884, section 4, provided:

> No tolls or operating charges shall be levied upon or collected from any vessel, dredge, or other water crafts for passing through any lock, canal, canalized river, or other work for the use and benefit of navigation now belonging to the United States or that may be hereafter acquired or constituted.

We have uniformly followed the policy enunciated in that act through all the years since its passage. Has our policy been a mistaken one? Have we erred in not charging tolls at every lock and dam built and harbor deepened at the national expense?

The Secretary of the Treasury recently sent to the Senate a letter transmitting the information that from the foundation of the Government to the close of the fiscal year ending June 30, 1911, a total expenditure upon rivers and harbors and canals—excluding the Panama Canal—is $627,098,236.05.

Of that sum, $121,142,554.41 has been expended upon the Mississippi River, $11,425,056.90 upon the Missouri River, and $23,548,338.15 upon the Ohio River, while the State of New York has appropriated a total of $147,000,000 for the enlargement and maintenance of her canals since the State declared them to be free of all tolls.

The balance of the six hundred and twenty-seven and odd millions of dollars has been expended in the improvement of other waterways than those mentioned and in deepening the harbors of the Great Lakes and our Atlantic, Gulf, and Pacific seaboards.

The present river and harbor bill as it passed the House carries an authorization for the expenditure of $20,000,000 to secure a 6-foot channel in the Missouri River between Kansas City and its mouth. When completed shall steamboats and other water crafts be charged tolls for the privilege of navigating the Missouri River?

Locks and dams have been built across the Mississippi River at Keokuk at a great outlay of money. Shall all steamboats and other water crafts using the locks be charged tolls?

Immense sums are being spent for locks and dams on the Ohio River to improve the river for navigation. Shall a toll-gate be erected at each lock and tolls be demanded of steamboats and other water crafts passing through them?

By the deepening of the harbor at Duluth and other ports on the Great Lakes and by the erection of locks and canals the cost of transporting a bushel of wheat from Duluth to Boston and New York has been reduced, we are told, in the last 50 years from 30 cents a bushel to less than 6 cents, while the movement of ores has been reduced to a very low figure.

Yet all these improvements were made out of the National Treasury. That they were wise and have contributed to the general welfare can anyone doubt?

Are we not all in favor of the freest interstate commerce, and should we make any distinction between that secured by the improvement of our inland waterways and the removal of an obstruction to waterway traffic between the Atlantic and Gulf States and those of the Pacific Ocean? And will not the Panama Canal give added value to our inland waters as carriers of our domestic and foreign commerce? To state the proposition is to give the answer. And yet, from this viewpoint, it would be quite as reasonable to charge American vessels for the use of our inland waterways and harbors as for the passage through the Panama Canal, and the failure to do so in the one instance is as much a subsidy as the other.

Mr. Chairman, I have not discussed what tolls, if any, should be charged American vessels using the canal. Experience will best solve that question. I have undertaken to combat, and I hope successfully, the contentions of the majority of the Committee on Interstate and Foreign Commerce that we have no right to permit American vessels to use the canal at a less toll than that charged foreign shipping. I would remove instead of adding to the handicap of our merchant marine.

I would give to our merchant marine every possible benefit in the competition of this, the world's greatest engineering triumph, to the end that some day—and I trust that day is not far distant, when a generous share of our commerce in the world's trade will be carried in ships carrying the American flag. [Loud and prolonged applause.]

The CHAIRMAN. The gentleman from Colorado [Mr. MARTIN] is recognized.

Mr. MARTIN of Colorado. Mr. Chairman, surely in Panama has the stone that was rejected by the builder become the head of the corner. For this once pestilential sink hole of the American Continent was reserved the great project. Its successful completion will not be an incident; it will be an epoch, and its construction will be an epic. The builders of the Panama Canal, like the victors of a great war, will live in its memories; and already the men who are constructing it are organizing their veterans' association, so that in after days they, like soldiers who have served upon the field of battle, may gather about their camp fires and talk of the times when they were on the canal.

For myself, I believe I can say I would rather build the Panama Canal than be President. In the centuries to come the figures of Presidents will be like a row of telegraph poles across the plains; their names will be known only to bookmen. But the doers of such deeds as the Panama Canal will be far less numerous.

After a campaign of eight years, led by the brilliant Frenchman, De Lesseps, fresh from the triumph of the Suez Canal and inspired by the glory and the experience of that great achievement, the people of France fell exhausted amid the poisonous swamps and disease-laden jungles of Panama. And now, after another campaign of eight years, under the leadership and engineering genius of the greatest engineers in the world—and I am glad to say that after having been over that great project twice I feel that it is going successfully and satisfactorily forward under the most competent management obtainable—but even after this eight years of campaign, backed by the financial resources of this mighty Nation, backed by a Treasury such as De Lesseps and France never dreamed of, the titanic struggle still goes on, and the end is not yet.

Mr. Chairman, I am glad of the opportunity that I have enjoyed to twice personally visit this great project and go over it and inspect it closely and get its incomparably gigantic proportions photographed forever upon my mind. And I am proud and grateful of the fact that as a member, one of the rank-and-file members, so to speak, of the Interstate Commerce Committee I have been permitted to play, or think I was playing, ever so small a part in the legislation which is to provide for the permanent government, the operation, maintenance, regulation, and sanitation of this great engineering project. And I am sorry that my contribution to this debate must be largely in the nature of a contribution to the CONGRESSIONAL RECORD.

It is very obvious that that inspiring line—

The applause of listening senates to command—

was not called forth by any occasion such as the present, and for that reason I want to thank the gentlemen who have given way to me in order that I may "say my little say" and put the rest of it in the RECORD and get out of town.

But, Mr. Chairman, I do want to make some permanent contribution to this record, and it seemed, singularly enough, as I listened to the debate—and there have been some very able discussions on this question—that each member of the committee seems instinctively to have followed along a line of his own, a line entirely different from all other Members, so if this rule holds good throughout the debate we will be favored by very extensive and comprehensive literature upon the subject of the Panama Canal.

It has been my ambition to make my contribution to the literature of this debate in the way of the arrangement, in available form, of the testimony adduced before the committee in the hearings upon which the controverted features of this bill rest. Perhaps when this measure is considered in the other body, perhaps when it is considered in the country at large, perhaps when these debates shall be analyzed by future Congresses in the far years to come, when all the gentlemen here present have ceased to be Members of this body, the preservation in succinct form of the testimony and statements upon which the majority of the Committee on Interstate and Foreign Commerce based their action in framing this bill will be of far more value in sustaining that action than anything that may be said here by Members on the floor in debate.

PROBLEMS OF THE CANAL.

All the problems in this legislation group naturally about the two main questions of permanent organization and transit regulations. Permanent organization has to do with the future form of government of the Panama Canal and the Canal Zone, and transit regulations have to do with the terms and conditions under which vessels may use the Isthmian waterway. The questions are few and minor which do not fit readily into the one or the other of these principal subdivisions.

The temporary government of the Canal Zone was established and carried on by or under the orders of the President of the United States by virtue of a general grant of plenary power to the President by the Congress of the United States, which grant of power expired by limitation with the life of the Fifty-eighth Congress. For more than seven years now the military, civil, judicial, and constructing powers of the Canal Zone have gone on successfully by Executive order, without organic or statutory guidance or limitation.

Within a few specified limitations, and these, with the exceptions which I shall hereafter specifically point out, of minor importance, the Executive will be given practically the same free hand in forming the permanent as in forming the temporary government of the Panama Canal and the Canal Zone. Upon the form of government the pending bill goes into detail only in the matter of the judicial establishment, which, of course, will not be of primary importance within the bounds of a zone in which the United States will be the sole proprietor and in which only officials and employees of the United States will be permitted to reside.

OUTLINES OF THE BILL.

Section 1 of the bill fixes the boundaries of the Canal Zone and provides for land additions thereto and land eliminations therefrom, by means of exchanges with the Republic of Panama.

Section 2 ratifies and confirms all previous acts of the President in building the canal and in governing the zone.

Section 3 authorizes the President to extinguish all adverse property titles in the zone.

Section 4 authorizes the President at any time to discontinue the temporary organization by abolishing the Isthmian Canal Commission and form a permanent organization, under a civil governor, with powers and duties to be prescribed by the President.

Section 6 provides for the installation of wireless telegraphy and the establishment of dry docks, wharves, coal supplies, repairs, and facilities for maintaining and operating the canal, all of which are to be handled by the Government.

Sections 7, 8, and 9 provide for the judicial establishment, including trial by jury in all criminal cases above a misdemeanor.

Section 10 provides for the exclusion from the Canal Zone, except under permit of the governor, of all persons not in the employ of the United States.

Section 12 provides for the extradition of fugitives from justice.

Section 13 provides for military control of the canal during the imminence or existence of war in which the United States is engaged.

There were no material differences of opinion in the committee upon any of these sections, and as the committee is unanimous in its support of these sections as they now stand, any controversy over them will be minor. I am not clear as to the policy of excluding all save officials and employees of the United States from the Canal Zone, but as half of it will be under water and nearly all of the remainder is a worthless jungle, it is a matter of small moment.

Section 5 fixes the tolls through the canal, and section 11 excludes from the canal water lines owned or controlled by competing railroads, and these are the two sections which have developed marked differences of opinion and policy.

RAILROAD-OWNED WATER LINES.

Section 11 of the pending act, by amending the interstate-commerce law, forbids railroad ownership or control of competing water carriers, which provision necessarily includes the Panama Canal, since the isthmian waterway will be a competitor of the transcontinental railroads.

Having actively supported section 5 of the pending bill, providing for the levying of uniform tolls upon all vessels, foreign and domestic, which provision is vigorously combated by certain coast cities, and particularly on the Pacific, I have felt disposed to permit the advocates of free tolls to write section 11.

DEMANDS OF THE SHIPPING INTERESTS.

But while acquiescing in this demand of the representatives of the Pacific coast—and it is principally confined to the three coast States of California, Oregon, and Washington—I must observe that a survey of the demands of the friends of the water carriers in the domestic trade acquits these interests of anything in the nature of undue modesty. Indeed, a survey of these demands, coupled with the advantages already secured to domestic water carriers by law, may well raise the question whether water transportation is a business or a charity.

Under the coastwise laws domestic shipping is given an absolute monopoly of the transportation of persons and property between American ports. When the Panama Canal is completed none but an American vessel may transport passengers and freight through it from one coast of the United States to the other, in addition to which absolute and exclusive monopoly domestic shipping now asks a free shipway through the Panama Canal and the exclusion from the canal of domestic vessels owned or controlled by competing railways. I shall show later that every boat line in the coastwise trade occupies its own exclusive water route termini and traffic territory, without either competition or supervision, and that there will be substantially no competition among water carriers through the Panama Canal, but I summarize now these demands of the coast cities, and particularly of the Pacific coast, in order that you may see at a glance their sweeping scope and character and more carefully sift the justice of these demands.

Absolute protection against foreign shipping is already secured by law to the domestic water traffic. Absolute protection against railroad owned or controlled water carriers is proposed in the pending law. On the other hand, lack of law likewise guarantees domestic shipping freedom from Government supervision or control. Given these three unqualified and extraordinary advantages, one might be led to think that there would exist sufficient inducement and opportunity to establish and maintain coast to coast traffic through the Panama Canal, but it appears that the conditions precedent to such consummation will not be completely established until in addition domestic shipping may pass through the canal without paying even the expense of lifting the vessel from sea to sea.

UNIFORM FAILURE OF PROHIBITORY LEGISLATION.

I will dismiss the railroad problem for the present with these observations: There are two principles for the Government of commercial and industrial agencies, to wit, prevention and regulation. I do not hesitate to take my stand squarely upon the side of regulation. The history of preventive legislation in the United States has been a history of failure. So far as securing benefits to the people are concerned this method has been as barren of results as the sands of the Sahara. The tale of preventive legislation is told in the Northern Securities merger case, in the dissolution of the Standard Oil and Tobacco Trusts, in the whole history of the Sherman anti-trust law, which is a history of paper victories. By reading the law and the decrees you read the death of trusts and monopolies, but you will turn away from the printed page and look in vain for a single substantial benefit from any such law upon the statute books of this country or any decision under it. But the Sherman anti-trust law is not any more barren of real results than will be the proposed railroad provision in the Panama Canal act.

Both Federal and State laws in this country absolutely forbid and enforce the prohibition against joint or interlocking ownership or control of competing railways. The objects to be attained by this prohibition are competition in service and competition in rates, but, in the final analysis, competition in rates, since the saving in money is the sum of the benefits to the shipper and consumer. The utter failure of this prohibition of joint or interlocking ownership or control to secure this ultimate object led to Federal supervision and control of interstate railways. We still enforce the law against mergers and pooling, but without any results whatever in the shape of competition. There is no law to prevent one transcontinental railroad from hauling freight at a less rate than another, but you may start a car of freight from New York for San Francisco, and it makes no difference what route is taken, or linking of routes, or whether it skirts Canada or the Gulf, or goes straight across the continent, the rate upon every road will be absolutely the same to a cent to its destination on the Pacific coast; and it makes no difference whether the traffic originates in Boston or New York, or Philadelphia, or Baltimore, or Washington, or Charleston, or Atlanta, or New Orleans, or St. Louis, or Chicago, or Kansas City, or Omaha, or Denver, and terminates in Tacoma, or Seattle, or San Francisco, or Los Angeles. The rate will be the same to a cent from any of these points of origin to any of these points of destination.

These are facts which can not be gainsaid, and I shall leave them without further comment until I come to present the facts which will as conclusively demonstrate that there will be no more competition among water carriers through the canal than there is among transcontinenal railroads, and upon which I shall predicate the argument that there will be no competition between the rail and water carriers. I prove that there is no rail competition. I prove that there will be no water competition; and I shall argue from these and other facts that there will be no competition between rail and water. But if Congress, in shirking the task it must eventually undertake of regulating domestic traffic and rates, sees fit to cripple and limit transportation through the Isthmian Canal to gratify certain coast cities which hope to benefit hereby, I shall have no quarrel with the proposition. I voted in committee for the provision as it stands in the law, and I shall vote for it in the House. We want the lowest rates the traffic will bear through the Panama Canal, and in the absence of any practical system or method to secure this result I am willing to vote for a provision that is at least a declaration of intention.

I shall now proceed to the consideration of that proposition, which is the sine qua non of domestic shipping, that without which, according to their allegations, not their proof, the Panama Canal can not be a success as a factor in domestic commerce—the question of free or preferential tolls.

Section 5 of the pending bill provides that the toll shall not exceed $1.25 per ton based upon net registered tonnage, nor be less than the cost of maintenance and operation of the canal, and that no preference shall be given or discrimination shown to the vessels of any nation, its citizens or subjects, except vessels owned by the Governments of the United States and Panama. A minority of the Committee on Interstate and Foreign Commerce have submitted a report in favor of free passage to American shipping through the Panama Canal.

This question was given exhaustive hearings by the committee; indeed, the gentlemen signing the minority report, which is nonpartisan, being signed by three Democrats and two Republicans, will join the majority of the committee in saying that no interest desiring to be heard was denied the privilege or curtailed in its exercise. In discussing this question I shall not place the burden upon the proponents of free tolls,

but shall assume and undertake to show, not upon the reports filed, but upon the facts developed in the hearings, that the very right of this controversy is with the provisions of the pending bill.

MAY WE GRANT FREE TOLLS TO DOMESTIC SHIPPING WITHOUT VIOLATING TREATY RIGHTS?

At the very outset of the question of giving preferences or showing discriminations in favor of domestic shipping has been raised the point whether we may do so without violating the Hay-Pauncefote treaty, entered into between the United States and England prior and preliminary to the taking over and building of the Panama Canal by this Government. The controversy on this point arises out of the construction of section 1, article 3, of the treaty, which reads as follows:

The canal shall be free and open to the vessels of commerce and of war of all nations observing these rules on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens or subjects, in respect of the conditions or charges of traffic, or otherwise. Such conditions and charges of traffic shall be just and equitable.

This provision is construed by some members of the committee to forbid the granting of preferences or showing of discrimination to American shipping, either domestic or foreign, either by granting free or preferential tolls or rebates.

I want to say this, Mr. Chairman: That while I am with the majority upon the proposition that the Panama Canal tolls shall be uniform and universal, that there shall be no exceptions in favor of domestic shipping, yet I do not, as some of the majority Members do, base my position upon the proposition that this Government may not, if it sees fit so to do, discriminate in favor of domestic shipping. [Applause.]

I have given this question some thought, but not much study or research, but from the thought I have given it and upon principle I am not inclined to take the position that we may not grant preferences to American domestic shipping or rebates to American foreign shipping. I distinguish between the right and the policy involved. I may not consider it necessary or sufficiently beneficial to grant a free waterway to American domestic shipping or rebate of tolls to American foreign shipping, but it does not follow that I would deny my right so to do. Further than that, I am of the opinion that we have a distinct and unquestionable right to deal with our domestic shipping through the Panama Canal as we may see fit and to rebate tolls and all other charges to our foreign shipping without any violation whatsoever of treaty rights.

I listened to the gentleman from Minnesota [Mr. STEVENS] this afternoon with great attention as he discussed the treaty. Not only is he a very able man, but a man who is peculiarly well qualified to discuss the particular question that he did discuss. I do not believe that there is any abler man or one better qualified on the committee or in either body to discuss that particular question than the gentleman from Minnesota.

And yet I propose to say this: That even if it was a question of doubt whether we could discriminate in favor of American shipping, as some claimed it to be whether we could fortify, I do not believe the American people would take kindly to the view that we could not. I fear that the view that our hands are thus tied by that treaty would not accord with the spirit and the sentiment with respect to this matter that are entertained by the people of this country. [Applause.] So I prefer, Mr. Chairman, to base my opposition to free tolls entirely upon other grounds.

I will admit that I have not made a deep research into that aspect of the question. I will admit that my views are rather the result of random thinking than of research. But it has occurred to me from the start that, so far as domestic shipping was concerned, this situation was analogous to that known in law as damnum absque injuria if, indeed, the rights and claims of foreign nations, if they have any rights and claims, rise to the dignity of that doctrine of damage without injury, of damage for which the injured party has no standing for redress. The shipping of other nations is absolutely excluded from the coastwise trade. The shipping of other nations can not participate in it, and I have been at a loss to understand substantially, laying aside all refinements of reasoning, how they could be heard to complain about a matter in which they have no rights or interests whatsoever.

OUR STATUS DUAL—SOVEREIGN AND PROPRIETARY.

But I want to make a suggestion at this point that I believe is new to this debate. There may be nothing in it. It applies to both sides of this controversy. It is is: That I believe in the minds of most, if not all, of us there is a confusion—and I will say that the idea is so new to me that it is not yet fully formulated in my own mind. There is a confusion as to our status over the canal; there is a confusion as to the status and capacity of this Government with relation to the canal.

The debates indicate that gentlemen look at that work in every aspect from the standpoint of government, from the standpoint of the exercise of sovereignty; whereas I believe, and I venture to think, it will be so determined in the future that our principal relationship to the Panama Canal is one of proprietorship and not of sovereignty.

TOLLS NOT A TAX.

One of the objections with which we were met at the very outset of this controversy was that this was the first instance in American history in which a tax was levied upon interstate commerce. Gentlemen from the Pacific coast made that claim. I have the language from the hearings of the Commissioner of Navigation, who seems to be the evangel of free tolls, that this is the first attempt to levy a tax upon interstate commerce. Mr. Speaker and gentlemen, this is not the levy of a tax on interstate commerce at all. This Government is not, in its sovereign capacity as a Government, levying any tax whatever upon commerce through the Panama Canal, and I have had one of the best attorneys, in my judgment one of the most competent men in the United States, who has investigated this subject, and who is utterly opposed to my views with reference to the payment of tolls, admit that I am right on the proposition that this is not a tax by a sovereign but a charge by a proprietor for the use of the Panama Canal.

Mr. HARDY. Will the gentleman permit a question right on that point?

Mr. MARTIN of Colorado. I will.

Mr. HARDY. Would there be any difference in principle between asking the Government to carry freight along the Isthmian Railway free of charge and asking the Government to carry it along its canal free of charge? Is not the principle just the same? In other words, it is a charge for a service performed.

Mr. MARTIN of Colorado. So far as it occurs to my mind at this time, there is no difference in principle.

Mr. LAFFERTY. Would not that same argument apply to traffic on the Mississippi River, or on the Columbia River, or any other river where money is appropriated to make the navigation easy?

Mr. MARTIN of Colorado. For reasons that I am not going into at this time in this discussion, I propose to deny that suggestion, and take the position that the Panama Canal stands absolutely without parallel in the history and experience of the world. It must be dealt with upon its merits and not by analogy with some proposition like dredging a river.

Mr. HARDY. Will the gentleman allow me just briefly to answer the statement of the gentleman from Oregon?

Mr. MARTIN of Colorado. I am very sorry, but I have only 30 minutes.

Mr. HARDY. I realize that.

Mr. MARTIN of Colorado. To resume where I left off, if I can, the levying of tolls for the passage of ships through the Panama Canal is the charge of a proprietor for the use of an instrumentality owned in a proprietary manner and not the levying of a tax by a sovereign.

Mr. RAKER. Will the gentleman yield right there for a question?

Mr. MARTIN of Colorado. I will.

Mr. RAKER. Will the gentleman explain what is in his mind as to the difference between sovereignty over what the United States owns and its proprietorship of what it owns? The gentleman draws a distinction.

Mr. MARTIN of Colorado. Yes.

Mr. RAKER. I should like to have the gentleman explain that.

Mr. MARTIN of Colorado. I think if our ownership and operation of the Panama Canal and the fixing of rules and regulations were sovereign instead of proprietary, then we would be bound to charge the vessels of all nations alike; but we own that canal. We are building it; we are paying the cost of building it; we are going to pay the cost of operation. We will stand all losses, if any, and all the burden of total failure, if that shall result. If we want to go into our own pockets as a proprietor and pay the charges for the passage of certain boats through that canal, that is our loss. So I base our right to charge tolls or to exempt from tolls upon our proprietary status, just the same as the private company that owns and operates the Suez Canal can permit the vessels of nations to go through upon which the tolls are rebated or as a private company could do at Panama had a private company constructed the canal, without any complaint from the nations which rebate no tolls at all. That does not furnish any ground for complaint that the Suez Canal is violating the terms of equality and neutrality agreed upon by the nations in the convention of Constantinople.

Mr. SULZER. Will the gentleman answer this question: If the Government of the United States has not sovereign rights over the Panama Canal, what Government on earth has?

Mr. MARTIN of Colorado. We have sovereign rights over it. Our capacity down there is dual. We are protecting the Panama Canal and guaranteeing its neutrality and equality as a sovereign, as a Government, but we are operating it as a proprietor, just the same as a private company would. We were authorized under the treaty to have it built by a private company. Supposing that under that treaty we had had the Panama Canal constructed by a private company, the same as the Suez Canal was constructed. Will any gentleman claim that it could not have run its own boats through there free of charge, or, which is the same thing, rebated the tolls to them? Will any gentleman claim that it could not have run the boats of nations through there which rebated all the tolls or half the tolls or none of the tolls, just as is being done in the case of the Suez Canal?

IDENTITY OF SUEZ AND PANAMA TREATY PROVISIONS.

Then again, this treaty provision embodies the substance of the convention of Constantinople, governing the terms and conditions of the operation of the Suez Canal, the signatories to which convention are as follows: Great Britain, Germany, Austria-Hungary, Spain, France, Italy, the Netherlands, Russia, and Turkey.

One of these signatories, Russia, appropriates directly for the repayment of Suez charges to Russian vessels; another, Austria, appropriates for the repayment of certain Austrian lines; and all of the signatories have subsidized lines running through the Suez Canal. Some of them, however, as in the case of England, subsidize only their mail lines, leaving the freight lines to pay tolls without reimbursement. Yet England, for instance, with her unsubsidized freight lines, does not complain that Russia or Austria are permitted to repay all tolls through the Suez Canal. Indeed, in the case of England, which is the principal stockholder in the Suez Canal and owning nearly one-half of such stock, it may be doubted whether its mail subsidies have any reference whatever to the payment of Suez Canal tolls. England subsidizes her mail lines whether they use the Suez Canal or not. The fact remains, according to the American Commissioner of Navigation, that some of the signatories to the convention of Constantinople rebate all of the tolls through the Suez Canal; others rebate in part, while in the case of still others it is not shown what is done; yet no complaint is heard that the canal company is not enforcing equality of terms in its usage. If a nation wishes to repay charges against the vessels of its citizens in whole or in part, that is the business of the nation, and every other nation may do the same thing; and that is equality of terms. If there is an American ship line between New York and the Orient and this Government wishes to rebate the Panama Canal charges and does rebate them, it is doing neither more nor less than England may do with an English boat line through the canal to the Orient or than France or Germay or any other nation may do with the boat lines of its citizens or subjects. These would be terms of entire equality, involving no discrimination in respect of the conditions or charges.

In this connection, and reasoning by analogy, it must be borne in mind that the treaty says that "the canal shall be free and open." Now, no Member will take the position that this means free of tolls or other just charges. This, like all other provisions, merely means that the canal shall be open to transit by the vessels of the nations of the world, and open to them upon terms of equality with all other nations; and the meaning for which I contend is that given by the signatories of the convention of Constantinople to the first paragraph of that agreement, which reads as follows:

ARTICLE 1. The Suez Maritime Canal shall always be free and open, in time of war as in time of peace, to every vessel of commerce or of war, without distinction of flag.

My position, therefore, with reference to this preliminary provision is that we may do as we please with reference to our domestic shipping, and that we may reimburse our foreign shipping; and I do not believe that this construction of the Hay-Pauncefote treaty would ever be questioned by the other signatory, the Government of England, or by any other nation; and I prefer to stand on the proposition that the treaty was entered into by Great Britain with full knowledge and acceptance of the conditions with respect to our domestic water traffic and with respect to the practices under the Suez treaty.

TREATY RIGHTS NOT DETERMINED BY PENDING ACT.

But I can not linger on this subject, and I am not a sufficient authority, and it makes but little difference whether I am right or wrong, but I believe that I have suggested an idea, dimly formed in my mind, which will take form in abler minds interested in the subject and determine some of these questions now in controversy.

I shall dismiss this point by quoting from the report filed by Mr. ADAMSON, the chairman of the committee:

While many members of our committee believe that by the terms of our treaties with Great Britain we are prevented from allowing preferential or free tolls to ships of American registry, either coastwise or foreign, the majority of the committee voting for uniform tolls authorize and request the statement, positive, plain, and unequivocal, that no language of this section was chosen or used for the purpose of foreclosing discussion and differing opinions on that question. They authorize the express affirmation that this provision is adopted for present use, disclaiming all intention to declare in this section any construction of the language of the treaty or to establish any precedent or permanent legislative policy or to bind any future Congress should it be deemed expedient or adjudged competent to adopt a different basis.

Thus showing that the majority have expressly disclaimed passing upon the rights of the United States on this subject under the Hay-Pauncefote treaty.

Mr. BROUSSARD. Will the gentleman yield?

Mr. MARTIN of Colorado. Yes.

Mr. BROUSSARD. In at least three different acts of Congress the Mississippi River has been declared to be a highway—the act by which Louisiana drafted her constitution, the act by which she was admitted into the Union of States, and a subsequent act creating the Territory of Missouri. Now, I would like to ask the gentleman if the argument he makes in regard to the canal, in view of these acts of Congress, if the same rule could not be made applicable to the Mississippi River?

Mr. MARTIN of Colorado. The gentleman knows that the United States does not own the Mississippi River, nor a drop of water in it.

Mr. BROUSSARD. I do not know any such thing.

Mr. MARTIN of Colorado. The United States only exercises the right to preserve and protect navigation in these navigable rivers, and has no proprietary rights in them whatever.

Mr. BROUSSARD. I disagree with the gentleman.

Mr. MARTIN of Colorado. The United States owns the Panama Canal. It is making a river where God Almighty did not make any. And this river will cost so much to make and maintain it, the United States may, as a matter of business policy, when there is no substantial reason to the contrary, levy some moderate charge for the use of it and to pay a part of the enormous cost of its upkeep. In other words, the principle in this case is exactly the same as it is in the case of charging for the use of the Eads Bridge at St. Louis. Is that a tax on interstate commerce? Is there any difference in principle in getting a train from land to land and in getting a boat from water to water? There is no more exercise of sovereign power involved in these canal tolls than there is in the rules of the Eads Bridge Co. in charging railway trains for getting across the Mississippi River. The Panama Canal is not a natural waterway any more than is the Hudson tunnel a natural roadway. It is and ever will be a very costly artificial waterway. That we can mix sense with sentiment and by charging only a tithe of the vast saving it will effect to water transportation and without restricting or crippling that transportation, either domestic or foreign, I shall undertake to show.

Mr. LAFFERTY. Will the gentleman yield?

Mr. MARTIN of Colorado. Yes; make it short.

Mr. LAFFERTY. In regard to the locks built up in the navigable rivers of the United States, the United States is proprietor of the locks and charges no tolls.

Mr. MARTIN of Colorado. Perhaps at some time they may.

Mr. LAFFERTY. And yet the gentleman has introduced a bill which is entirely revolutionary in that matter.

Mr. MARTIN of Colorado. The Government has been putting millions of dollars into one of these rivers for the benefit of the Anthracite Coal Trust fleets.

Mr. LAFFERTY. Is not the gentleman's argument based upon a new and revolutionary bill which he has introduced here?

Mr. MARTIN of Colorado. No, sir; that has nothing to do in this case. I am not influenced by that in the least; and I want to say that there is no man that has given any consideration whatever to this legislation who is any more heartily in favor of the Panama Canal than I am myself. I claim to be a simon-pure Panamaniac on this subject, and I want the canal to be a grand success from every standpoint—navigation, traffic, and everything else.

Mr. Chairman, I am sorry to say that if I had stuck to my text I might have succeeded in making some more definite contribution to this discussion, and if the Chair will indulge me for 10 or 15 minutes longer time than was allotted to me I will promise to stick to the text and say something that has not been said in this debate but has a direct bearing upon these

issues and will have a bearing on the information of Members concerning it.

Mr. CLINE. Will the gentleman yield for a question?

Mr. MARTIN of Colorado. Yes.

Mr. CLINE. Suppose it had been constructed by an individual or a corporation, would not the treaty of 1901—the Hay-Pauncefote treaty—operate as an organic law for the operation of the canal?

Mr. MARTIN of Colorado. Yes; the same as it would by the Government. And in that case who will say that the private company would be required to pass domestic shipping free; and would domestic shipping ask such a thing?

Now, Mr. Chairman, I would like to direct attention to the Suez Canal——

The CHAIRMAN. The time of the gentleman from Colorado has expired.

Mr. MARTIN of Colorado. Mr. Chairman, I would like to have 5 or 10 minutes more.

Mr. ADAMSON. The gentleman from Colorado is himself a party to the agreement that we have already made.

Mr. MARTIN of Colorado. I will admit that my arrangement to leave town renders it my own fault that I do not get more time, but I would like 5 minutes more.

Mr. ADAMSON. The gentleman from Indiana takes the same boat that the gentleman from Colorado is to take, and I have agreed to yield to him 30 minutes.

Mr. MARTIN of Colorado. Can I have 5 minutes?

Mr. ADAMSON. That would be 35 minutes, if I should give the gentleman from Colorado 5 minutes.

Mr. MARTIN of Colorado. Just give me five minutes more in order that I may outline what I expect to prove.

Mr. ADAMSON. Mr. Chairman, I yield the gentleman five minutes more.

Mr. MARTIN of Colorado. Mr. Chairman, I want to say this. There were a number of gentlemen representing ship interests who appeared before the Interstate Commerce Committee, some of whom advocated free tolls as a necessity, and some of whom said they would accept them as a donation, if given; but I want to say that not one single person who appeared before the Committee on Interstate and Foreign Commerce could sustain any one of the following three propositions:

First. That free tolls were necessary to furnish the Panama Canal with shipping facilities.

Second. That free tolls were necessary to enable shipping through the Panama Canal to strongly and effectually compete with the transcontinental railways; or,

Third. That free tolls to domestic shipping through the Panama Canal would even tend to build up an American merchant marine.

If this donation to the Shipping Trust—and it was shown in the hearings that the ship owners had a trust that ought to make the Railroad Trust green with envy—will not accomplish either one of those three things, what in the name of common sense is to be accomplished by free tolls through the Panama Canal? It was testified even by the Commissioner of Navigation—and I shall set out his testimony in full in the RECORD—that there is to-day one existing company, the American-Hawaiian Co., that has shipping facilities in excess of the Panama Canal traffic, that if the Panama Canal were to be thrown open to-morrow this one company has more ships than there would be traffic for in the canal, and in addition to that they are building five more big ships.

Mr. MANN. What is the company building them for?

Mr. MARTIN of Colorado. Because there is a presumption that the traffic will enlarge by the time the Panama Canal is open, that there will then be a sufficient traffic for the new vessels, and further, of course, that the canal is going to create traffic. But in addition to that, there are about 200 more vessels in the coastwise trade, a large number of which are of sufficient capacity to use the Panama Canal, and I will say again, in answer to the gentleman from Illinois, that notwithstanding I voted for section 11 of the bill, I do not believe in it. I believe that it is utterly ineffective. I do not believe you are going to get competition in rates through the Panama Canal, by means of this section, by shutting out railroad-owned boats, because all of the preventive legislation that has ever been passed in the history of this Nation has been a failure. I believe the true remedy is regulation. It does not matter who puts the boats in there, let them put them in there just as we let people put capital into the building of railroads, and then regulate them as we do the railroads, and until that is done I make the prediction that all of the prohibitions that you can write into the statutes of the United States will absolutely fail to secure the very thing you are striving to secure, namely, competition.

And I am glad to be in such distinguished company on this proposition as Dr. Emory R. Johnson, the expert appointed by the President to study canal traffic and tolls, as shown by the following dialogue between Dr. Johnson and the gentleman from California [Mr. KNOWLAND], who says that the coast people are, consistently enough, opposed to regulation of water traffic as in the case of the railroads:

SHIPPING INTERESTS OPPOSED TO REGULATION.

Dr. JOHNSON. This raises the question of the importance of the regulation of coastwise transportation between our two seaboards, and suggests to my mind the wisdom of the policy of regulation instead of the policy of artificial restriction of the use of the canal.

Mr. KNOWLAND. What do you mean by that?

Dr. JOHNSON. I mean that I would allow all ships to go through under equal conditions, and I would have such regulations as would insure the equal and free use, under fair terms, of the canal by all ships, whatever the owners.

Mr. KNOWLAND. Do you mean by that you would put them under the interstate-commerce act?

Dr. JOHNSON. That would be the logical thing to do; yes.

Mr. KNOWLAND. The very thing our people oppose on the coast.

Dr. JOHNSON. There is opposition to that?

Mr. KNOWLAND. Yes; by the very people who complain against the control of the canal coastwise traffic by railroad-owned lines; the contention being that if placed under the interstate-commerce act, there will be less competition; that rates will be fixed which all lines will adopt, and that there will be practically no competition where there should be on such an open highway.

Dr. JOHNSON. That raises a large question, Mr. KNOWLAND. My fear is that, inasmuch as most of the traffic between our two seaboards (to limit discussion to that) will be handled by lines of vessels, with the exception of eastbound cargoes of lumber, the rates of the several steamship lines will be fixed by conferences more or less formal, and that the necessity for the Government regulation of rates to prevent unreasonably high rates will be found to be evident.

That Dr. Johnson's fear is well founded is shown by the fact that we now have no competition in either coastwise or foreign trade. Certainly when the law of the land can not enforce competition between rail carriers, but must regulate them, it would appear futile to hope that lack of law on the sea would result in better conditions between water carriers.

Mr. WEEKS. Mr. Chairman, I would like to ask the gentleman why he voted for that proposition if he does not believe in it?

Mr. MARTIN of Colorado. I will say this: I voted for that proposition because these modest gentlemen representing the water lines have now an absolute and exclusive monopoly of the domestic shipping—the coast-to-coast trade—given them by law, and in addition to that they want free tolls through the Panama Canal and the exclusion of every boat that is owned and controlled, in whole or in part, by a railroad. Having beaten them on the question of free tolls, I yielded to them on the other, weakly, perhaps, to show that I was not influenced in my position on tolls out of consideration for the railroads, and I believe other gentlemen did the same.

Mr. ADAMSON. Mr. Chairman, I would like to ask the gentleman one question. On the theory that one good turn deserves another, ought not the enjoyment of one discrimination to deserve another? [Laughter.]

Mr. MARTIN of Colorado. That seems to be the theory of the minority of the committee, I will say to the distinguished gentleman from Georgia.

THE SUEZ AS A GUIDE.

While the Suez Canal has cost to date only about one-third of what will be the total initial cost of the Panama Canal, it will be extremely profitable to briefly review the experience of the Suez, which has performed the same function of severing the continents and uniting the seas in the eastern world that will be performed by the Panama Canal in the western world. From my study of this question, I believe the president of the Suez Canal has said truly that these two canals will complement rather than compete with each other, and the history of the one, which is a history of tremendous success, can not fail to shed much light upon what may be reasonably predicated of the other, whose operation is not yet begun.

THE SUEZ A GREAT BUSINESS SUCCESS.

The most thorough presentation of the case for free tolls that has been made is to be found in the annual report of the Commissioner of Navigation for the fiscal year ended June 30, 1911. This report also contains much valuable information about the Suez Canal. It shows, among other things, the annual net tonnage and annual receipts of the Suez Canal from the beginning, from which it appears there has been a steady growth in both tonnage and receipts, the tonnage having increased from 6,576 in 1869 to 16,581,898 in 1910, while the receipts in francs from ship tolls increased from 54,460 in 1869 to 130,436,547 in 1910.

I shall insert at this point the table to which I have referred. (Hearings, p. 815):

Yearly return of shipping and tonnage that passed through the Suez Canal from its opening until the year 1910, together with the transit receipts.

Year.	Number of vessels.	Gross tonnage.	Net tonnage.	Rate of transit dues (per ton).		Transit receipts.
				Fr.	c.	Francs.
1869	10	10,557	6,576	10	0	54,460
1870	486	654,915	436,609	10	0	5,159,327
1871	765	1,142,200	761,467	10	0	8,993,732
1872	1,082	1,744,481	1,160,743	10	0	16,407,591
1873	1,173	2,085,072	1,367,767	10	0	22,897,319
1874	1,264	2,423,672	1,631,650	13	0	24,859,383
1875	1,494	2,940,708	2,009,984	13	0	28,886,302
1876	1,457	3,072,107	2,096,771	13	0	29,974,998
1877	1,663	3,418,949	2,355,447	12	50	32,774,344
1878	1,593	3,291,535	2,269,678	12	50	31,098,229
1879	1,477	3,236,942	2,263,332	12	0	29,686,060
1880	2,026	4,344,519	3,057,421	12	0	39,840,487
1881	2,727	5,794,491	4,136,779	11	50	51,274,352
1882	3,198	7,122,125	5,074,808	11	0	60,545,882
1883	3,307	8,051,307	5,775,861	10	50	65,847,812
1884	3,284	8,319,967	5,871,500	10	0	62,378,115
1885	3,624	8,985,411	6,335,752	9	50	62,207,439
1886	3,100	8,183,313	5,767,655	9	50	56,527,390
1887	3,137	8,430,043	5,903,024	9	50	57,862,370
1888	3,440	9,437,957	6,640,834	9	50	64,832,273
1889	3,425	9,605,745	6,783,187	9	50	66,167,579
1890	3,389	9,749,129	6,890,094	9	50	66,984,000
1891	4,207	12,217,986	8,698,777	9	50	83,422,101
1892	3,559	10,866,401	7,712,028	9	50	74,452,436
1893	3,341	10,753,798	7,659,068	9	0	70,667,361
1894	3,352	11,283,854	8,039,175	9	0	73,776,827
1895	3,434	11,833,637	8,448,383	9	0	78,103,717
1896	3,409	12,039,858	8,560,283	9	0	79,569,994
1897	2,986	11,123,403	7,899,373	9	0	72,830,545
1898	3,503	12,962,631	9,238,603	9	0	85,294,769
1899	3,607	13,815,991	9,895,630	9	0	91,318,772
1900	3,441	13,699,237	9,738,152	9	0	90,623,608
1901	3,699	15,163,233	10,823,840	9	0	100,386,397
1902	3,708	15,694,359	11,248,413	9	0	103,720,020
1903	3,761	16,615,309	11,907,288	8	50	103,620,268
1904	4,237	18,661,092	13,401,835	8	50	115,818,479
1905	4,116	18,310,442	13,134,105	8	50	113,866,796
1906	3,975	18,810,713	13,445,504	7	75	108,161,896
1907	4,267	20,551,982	14,728,434	7	75	116,000,096
1908	3,795	19,110,831	13,633,283	7	75	108,452,235
1909	4,239	21,500,847	15,407,527	7	75	120,642,677
1910	4,533	23,054,901	16,581,898	7	75	130,436,547

Beginning with 1881 as a period, it will be seen that while the traffic of the Suez Canal during the past 30 years has increased just exactly fourfold, the receipts from tolls have increased considerably less than threefold. This failure of receipts to maintain a proportionate increase with tonnage, coupled with the enormous profits of the Suez Canal, to which I will next refer, contain a valuable reason as to what may be expected of the Panama Canal with a rate of tolls so moderate as not to affect at all the volume of its traffic and will not increase to the consumer the cost of goods thus transported, except, as I shall prove, to the extent to which the shipper may voluntarily share with the consumer the sum of 2 cents or less per 100 pounds of freight, and the consumer to whom such a saving would be an object will not be an ultimate consumer, but a middleman well equipped for the absorption of such portion of the toll as the shipping interests may voluntarily pass on to him.

PROFITS OF THE SUEZ CANAL.

The foregoing table of the annual traffic and receipts of the Suez Canal does not alone tell the story of its great success. Perhaps that success can be shown in no more striking and significant manner than by calling attention to the fact, as shown on page 228 of the commissioner's report, that the receipts from ship tolls in the Suez Canal for the year 1898—hearings, page 814—were 82,657,421 francs; while on page 224 of the report it is shown that the profits available for distribution for the year 1910 were 82,427,042 francs; in other words, that the profit available for distribution in 1910 was practically the same as the total receipts in 1908.

I have found it not only a saving of labor, but in some instances instructive to quote copiously from the hearings upon the subject of tolls, and if it shall appear that a disproportionate number of the statements quoted were in answer to questions propounded by myself, I may explain by saying that I took an especial interest in this feature of the canal legislation.

A brief but very instructive colloquy bearing upon the great success and profitable character of the Suez enterprise is to be found in the hearings—pages 812–813—and I shall insert the same at this point in my remarks. It shows that up to and including the year 1910 the total cost of constructing and improving the Suez Canal was approximately $131,000,000, while the profit for distribution for the year 1910 alone exceeded $16,000,000. This was not only a dividend of 12 per cent upon the entire investment in the Suez Canal from the beginning, but it was a dividend of 31 per cent upon the capital stock of the Suez Canal; and this notwithstanding the fact that the Suez Canal tolls have been reduced just one-third since 1884.

Mr. MARTIN of Colorado. The Suez Canal has been a very profitable enterprise?

Mr. CHAMBERLAIN. Of late years; originally it was not. If you will look at that same statement to which I was referring (Table 2, upper right-hand column) you will notice that in 1867 to 1868 the company had to issue a large number of bonds; that was to complete the canal. In 1871, 1880, and 1887 they made other loans. Those loans of 1880 and 1887 were rather in the nature of improvements. The earlier ones were to make the thing go at all.

Mr. MARTIN of Colorado. Of course, I am referring to the canal since it was completed. It has been a tremendously profitable enterprise, as I indicated, for instance, by the figures in the upper left-hand column of Table 2, showing that the total investment up to the close of the year 1910 was approximately 656,178,000 francs, or approximately $131,000,000. Last year the profit for distribution, for the fiscal year ending December 31, 1910, was 88,000,000 francs, or in round numbers $16,000,000. Now, that was a dividend, as you see, of 31 per cent——

Mr. CHAMBERLAIN. It is 158 francs on a 500-franc share.

Mr. MARTIN of Colorado. A dividend of 31 per cent on the capital stock, but it would also be a dividend of about 12 per cent on the entire investment, including the construction, improvement, and so forth, of the canal. Now, another indication of great success on the part of the canal is that whereas it had for the year 1881 a net transit tonnage of about 4,000,000 net tons, in 1910 it had 16,500,000, and it shows almost without exception a constant and rapid increase of tonnage. This, I think, establishes the fact that the Suez Canal has been and is a very profitable institution, notwithstanding the fact that only beginning with January 1, 1912, the present month, it has reduced its tolls to what would be $1.30 in American money, but which under the system of ship measurement in all other parts of the world would amount to $1.50. That is a fair statement of the entire case.

Mr. CHAMBERLAIN. That is, I think, an admirable statement. I think that is one of the matters which it is very important for this committee to bear in mind, that any time the administration of the Suez Canal wishes to reduce those tolls it could cut them down. You can figure it out for yourselves. They could cut it down to a great deal less than the current rate, even to a dollar, on a ton basis, and still pay what in this country would be regarded as a very fair dividend.

The Suez Canal, it may be explained, and as shown by the above table, began with the toll rate of 10 francs per net ton, which would be equivalent to $1.95 in American money. That rate has been gradually reduced in accordance with the charter provisions of the company until on January 1 of this year, to which time the table does not reach, it was placed at 6¾ francs, the equivalent in American money of $1.30½. The committee received exhaustive instruction upon the question of the different methods of measuring ships. The net ton is the universal rule of measuring ships of commerce for the purpose of tolls, tonnage dues, and such charges. The principal variations in this system are due to the different practices in making deductions of certain spaces in the ship. I can not take the time of the committee to explain or discuss gross tonnage, net-weight tonnage, dead-weight tonnage, and displacement tonnage, but I shall insert at this point in my remarks the essential parts of a brief explanation furnished the committee by Capt. Charles A. McAllister, engineer in chief of the Revenue-Cutter Service:

TONNAGE DEFINITIONS.

There are two kinds of tons—vessel tons and cargo tons. Each of these two kinds of tons is used with several different meanings.

VESSEL TONNAGE.

Vessel tonnage is of four kinds—displacement, gross register, net register, and dead-weight capacity.

The *displacement tonnage* of a vessel is its weight in tons of 2,240 pounds and is equal to the weight of water displaced by the ship when floating. From the plans and drawings required for the construction of a vessel may be determined the number of cubic feet of water which the ship will displace at any given draft. The weight of a cubic foot of water being known, the displacement tonnage is thus readily determined. Displacement tonnage is used to designate the size of war vessels, but is not employed in merchant shipping.

A *register ton* is a purely arbitrary unit—100 cubic feet. The *gross register tonnage* of a vessel is obtained by dividing by 100 the number of cubic feet of the entire closed-in capacity of the ship. A vessel has 1 gross ton for each 100 cubic feet of its entire capacity.

To determine the *net register tonnage* of a vessel, there is deducted from the entire capacity of the hull the space occupied by the crew, master's cabin, steering and anchor gear below deck, boatswain's stores, chart house, and spaces occupied by propelling power (engines, boilers, shaft tunnel, fixed coal bunkers). These deductions having been made, the net register tonnage is ascertained by dividing the number of cubic feet in the remaining space by 100. In an up-to-date freight steamer, as measured by British, American, or German rules, the net register is somewhat less than two-thirds the gross register. In the case of a high-speed passenger vessel, so much of the capacity of the ship is taken up with propelling machinery, fixed coal bunkers, crew space, etc., that the net register tonnage may be less than half, sometimes not more than one-third, of the gross register.

The *dead-weight tonnage* of a vessel is the number of tons of 2,240 pounds that the vessel is capable of carrying when loaded to its maximum draft.

Ordinarily the dead-weight tonnage is from 2¾ to 2¾ times the net register tonnage.

CARGO TONNAGE.

The cargo ton is of two classes—weight and measurement. The *weight ton* employed in ocean commerce is either the English long ton, of 2,240 pounds, or the metric ton, of 2,204.62 pounds.

A large share of the cargo carried by ocean vessels is shipped not by weight but by *measurement tonnage*, 40 cubic feet being considered a

ton. In the statistics of ocean freight both the long ton of 2,240 pounds and the measurement ton of 40 cubic feet are indiscriminately included, and thus it is not possible to ascertain from published statistics of ocean cargo tonnage the actual weight of traffic moved upon the high seas.

The President is authorized by the bill to adopt any system of measurement he may see fit; but, excepting war vessels, which will be charged for on the basis of displacement tonnage, he will adopt the universal rule for ships of commerce, which is known interchangeably as net tonnage or net register tonnage. The Suez Canal, by making scant deductions of the ship spaces which are subtracted from the gross tonnage in order to ascertain the net tonnage, produces about 20 per cent more net tonnage than does the English or American systems. For this reason the present rate of $1.30 per net ton through the Suez would be equivalent to $1.60 through the Panama Canal. When it is borne in mind that the maximum will be $1.25, which, applied to the different methods of tonnage measurement, will govern the two canals, it will be seen to be equivalent to a rate of $1 through the Suez Canal. It will necessarily be some years before the Suez Canal reduces to the rate at which the Panama Canal will begin; and if the Panama Canal begins, as I hope it will, with a rate of $1, it is not likely that it will ever be met by the Suez.

NATURAL MONOPOLY OF THE SUEZ.

A brief, but comprehensive and admirable, table furnished by Commissioner Chamberlin indicates, however, that the Suez has a natural monopoly over the majority of the traffic it now transits, which can not be taken from it by the comparatively slight difference in rates, even though the Panama rate is fixed at $1, and it can not very well be less. This table covers a period of 20 years, and shows, in connection with the explanatory colloquy following it, that the Suez Canal has a natural and undeniable monopoly of more than one-half of its present traffic and probably two-thirds of that traffic:

Territorial transit movement 1890–1910.

[Net tonnage expressed in 1,000 tons.]

Year.	East coast of Africa and islands.	Bombay and west India.	Calcutta and east coast of India.	Sunda, Siam, Philippines, and Dutch East Indies.	China, Cochin China, and Japan.	Australia and Oceania.	Other countries.	Total tons.
1890	149	1,988	1,882	879	928	716	348	6,890
1891	219	2,610	2,297	1,113	1,167	799	494	8,699
1892	232	2,083	2,152	966	1,105	795	379	7,712
1893	172	2,239	1,833	1,028	1,234	798	355	7,659
1894	193	2,106	2,242	970	1,347	798	383	8,039
1895	357	2,015	2,417	1,003	1,400	840	416	8,448
1896	269	1,649	2,411	1,085	1,578	871	697	8,560
1897	303	1,269	2,419	1,033	1,705	845	325	7,899
1898	341	2,034	2,652	1,048	1,851	820	492	9,238
1899	378	1,846	2,892	1,265	2,175	922	418	9,896
1900	404	1,128	2,763	1,372	2,756	864	451	9,738
1901	382	1,675	3,106	1,504	2,710	972	475	10,824
1902	397	1,962	3,478	1,539	2,486	981	405	11,248
1903	477	2,405	3,481	1,435	2,665	926	518	11,907
1904	450	3,033	4,006	1,722	2,665	924	602	13,402
1905	482	2,623	3,722	1,671	2,943	995	698	13,134
1906	484	2,557	3,817	1,537	3,299	1,155	596	13,445
1907	454	3,329	3,828	1,708	3,375	1,318	716	14,728
1908	436	2,193	3,769	1,945	3,489	1,234	567	13,633
1909	454	3,114	4,214	1,655	3,874	1,544	552	15,407
1910	510	3,359	4,300	1,987	3,977	1,704	745	16,582

PANAMA ZONE.

A course of instruction in the geography of the world from the standpoint of navigation and ship commerce under the tutelage of such men as Commissioner of Navigation Chamberlain and Prof. Emory R. Johnson, of the University of Pennsylvania, who was detailed by President Taft to make a survey of all ocean traffic with relation to the Panama Canal, and who, with Mr. Chamberlain, presented this matter exhaustively to the Interstate Commerce Committee—such a course of instruction, I repeat, is disappointing to the Panama enthusiast. The Pacific Ocean is a huge body of water, and it is a great distance across it to the lands upon and beyond its western shores and even to the islands within its western waters.

According to the statements of Dr. Johnson, all of Australia, New Zealand, the Philippines, India, and China—indeed, all of the Eastern Hemisphere—are closer to all European ports by the Suez than by the Panama route. This, of course, means that traffic from all European ports to all Asiatic ports will find the Suez the shorter route. The only natural monopoly of the Panama Canal will be that which the Atlantic coast will enjoy over the western coast of the American Continent, from Alaska on the north to Chile on the south. Even the Pacific coast of the United States will derive no advantages whatever with respect to Atlantic South American ports by reason of the Panama Canal, since the ports on the northern coast of South America, the coasts of the Guianas and Venezuela, are closer to Plymouth than to San Francisco.

TOLLS UPON DOMESTIC SHIPPING.

It is not my purpose to go into the question of foreign Panama Canal traffic, whether in American or foreign bottoms. It is my purpose to devote myself principally to tolls upon domestic shipping traffic. But I have deemed it beneficial to an understanding of the smaller question to which I shall address myself, to take a glance at the canal in its larger aspects and relations to the water traffic of the world. With this observation I shall return to the question of domestic tolls, and first to the testimony of the Commissioner of Navigation with relation thereto.

The report of the Commissioner of Navigation contains a number of statements in substance and effect that not only are free tolls through the Panama Canal necessary to furnish it with domestic shipping, but the commissioner even went so far as to say that free tolls were necessary to preserve American shipbuilding and the coastwise trade. During the hearings I quoted some of these statements to the commissioner and requested him to state the facts upon which he based his conclusions. That Mr. Chamberlain did not sustain either his contentions as to the necessity or the benefits of free tolls, or that free tolls were necessary to the preservation of the coastwise trade, I may safely leave to be drawn from his answers. On page 8 of his report the commissioner said:

A deliberate conclusion to tax directly American shipping to pay for the maintenance of that canal when no tolls are imposed on vessels, American or foreign, for the use of our other improved waterways will be well-nigh inexplicable, save as the definite surrender of the ocean to others by the United States except as we may use its waters from time to time for the maneuvers of our war fleets.

On page 9 of the report the commissioner says:

The present statutory reservation of the coasting trade between Atlantic and Pacific ports to American vessels will not alone suffice to create the shipping needed for the coasting trade through the canal, for that reservation could not be regarded as longer secure in the face of a decision by Congress to select American navigation alone to bear the direct burden of supporting a canal, military in its first great purpose, and for the general welfare in its second. Only the most venturesome capital would trust itself to shipbuilding and shipowning for canal purposes.

On the same page the commissioner says:

If they (American shipping interests) are named as the sole American direct contributors to the cost of the canal, the conclusion will be inevitable that Congress has decided definitely for some years to come that shipping must shift for itself, regardless of the consideration which may be shown to other industries, for a tariff can not be framed without intentional or unintentional favors.

In connection with this particular paragraph, let it not be forgotten that the particular interest involved, to wit, American domestic shipping, is not only protected from Canadian shipping competition by the highest tariffs in the world, but is protected from competition against all the vessels of the world, Canada included, by a law that in terms prevents all foreign vessels from engaging in our domestic water traffic.

Then the commissioner, on page 22 of his report, referring to the Frye bill, which provides for the free use of the Panama Canal by American shipping, makes this statement:

Its rejection—

Meaning the Frye bill—

therefore, can be construed in no other manner than as the deliberate declaration of the purpose of the United States to abandon ocean navigation. That declaration must be followed sooner or later by opening that navigation in all its phases to foreign ships and closing American shipyards on the seaboard.

All the foregoing statements were read in conjunction to the commissioner, who was then asked to detail his reasons for making them—the facts upon which they were based. All of the colloquy going to show whether or not the commissioner sustained his position follows:

FROM THE TESTIMONY OF COMMISSIONER OF NAVIGATION IN SUPPORT OF HIS PROPOSITION THAT FREE TOLLS ARE ESSENTIAL TO DOMESTIC SHIPPING THROUGH THE PANAMA CANAL AND TO THE PRESERVATION OF AMERICAN SHIPBUILDING AND THE COASTWISE TRADE.

FIRST—TOLLS A TAX ON INTERSTATE COMMERCE.

Mr. MARTIN of Colorado. What do you mean by the statement that if we impose tolls on American shipping through the canal even the coastwise trade can be regarded as no longer secure, following upon the statement which I read into the record that it will drive American shipyards and American shipping, even in the coastwise trade, from the high seas?

Mr. CHAMBERLAIN. Those statements should all be joined together precisely as you have joined them. Those extracts fit in together very well.

Mr. MARTIN of Colorado. I want the matter stated fairly from your standpoint.

Mr. CHAMBERLAIN. It is a better way of stating those propositions than the way they were placed in my report. It is better to assemble them in that way. The reason those positions were taken is: *In the first place*, it is, so far as I can recall, the first case where Congress in time of peace has contemplated *a tax on interstate commerce*. The

traffic through the canal, of course, must be divided into three branches—laying aside warship navigation—commercial traffic through the canal comprises three branches. In the first place, there is domestic commerce—the commerce between our two coasts which is interstate commerce. *In the second place*, there is the commerce between the ports of the United States and foreign ports in either hemisphere, which is our foreign commerce. *In the third place*, there would be the traffic through the canal which is exclusively foreign, with which we will have nothing to do, which will constitute about one-third of it. To take up just now the coastwise commerce—that is, interstate commerce pure and simple—so far as I can recall, this is the first proposition in time of peace to impose a Federal tax on interstate commerce. In the Civil War, of course, there were a great many of such taxes imposed, and necessarily so. There were a few such taxes imposed in the Spanish War. I think there were some charges on passenger tickets, although I am not sure but those were confined——

Mr. MARTIN of Colorado. You speak of canal tolls as imposing a tax on interstate commerce. I suppose you are aware of the fact that railroad companies pay for the use of Eads Bridge at St. Louis, and that there are, no doubt, other situations in which the railroad companies pay a charge, not a tax, for getting their trains across rivers and across navigable waters, bays, harbors, and so forth, under conditions that can be properly and legitimately claimed, I think, to be analogous to what we are doing down there in Panama in getting them across the land. There will be no difference in principle between getting a ship from water to water and a railroad train from land to land in interstate commerce.

Mr. CHAMBERLAIN. No.

The CHAIRMAN. I want to call your attention, Mr. MARTIN, to the fact that the Government of the United States was willing for commerce to take this canal in order that they might use it, but commerce would not built it; money was too cowardly, or something was the matter. Finally, we had to build it. We were willing for them to build it and pay tolls on Government ships, but they would not do it.

Mr. MARTIN of Colorado. I do not know that the chairman was here when the foundation was laid for this line of questioning, and I want to repeat briefly: The Commissioner of Navigation, who is a very responsible and high authority on this proposition—in my judgment the highest and most responsible and best qualified in the service of the Government, far above the Secretary of War or the Secretary of Commerce and Labor, with all due respect to those gentlemen; they are not experts in this line and he is—has made a report which is an exhaustive study and presentation of this whole subject and in which he has gone on to say that if we impose a toll on the coast-to-coast trade through the Panama Canal that trade can be regarded as no longer secure, and that finally American shipyards and American coastwise trade will be destroyed. I want him to explain to us just how that result will be brought about.

Mr. CHAMBERLAIN. The first reason I have stated. I was not aware of, and I do not know exactly yet, the nature of these charges for a bridge across the Mississippi for the use of a railroad. So far as I recall, I stated that the Panama toll proposed is the first peace tax on interstate commerce of which I was aware. It seems that there is some tax for the use of a bridge.

Mr. MARTIN of Colorado. You would not regard it as a tax if it were by a private owner. You are assuming it to be a tax simply because the United States owns it.

Mr. CHAMBERLAIN. It is a Federal tax, isn't it?

Mr. MARTIN of Colorado. No, sir; it is a charge by the United States as a proprietor.

SECOND—NO OTHER IMPROVEMENT CHARGED FOR.

Mr. CHAMBERLAIN. *In the second place*, section 4 of the river and harbor act of July 5, 1884, provides, "No tolls or operating charges whatever shall be levied upon or collected from any vessel, dredge, or other water craft for passing through any lock, canal, canalized river, or other work for the use and benefit of navigation now belonging to the United States or that may be hereafter acquired or constructed." (Hearings, pp. 875–876.)

Mr. MARTIN of Colorado. My question is, How will the Panama Canal tolls destroy the American coast-to-coast trade, which shipping has an exclusive and absolute statutory monopoly?

Mr. CHAMBERLAIN. My reply thus far, Mr. Chairman, has been, first, I understand that this proposed canal toll is the first peace tax on interstate commerce. My second suggestion was that it is the first instance where Congress undertook to impose, in form at least, a tax on American vessels—of course foreign vessels, too, but this discussion is confined to American vessels—for using improved waterways and canals.

The CHAIRMAN. I understand he wants you to answer a concrete question as to how the tolls will affect the shipping.

Mr. CHAMBERLAIN. I can not get at that, Mr. Chairman, by yes or no.

Mr. MARTIN of Colorado. I want to know how tolls are going to have that result.

Mr. KNOWLAND. I think the witness should be allowed to answer in his own way.

The CHAIRMAN. Now, as to the effect which charging tolls would have in killing American merchant marine, I would like to have the explanation how that is possible.

Mr. KNOWLAND. Let the witness answer the question in his own way.

The CHAIRMAN. That is the question now. Let us have the answer to that, please, in you own way. How will the charges of equal tolls on the canal kill American merchant marine? That is the question. I want you to answer the question in your own way.

Mr. CHAMBERLAIN. This is getting to resemble, if I may be allowed to make the remark, the wireless interference with which we are dealing in another committee. [Laughter.] In my opinion—and I know that all the members of the committee will not agree with me—every dollar in tolls collected from ships from one seaboard to the other—please understand that I am talking about American vessels in the coastwise trade and nothing else—every dollar that is imposed on that trade is, to the extent of that dollar, a reduction in the value of the canal as a competing transportation route with the railroads. (Hearings, p. 880.)

THIRD—WILL WEAKEN CANAL AS COMPETITOR OF RAILWAYS.

Mr. MARTIN of Colorado. *Your third reason* why the tolls on American coast-to-coast shipping through the Panama Canal will destroy that business is that it will lessen or weaken the ability of our coast-to-coast shipping to compete with the transcontinental railroads. That is a fair statement? * * * The authorities seem to agree that the cost of water transportation is about one-third of that of rail transportation. They also seem to agree—and I cited to the committee in questioning these witnesses Pacific coast publications which are in harmony with you on the free-toll proposition for the coast-to-coast shipping, giving specific rate statements indicating the correctness of this proportion of cost of water to rail transportation, showing that whereas now the fruit rate from the Pacific coast to the Atlantic coast is $27.56 a ton, at which rate they ship about 1,000,000 tons annually from the Pacific coast to the Atlantic coast, that fruit can be transported by means of the Panama Canal at a cost of about $7 per ton. * * *

Now, if there is no toll charged, these shipments for which these companies now charge $27.56 a ton can be transported via the canal for about $7 a ton. The proposition seems to be clearly established, and the matter has been brought out in these hearings, that traffic can be transported by way of the Panama Railroad now for about $8 or 9 a ton. Now, admitting these statements I have made to be even approximately correct, do you take the position that in order to render the Panama Canal competitive there must be donated to the water shippers a toll amounting to about $1 per net registered ton, which would be upon the actual cargo about 40 cents a ton, there being on the average two and one-half tons of actual cargo in the net registered ton space of 100 cubic feet; about 40 cents per ton, or, resolved down to the lowest unit, about 2 cents a hundred? I say, assuming the statements I have made and the figures I have given to be approximately true, are you going to take that position?

Mr. CHAMBERLAIN. I have not taken the position in my report or anywhere else, so far as I am aware. The position I took was stated as concisely as I can state it in the stenographer's notes, and I would rather have it put in just that way. A number of those statements are about matters with which I am not familiar. I think that doubtless on the whole your relative rate statement is a pretty fair statement, but that does not alter the proposition that to whatever extent the toll is imposed—whether it is 1 cent or $1—it does reduce to that extent, as any tax does, the utility of the canal as a competing factor in the commerce between the two seaboards.

The CHAIRMAN. Isn't it true, Mr. Chamberlain, that when we add the toll to the water rate it is still less than half the possible railroad rate?

Mr. CHAMBERLAIN. Absolutely true, and it will continue to be true. It may be unappreciable; a tax of 1 cent would not amount to anything at all, but you might as well have no canal at all as to have a tax of $10. Now, between those points there is a fair tax. That is an elementary proposition.

Mr. MARTIN of Colorado. Any charge might reduce the profit of the shipowners, but it would not necessarily cripple water transportation as a competitor of railroad transportation; it would not necessarily cripple it and prevent it from carrying traffic through the canal, would it, unless it was exorbitant?

Mr. CHAMBERLAIN. I did not say cripple; I said diminish—there is all the difference in the world between the two.

Mr. MARTIN of Colorado. Then you might turn the argument around and say that if you give the shipping interests free tolls, so that their competitive ability will not be crippled or diminished, then the railroad necessarily will be crippled as a competitor of water transportation?

Mr. CHAMBERLAIN. I will refer you to the Railway Age or any number of other papers, particularly papers devoted to railroad interests. It is precisely the position they would take. (Hearings, pp. 881–882.)

FOURTH—WILL DENY SHIPPING FACILITIES TO MINOR PORTS.

The fourth reason for the position which I have taken is that thus far, except by one company, so far as I am aware, there has been no substantial provision made for the use of the canal in the coastwise trade, and that unless, when the canal is ready for business in about two years from now, there is adequate provision for coastwise transportation—not only that transportation which the American Hawaiian Line will furnish between New York and San Francisco and Honolulu, with their large and their very fine ships, which will probably be very nearly adequate for that purpose.

The American Hawaiian Co. is the one company which is now substantially equipped to carry on the canal coastwise business. They have a fine fleet of ships. It is a fleet of ships that is built up to carry sugar from Hawaii. They are building five new ships now, and when those are completed, which will be early in 1913, that fleet will be capable of carrying about 1,200,000 tons of cargo in the course of a year from the Atlantic to the Pacific or from the Pacific to the Atlantic. * * * This fleet will cover the situation so far as the trade between San Francisco and Hawaii and New York and possibly New Orleans on the other side is concerned. But there will be an insistent demand from the smaller ports, and it must be met, and it ought to be met. (Hearings, pp. 882–883.)

Mr. CHAMBERLAIN. In the case of these smaller ports, having only occasional cargoes and not having regular lines of communication for transportation through the canal to the Pacific ports and vice versa, the demand will be inevitable—I won't undertake to say that it will not be justified—"If the American ships are not here we must have foreign ships." The claim will be made, "Here is this canal, built at enormous cost; we can not be barred out from the use of the canal." (Hearings, p. 890.)

Mr. MARTIN of Colorado. Your conclusion is, in addition to all the statements that have been made, that the one essential to the securing of ships that will gather up and transport the traffic from these little ports is free tolls? In the absence of free tolls, the conclusion from your argument is that that can not be done? If that is not your conclusion, what is it? We will have ships to handle the traffic from those ports, and those ships will have an absolute monopoly, to handle the traffic between these large ports. But here are these small ports; no big ships will put into them unless they can be given the right to take this traffic through the canal free. Therefore, in order to favor these small ports in this respect, having to treat them all alike, we must throw the canal open to the traffic of all the ports?

Mr. KNOWLAND. Do I understand the witness to state that for all the large ports on the Pacific and Atlantic coasts, under present conditions, there will be adequate shipping facilities for the increased commerce expected?

Mr. CHAMBERLAIN. *Absolutely;* the present commerce is what I am talking about. I think I made the statement that the tonnage of the American Hawaiian fleet is capable of transporting 1,200,000 tons avoirdupois from one coast to the other, and that is more than the present actual transportation, as I understand it. (Hearings, p. 891.)

COMMISSIONER'S TESTIMONY FOR FREE TOLLS SUMMARIZED.

I have endeavored in the foregoing quotations to assemble all of the reasons given by the commissioner before the committee to support his allegations and to assemble them as fully and fairly as the commissioner concedes I assembled the

quotations from his reports. The commissioner in his report asserted that free tolls would be necessary to furnish the canal with domestic shipping and to preserve American shipbuilding yards and the American coastwise trade. In marshaling his reasons, four in number, for these assertions, his position is boiled down to the single small proposition that free tolls will be necessary to furnish certain minor ports with shipping facilities.

At page 891 he make the distinct and final assertion that—and I quote verbatim—

The tonnage of the American-Hawaiian fleet is capable of transporting 1,200,000 tons avoirdupois from one coast to another, and that is more than the present actual transportation, as I understand it.

Commissioner Chamberlain's estimate of the capacity of the American-Hawaiian line to furnish shipping facilities for the Panama Canal in the domestic trade is fully borne out by the testimony of Mr. George S. Dearborn, the able president of that company, whose testimony, to which I shall refer later, was a distinct pleasure to the committee, sounding, as it did, the first optimistic note in these hearings and holding out the first assurance that the Panama Canal, when completed and opened for traffic, will not go begging for ships.

Commissioner Chamberlain, by his own statements, has disposed of any claim that free tolls will be necessary to furnish the Panama Canal with ships. One existing company alone, as admitted by the commissioner and as shown hereafter, will be able to do this at the outset, and there are others, as I shall show, already in existence, so that we may anticipate from the beginning not only a sufficient service but competition for traffic, a competition, however, that will not, in my judgment, extend to rates. I have had the ablest advocates of free tolls admit to me that the boat lines using the Panama Canal will not compete as to rates among themselves, but these same gentlemen contend that there will be real competition between the water and rail lines. Some charity may be felt for the makers of such an illogical contention, when it is borne in mind that to concede a lack of competition between rail and water lines would be to admit themselves out of court upon their claim for free tolls.

The commissioner's first reason that Panama tolls will be, to quote his language, "a tax on interstate commerce," I have already disposed of. I think but few advocates of a free waterway will take such ground.

His second reason, that an act of Congress forbids tolls or operating charges upon vessels using waters improved for navigation by the Federal Government, carries but little force when extended to such an extraordinary, such an unparalleled project, as the Panama Canal. This reason, I might suggest, may be more logically used by those who take the position that the canal shall be free to the vessels of the world; and, indeed, it has been advanced as an argument for a free shipway by no less a person than Mr. John Barrett.

The commissioner's third reason, that tolls will lessen or destroy the ability of the Panama Canal to compete with the transcontinental railroads, I shall pass by for the present, to be considered in connection with the testimony of persons who are especially concerned and who assume to speak by the card. It may be noted, however, that the commissioner in mentioning very low and very high tolls, made the following significant statement:

Now, between those points there is a fair tax.

The commissioner could not avoid this statement at the time and place. He had been going over this question exhaustively before the committee. His postulates had been searched by them. These postulates did not stand the full test, as, indeed, they could not, no matter by whom formulated. And with the frankness of a reasonable mind, recognizing at least a partial truth in the opposing position, he was constrained to say:

Now, between those points there is a fair tax.

Indeed, while the commissioner's report clearly gives the impression that he is unqualifiedly for free tolls and regards free tolls as absolutely essential to the success of the Panama Canal from the domestic standpoint, he still further qualifies that impression by quoting at the hearing (p. 873) the following from page 8 of his annual report:

It is not questioned that the traffic of the Panama Canal should supply revenue for its maintenance and possibly in time for the partial amortization of the expense incurred in construction. Toward this revenue we must ourselves contribute in some way, for even if our treaty obligations will permit us to impose upon foreign nations the entire burden of paying for the canal, not for an instant would there be the disposition to adopt so ungracious a policy, or, in fact, could it be commercially feasible?

The only logical deduction to be drawn from this statement is that it suggests the imposition of some charge upon domestic shipping using the canal. All of the matter following it, however, points, not toward any contribution at all upon the part of domestic shipping, but toward free tolls. When, therefore, the commissioner at the hearings quotes from his report for the express purpose of rebutting the inference that he demands an absolutely free shipway for American shipping, he simply confuses his actual position and renders it unfit as to what his exact opinion may be. In this respect, however, the commissioner does not differ from other advocates of free tolls. Not one of them was able to sustain this position. The two most enthusiastic advocates of free tolls who appeared before the committee so signally failed to sustain their position that they held out the transcript of the hearings for correction for more than a month and finally prevailed upon the committee to accept a completely rewritten version of their testimony.

The commissioner's fourth reason for free tolls, which I have already mentioned, is that this exemption will be necessary to furnish the minor ports with shipping. I submit that the commissioner's elucidation of this point is unsatisfactory and unconvincing, so much so that I am unable to present more than a meager and fragmentary record from the hearings. Indeed, these ports are almost conjectural. No list of them was given to the committee, although inquiry was made concerning them, and they are not even of sufficient importance to be touched by any of the several boat lines in the coastwise trade. In addition, it is conceded by the commissioner that sea traffic from these minor ports does not now exist, but must be conjured into existence by means of free tolls. With all due respect to the opinion of the commissioner, I do not consider his fourth and final proposition at all convincing or his position with respect thereto tenable.

SUEZ CANAL SUBSIDIES.

Too much attention and importance can not be given to the report of the Commissioner of Navigation. It is the most elaborate effort that has been made in support of free tolls and is clothed with the sanction of that bureau of the Government which was enabled to foster, promote, and develop the shipping industry of the United States. Among other arguments resorted to by the commissioner are certain subsidies granted by European Governments to certain ship lines using the Suez Canal.

On page 15 of his report appears the following statement:

About 25 per cent of the Suez Canal tolls on foreign merchant vessels are now paid in one form or another from the treasuries of the nations whose flags those vessels fly, respectively.

This is advanced as an argument in behalf of some such treatment by this Government of American shipping through the Panama Canal. It would appear that the percentage, to wit, 25 per cent, would rather be an argument to the contrary, but an analysis of the commissioner's figures set out on pages 16 and 17 of the report do not sustain even this small percentage, and upon such analysis it does not appear that any subsidies are paid to vessels using the Suez Canal as compensation for toll charges, except by the Governments of Russia and Austria, Russia, it is said, rebating in full and Austria rebating under certain limited conditions. For instance, on page 16 it will be noted that in the year 1910 the fleet of the British Peninsular & Oriental Steamship Co., the largest using the canal, its tonnage for that year aggregating 1,214,200 net tons of the total of 16,581,900 net tons transiting the Suez Canal, paid out in tolls £357,989 and received in subsidies £297,143. This showing, however, is followed by the following significant statement:

The subsidy is paid to its mail steamers, but it operates slower boats.

The plain meaning of this statement is that the freight vessels of the English companies using the Suez Canal receive no subsidies whatever. The subsidies are all paid to the mail steamers, and the mail steamers of the English steamship lines are subsidized whether they use the Suez Canal or not. The report, therefore, in this particular borders upon the danger of being misleading. These data are stated in such manner as to be susceptible of the construction and of conveying the impression that 25 per cent of the Suez Canal tolls are rebated in the form of subsidies by the Government whose flags these vessels fly, when an analysis of the report makes it doubtful whether in the case of England, for instance, which owns approximately one-half the stock of the Panama Canal and whose vessels furnish it with a greater proportion of its traffic than any other country, repays any toll charges per se whatever, but it is perfectly clear that no toll charges are paid freight vessels. As there will be no passenger or mail coast-to-coast traffic through the Panama Canal, it is clear that the action of the British Government furnishes an unqualified argument against subsidies or rebates to American shipping through the Panama Canal. I shall conclude this topic by inserting the following colloquy with reference to it from the hearings (p. 979):

Mr. J. A. MARTIN. I want to get back to this subsidy proposition. I think the disclosure in your report that the British company operates

slower boats through the Suez Canal, which are not subsidized and which carry the freight, removes the entire foundation upon which you base your argument for free tolls through the Panama Canal, to wit, that England is subsidizing her ships through the Suez Canal, but I want to analyze the report a little further. You say, on page 15, as follows:

"About 25 per cent of the Suez Canal tolls are now paid in one form or another from the treasuries of the nations whose flags those vessels fly, respectively. In some instances the appropriation is made in terms to pay the Suez tolls, as the Russian budget in 1909 carried an item of 650,000 rubles ($334,750) to pay the tolls of the merchant steamships of the Russian volunteer fleet."

I find further on that you include in that 25 per cent the £297,143 6s. 8d. of subsidies paid by the British Government to the Peninsular & Oriental Steamship Co.:

Mr. CHAMBERLAIN. Undoubtedly.

Mr. J. A. MARTIN. And that you include in that 25 per cent the subsidy paid to every ship that goes through the Suez Canal without regard to what the subsidy is paid for?

Mr. CHAMBERLAIN. Every one that is specified.

Mr. J. A. MARTIN. You mention here the British Peninsular & Oriental Steamship Co., £297,143 6s. 8d.; the North German Lloyd, $1,385,150; and you go on down and conclude with the statement that "without giving other available details enough doubtless has been presented to warrant the statement that the subsidies and bounties paid to foreign steamships through the Suez Canal were over 25 per cent of the Suez tonnage receipts of 127,203,395 francs in 1910." So, in the first place, while the mere payment of 25 per cent of the tolls through the Suez Canal by the Governments whose ships operate through that canal would be a rather slim foundation for an argument for free tolls through the Panama Canal, yet, as a matter of fact, when you come to analyze these figures, it does not appear that a single dollar of these amounts that are set out here was specifically paid for the purpose of repaying those ships for Suez tolls.

The CHAIRMAN. Except Austria.

Mr. J. A. MARTIN. None of these companies get Suez Canal toll rebates, except Austria's.

The CHAIRMAN. The witness said that it was estimated to be equivalent to it. It is not in the contract?

Mr. J. A. MARTIN. I do not think it is any disparagement of the commissioner's integrity to say that he has made in this report a statement calculated to convey the impression that over 25 per cent of the Suez Canal tolls are rebated directly or indirectly to the ships using that canal.

COMMISSIONER OF NAVIGATION V. THE SECRETARY OF WAR.

I have gone at considerable length into the report and testimony of the Commissioner of Navigation, but I have not given it greater attention than its importance warrants. His official position lends weight to his views, which have been widely published, and will be much quoted and relied upon in the future in the event tolls are levied upon domestic shipping, to show the injury thus done such shipping and the benefits that would have flowed from the contrary course. I would not for a moment seek to minimize the good work done by the commissioner. I have not met a Government official more zealously devoted to his work. There is no question but what he is heart and soul for an American merchant marine, and he is not one who proposes that the causes which have driven the American flag from the seas, to wit, prohibitive tariffs and Chinese navigation laws, shall remain in force and operation while the effect shall be relieved or overcome by Government bounties.

The commissioner recognizes the necessity of and recommends reforms in these respects. But I can not concede that he has made out any case at all for a free canal. Under analysis, his showing with reference to Suez toll subsidies dissolves. He admits frankly that when the canal opens the domestic shipping facilities will exceed the available tonnage. He also admits that American shipping must bear some share of the burden of the canal and that there is a fair rate, but he does not shed any light upon what either the share of the burden or the rate ought properly to be. I believe and I submit that the fair share and the fair rate will be found by the Executive within the limits fixed in the pending bill.

If any favors are to be shown American shipping through the canal, I would incline rather to the view of the Secretary of War, who in his address before the Commercial Club at Kansas City on November 14, 1911, said:

This question of tolls has thus far been discussed mainly with respect to our coastwise traffic. This coastwise trade presents a special problem. In one respect it has less need of a canal subsidy than our foreign trade, because it already has a Government monopoly. While our vessels engaged in foreign trade have been virtually driven off the ocean by foreign competition, our coasting trade still exists, because no other than American vessels are permitted by law to engage in it.

The Secretary's principal reason for favoring the coastwise trade is railroad competition. But even upon this proposition he qualifies by saying:

Experience may show that our coastwise lines can meet their railroad competition without this additional aid. To give it under such circumstances would not lower rates; it would simply add to the profits of the shipowner.

If there has been any one point clearly established by the testimony on this question, as I shall now proceed to show, it is that the coastwise lines can meet their railroad competition without the aid of free or preferential tolls.

WATER V. RAILROAD TRANSPORTATION COST.

A substantial part of the canal propaganda rests upon the relative cheapness of water as compared with rail transportation. All advocates of free tolls will tell you in one breath that water is vastly cheaper than rail transportation and in the next breath that the water can not meet the rail competition unless they are donated a sum, which the facts all accord in showing does not equal one-half, nor one-quarter, I might say not one-tenth of the difference in transportation cost in favor of the water carrier.

When several of the advocates of free tolls were before the committee, and particularly when the gentleman from Washington [Mr. HUMPHREY] was before it, I marshaled quotations from a number of publications and authorities going to show that the cost of water transportation, not the charge, mind you, but the cost, is on an average but one-third that of rail transportation, quoting only the figures of coast publications and representatives which are clamoring for free tolls.

I shall insert at this point in my remarks a summarization of some of these statements as they were presented to Mr. HUMPHREY and appear in the hearings with his replies; these statements having been summarized to him in this manner for the purpose of ascertaining his opinion, conceding the statements to be even approximately true, whether free tolls were necessary in order to enable the canal to compete with the transcontinental railroads. Mr. HUMPHREY is here to speak for himself. He was not able to say to the committee and he will not be able to say to the House that free tolls are necessary to enable the canal to compete with the railroads. And if it is not necessary, then what tangible, sensible purpose is to be accomplished by it? Nobody would dare propose that the railroads should be given any handicap or advantage over the canal; then, why should the reverse be asked? If, with a reasonable toll charge, the canal will have sufficient vessels, and these vessels can compete strongly and effectively with the railways, and can transport from coast to coast at one-half or less of the actual cost of railroad transportation, this would appear to be a fair solution of the problem, and this solution is so apparent that its opponents, when pinned down to facts, when smoked out of the haze of glittering generalities with which they are prone to invest the subject, can not get away from it.

I may say in passing that the quotations I am inserting not only contain figures quoted by free-toll publications showing, for instance, the rail fruit rate from the Pacific to the Atlantic coast to be more than $27 per ton, while it may be transported via the canal at a cost of $7 per ton, but statements before the Senate Commerce Committee by Mr. B. N. Baker, who organized and for 20 years successfully conducted the Atlantic Steamship Co., show the rail cost to be from three to four times the water cost:

RAIL COST THREE TIMES THAT OF WATER.

Mr. J. A. MARTIN. Fruit is transported by means of the transcontinental railroads from the Pacific coast to the Atlantic coast at $25.76 a ton. There is about 1,000,000 tons of this fruit traffic annually, which could be shipped from Los Angeles to New York via the Panama Canal at a cost of $7 a ton. I quoted from Collier's Weekly of September 30, 1911. I also quote from the testimony of Mr. B. N. Baker on Senate resolution 98, Sixty-second Congress, before the Senate Committee on Interstate Commerce, November 20, 1911, page 255. Mr. Baker is considered the leading authority on this question in the United States, the only man who has demonstrated that he could make good in the shipping business. He organized and very successfully conducted for 20 years a large steamship line on the Atlantic Ocean, which he sold to the American interests some years ago. He lives in Baltimore. [Reading:]

"This is my opinion, and I think the opinion of every steamboat man would confirm it—the suggestion I made was $7. (We always name a rate per 40 cubic feet for refrigerated space.) That cost was about $7 a ton, plus the tolls. I think it can be done for that. I would like to enter a large contract if I could do it for that much. That is such a small percentage—about 33⅓ per cent of the present rail rate—and it is business of an enormous volume.

"The present rate by rail is $1.15 and icing, which makes it, I figure, about $27.50 per ton, on the basis of a steamship ton.

"The ACTING CHAIRMAN. $1.15 a hundred?

"Mr. BAKER. Yes, sir. That would make about a third of a rate—a $7 rate."

That was his statement on the toll question generally.

The CHAIRMAN. He has tried to organize a steamship company, and the object he has is that all would get rich running steamship lines.

Mr. HUMPHREY. You notice that he did not do it. (Hearings, p. 1075.)

Mr. J. A. MARTIN. I want also to quote the statement from the Manufacturers' Record of September 7, 1911 [reading]:

"That the Panama Canal would enable the manufacturers and producers on the Atlantic and Gulf coasts to put their goods in the Pacific coast trade at about one-third of the present freight rate."

I want also to quote from the New York Evening Post of September 8, 1911, as follows:

"Many people will ask why the Government has placed such unusual restrictions upon successful bidders for mail contracts. The answer is that the Panama Canal, when completed, will bring San Francisco by water within 14 days of New York, less time than now taken by transcontinental freight trains, and with no expensive roadbed equip-

ment to maintain. Steamboats will be able to handle coast-to-coast business at a much lower rate than the railroads."

I want to quote from the Seattle Post-Intelligencer of September 16, 1911, as follows:

"The actual cost of moving goods by water from the Atlantic seacoast to the Pacific coast when the canal is completed will be far below the actual cost of moving freight by rail."

Mr. HUMPHREY. I think that is right. Nobody can dispute that.

The CHAIRMAN. If that is correct, how can the railroads compete with the canal rates?

Mr. HUMPHREY. They do it all the time.

Mr. J. A. MARTIN. I want to quote again from Mr. Baker's testimony, the same document that I referred to before, at page 264, as follows:

"Mr. BAKER. The almost universal basis is that you can haul 3 miles of water freight for the cost of hauling 1 mile by rail. All the original old prorating agreements in the Atlantic Transport Co. was on that basis, up to 3,000 miles, the distance from New York to European points generally. Longer than 3,000 miles, when we took goods, for instance, down to Durban, South Africa, via London, then they would demand of us that we would carry the longer water distance for a rate that would be much less, or 4 to 1, so that anyone can make a calculaon this basis. The distance from New York to San Francisco via the Panama Canal will be practically 5,300 miles. That would be equivalent to one-third the number of miles of rail—what it would cost to take it that distance.

"When you come to the transcontinental traffic and crossing the two ranges of mountains (even taking the longer distance in the nearly level route of the Southern Pacific), it costs rather more per ton per mile to operate over the heavier grades and mountains than it does that way.

"Senator NEWLANDS. But you only have 3,000 miles by one route and you have over 5,000 miles by water.

"Mr. BAKER. It would be equivalent to 9,000 miles by water. The difference between those two would be the general saving.

"When you come to certain classes of commodities, there is a greater difference than that. You take what are known as the commodity rates. Take lumber, for instance—a ship coming around there, about a 12-knot ship, with lumber from Seattle—I have not the exact distance—you ought to bring lumber on that 12-knot boat at about $6 a thousand; $6 a ton. You ought to be able to do it, plus any canal tollage."

The first question I want to ask the witness on that statement of facts, assuming these facts to be approximately true—he may deny the assumption as much as he pleases—but, assuming the facts that I have stated to be approximately true and assuming that the toll rate through the Panama Canal will be fixed on the net registered-ton basis, about $1 per net registered ton, which is about 40 cents per actual cargo ton, or about 2 cents per 100 pounds, and, taken in connection with the absolute monopoly given the coast-to-coast trade by our Federal laws, do you take the position that the donation of this toll to the coast-to-coast shipping is necessary in order to enable it to be honestly competitive with the transcontinental railroads?

Mr. HUMPHREY. I do not know whether it is necessary or not, but it would be that much advantage. * * * I am not familiar with railroad rates, but I do not think that you need worry about the railroads being driven out of business. I think that they can take care of themselves. (Hearings, p. 1076.)

FURTHER TESTIMONY SHOWING THAT REASONABLE TOLLS WILL NOT AFFECT CANAL.

Other testimony, and testimony going chiefly to other points, sustain the main fact in the foregoing quotations—the fact that water is so cheap as compared with rail transportation that the imposition of a moderate toll upon the former will have no bearing whatever upon the competitive ability of the waterway.

But this proposition need not rest alone for demonstration upon what men may say as to what the isthmian route can do, but it can also be demonstrated by what that route has done. It can be shown—and I shall insert the testimony from the hearings to that effect at this point—that freight has been transported right along from coast to coast as low as $8 per ton, which included the railroad rate and the cost of the two transfers involved.

Several gentlemen gave such testimony, among them Mr. William R. Wheeler, manager of the traffic bureau of the San Francisco Chamber of Commerce. Mr. Wheeler stated that in order to meet the monopoly enjoyed by the Southern Pacific Railroad Co., which controls the rail situation from California east and controls the Panama situation by its ownership of the Pacific Mail Steamship Co., there was organized the California & Atlantic Steamship Co., which only last year carried 115,000 tons of eastbound traffic via the Panama route at $8 per ton; that in order to destroy its competitor the Pacific Mail Steamship Co. cut the rate to $5 per ton, and that but for the intervention of the President, who required the Pacific Mail Steamship Co. to restore the $8 rate, the competing line would have been put out of business.

Mr. Wheeler, in showing the great advantage of the canal, stated among other things that the American-Hawaiian Steamship Line, for example—

will not have to give up one-third of its earnings to its railroad connection—

And admits—

There will be a great reduction even with a reasonable toll. There is no doubt about that.

Nevertheless and notwithstanding which Mr. Wheeler, like other coast representatives, and naturally so—I do not blame them in the least—wants free tolls; but, like his fellow workers in the cause, he wants free tolls without being able to show that he ought to have them.

Later on I shall take up separately the testimony of President Dearborn, of the American-Hawaiian Line, letting that very capable gentleman speak for himself as to the great advantage to his company of the Panama Canal over its present situation, in which it is required to pay one-third of its total receipts to the Mexican Government for its use of the Tehuantepec Railway.

GREAT RATE REDUCTIONS, EVEN WITH REASONABLE TOLLS.

Mr. WHEELER. The Pacific Mail Steamship Co., in addition to its trans-Pacific line, operates a line from San Francisco to Panama, and the capital stock of that company is controlled by the Southern Pacific Railroad Co. The Southern Pacific holds just a bare control, 50½ per cent, or $10,010,000, of the par value of the total capital stock. That line up until two years ago was the sole connection of the Panama Railroad & Steamship Line, operating between New York and Panama. The tariff of this line was based upon the transcontinental rail tariff. Any advances made in the transcontinental rail tariffs were immediately reflected in corresponding advances in the Panama route rates. Through the efforts of the organization which I have the honor to represent we were successful in first divorcing those rates from the transcontinental rates, and, second, in making it possible for a competing line to engage in the traffic between San Francisco and Paama, so that the Panama Railroad & Steamship Line has now two Pacific cocarriers operating between San Francisco and Panama.

Mr. DRISCOLL. Will you give the name of the other company?

Mr. WHEELER. The California & Atlantic Steamship Co. The result is that while in the fiscal year 1909, when the Pacific Mail Steamship Co. was the sole line upon the Pacific in connection with the Panama route to San Francisco, it carried but 8,728 tons of east-bound traffic, hardly a full shipload for one of Mr. Dearborn's largest vessels; in the fiscal year 1911 there was carried in east-bound traffic via the Panama route more than 115,000 tons.

Not long after the competing line went on—within a few months—a rate war was started. The Pacific Mail Steamship Co. put the rate upon California products, *which had been $8 per ton, down to $5 per ton.* It was obvious that the purpose was to run the line off, because the rate of $8 per ton was a satisfactory rate to our shippers.

Mr. E. W. MARTIN. Between what points was that?

Mr. WHEELER. Between San Francisco and New York. *The rate of $8 a ton was satisfactory to our shippers. No shipper, so far as my knowledge goes, had asked for a $5 a ton rate.* Had the administration not been prevailed upon to bring about a restoration of rates there is no doubt that the California & Atlantic Steamship Line would have gone to the wall. The fight lasted several months, but the rates are now restored on that line. (Hearings, p. 504.)

Mr. E. W. MARTIN. Does the Southern Pacific Railroad Co. still maintain its controlling interest in the Pacific Mail Steamship Co.?

Mr. WHEELER. According to my last advices it does. At any rate, it did up to a few weeks ago.

The CHAIRMAN. Do you know of any other railroad company that contemplates running a line of ships on the canal?

Mr. WHEELER. No; I do not know of any railroad company that contemplates putting ships there. I do not know that the Pacific Mail Steamship Co. contemplates running ships through there.

The CHAIRMAN. You apprehend, though, that the Southern Pacific might find it desirable to run ships through there?

Mr. WHEELER. I think that would be a very natural result of opening the canal, provided no inhibitory legislation is passed. The Southern Pacific Railroad Co. has a fleet of vessels on the Atlantic engaged in traffic between New York, New Orleans, and Galveston. It has the control of the Pacific Mail Steamship Co. on the Pacific operating between San Francisco and Panama. It would not be difficult, of course, to connect up those two services.

The CHAIRMAN. How large a fleet have they in each ocean?

Mr. WHEELER. I think that the fleet engaged in the Panama service consists of about nine vessels. Is that right, Mr. Dearborn? You know better than I do about that.

Mr. DEARBORN. I should think about 9 or 10.

Mr. WHEELER. It is my impression that it is about that number. As to the fleet on the Atlantic, I do not know. They have the service to New Orleans and Galveston.

The CHAIRMAN. You say that they go to New Orleans and Galveston——

Mr. DEARBORN. They have two services—one to Galveston, which takes all the transcontinental freight, and another to New Orleans handling freight for that territory—local freight. That is my understanding. (Hearings, p. 505.)

Mr. SABATH. What is the present average rate between New York and San Francisco?

Mr. WHEELER. By steamer do you mean?

Mr. SABATH. Yes.

Mr. WHEELER. I should say that west bound the average rate to-day is perhaps $12. Is that about it, Mr. Dearborn?

Mr. DEARBORN. I think it is higher than that. On *an average it* would be about $14.

Mr. SABATH. That is west-bound traffic?

Mr. DEARBORN. West bound.

Mr. SABATH. What is the average east-bound rate?

Mr. WHEELER. The average east-bound rate is about $10.

Mr. DEARBORN. I think it is less than that. I think it is about $8.50.

Mr. SABATH. After the canal is completed, with that saving taken into account by the steamship companies, what do you think the west-bound rate will be?

Mr. WHEELER. I would say that the reduction when the canal is completed, when Mr. Dearborn's line, for example, *will not have to give up one-third of its earnings to its railroad connection,* and likewise when no division has to be made at Panama with the Panama Railroad Co. or steamship line——

The CHAIRMAN. And no goods smashed up in transferring.

Mr. WHEELER. And no goods smashed up in transferring—I think that those rates will come very near being cut in two. That is my opinion.

Mr. SABATH. Then the coastwise trade between the two oceans will be benefited to the extent of about 50 per cent?

Mr. WHEELER. I should say so, provided no tolls are charged.

Mr. SABATH. That at 50 per cent would be about $7 one way and $4 the other way. Will the tolls make any difference really, or will not the coastwise trade be benefited to the extent of about 40 per cent, even if we do charge a dollar per ton? Do you see what I am trying to find out?

Mr. WHEELER. As I understand it, you mean whether there will not be an ample reduction without waiving the tolls.

Mr. SABATH. And bounties.

Mr. WHEELER. *There will be a great reduction even with a reasonable toll. There is no doubt about that.* But by the measure of the toll if it is waived——

Mr. SABATH. There will be a still greater benefit.

Mr. WHEELER. There will be a still greater benefit. (Hearings, p. 529.)

FREE TOLLS WILL NOT BENEFIT CONSUMERS.

If free tolls are not necessary to furnish the canal with vessels and enable them to do business against the railroads, the only conjectural remaining reason for the exemption would be that the removal of the rate would to that extent benefit the consumer. Appreciating this situation, the advocates of free tolls, as a matter of course, loudly protest that it is the intention to benefit only the consumer and not the shipowner, and they admit of no question but what the consumer will get the benefit of free tolls. Obviously to do otherwise would be fatal to their contention. But even on this proposition they failed before the committee, as they must fail in practical experience.

Among other witnesses who appeared before the committee was Mr. H. H. Raymond, vice president and general manager of the Clyde Steamship Co. and the Mallory Steamship Co., who said frankly that he did not believe the matter of a reasonable toll would make any difference to the consumer. The matter was put to him point blank as follows:

Mr. STEVENS. You know that it would not make any difference to the consumer, do you not?

Mr. RAYMOND. I do not believe that it would.

Mr. Raymond believed that it would benefit the shipowner, encourage shipping, and in this way benefit the public. I shall insert at this point a very interesting and instructive colloquy between the gentleman from Minnesota [Mr. STEVENS] and Mr. Raymond on this point:

Mr. STEVENS. It has been stated a great many times—the records of our committees are full of such statements. If that be true, how much difference to the ordinary consumer would a rate of 50 cents per net ton make on goods transported from the Atlantic to the Pacific, or from the Pacific to the Atlantic?

Mr. RAYMOND. I could not answer.

Mr. STEVENS. *You know that it would not make any difference to the consumer, do you not?*

Mr. RAYMOND. *I do not believe that it would.*

Mr. KNOWLAND. Then who would get the advantage?

Mr. RAYMOND. The American ship—the American public.

Mr. STEVENS. The American public—in what way would the American public get the advantage of it?

Mr. RAYMOND. They would not have to pay so much on the high commodities—on the heavy commodities. I am talking about the freight rates on your clothes.

Mr. STEVENS. If the rate was 55 cents per ton how much cheaper would it be to the American who buys lumber?

Mr. RAYMOND. I do not know. The American who buys lumber would probably buy it 25 cents a thousand cheaper.

Mr. STEVENS. How much cheaper would the American who bought lemons and oranges in California get them?

Mr. RAYMOND. I do not believe they would come through the canal.

Mr. STEVENS. The people on the coast are figuring on that. You think they are mistaken about that?

Mr. RAYMOND. I do.

Mr. STEVENS. How much cheaper would wool and stuff like that be?

Mr. RAYMOND. I do not know.

Mr. STEVENS. So that you could not give us any idea?

Mr. RAYMOND. No.

Mr. STEVENS. The most is that you can figure we will get lumber 25 cents a thousand cheaper?

Mr. RAYMOND. I do not know anything about the commodities; I am not a merchant; I am a transportation man.

Mr. STEVENS. So that you would not be willing to hazard any judgment of your own?

Mr. RAYMOND. No, sir.

Mr. STEVENS. As to how it would affect the man who finally buys the stuff and has to pay for it?

Mr. RAYMOND. No.

Mr. KNOWLAND. Except you would make the statement that whatever toll was remitted would be a benefit to the consumer?

Mr. RAYMOND. Absolutely.

Mr. STEVENS. That is just what I have been trying to find out.

Mr. RAYMOND. We have not any rates that give an unreasonable dividend. In fact, you can go into any business and make more money out of it than you can make out of the steamship business. (Hearings, p. 549.)

ATLANTIC COASTWISE BOAT LINE MONOPOLIES—NO COMPETITION.

But Mr. Raymond's testimony went to another proposition which, in my judgment, was even more illuminating and instructive and even more in the nature of fact rather than opinion, and that was his explanation to the committee that there are five different steamship lines in the Atlantic coastwise trade south from New York, no two of which have the same termini or traffic territory. As explained by Mr. Raymond, each of these lines enjoys an exclusive and undisputed monopoly of its own water route, port termini, and traffic territory. I can not take time to read this testimony, but it absolutely disposes of the idea that there is any competition whatever among the boat lines in the Atlantic coastwise trade:

TESTIMONY OF MR. RAYMOND, OF THE MALLORY AND CLYDE LINES.

Mr. MARTIN of Colorado. There are two lines that you are vice president of—the Clyde and Mallory.

Mr. RAYMOND. The Clyde does not go to Galveston, Tex.

Mr. MARTIN of Colorado. The Clyde does; does it not?

Mr. RAYMOND. No, sir.

Mr. MARTIN of Colorado. The Mallory and Morgan?

Mr. RAYMOND. The Mallory and Morgan?

Mr. MARTIN of Colorado. Do go from New York to Galveston?

Mr. RAYMOND. Yes, sir.

Mr. MARTIN of Colorado. Is there any difference in the rates between New York and Galveston on these two boat lines?

Mr. RAYMOND. Yes, sir.

Mr. MARTIN of Colorado. Is not the fare identical?

Mr. RAYMOND. There is only one line that handles passengers, and that is the Mallory; there is no competition.

Mr. MARTIN of Colorado. From New York to Galveston?

Mr. RAYMOND. The Morgan does not handle passengers; no, sir.

Mr. MARTIN of Colorado. How many lines are there between New York and Key West handling passengers?

Mr. RAYMOND. Only one.

Mr. MARTIN of Colorado. What is that?

Mr. RAYMOND. The Mallory.

Mr. MARTIN of Colorado. Are there any places on the coast where the Mallory has competition in the matter of hauling passengers?

Mr. RAYMOND. Not that I know of.

Mr. MARTIN of Colorado. It hauls them all—how does it come that the Mallory has no competition?

Mr. RAYMOND. Because nobody else has put any money into that service; that is all.

Mr. MARTIN of Colorado. The Clyde does not carry passengers?

Mr. RAYMOND. The Clyde carries passengers, but it does not go to Galveston.

Mr. MARTIN of Colorado. Does it go to any of the ports that the Mallory goes to?

The CHAIRMAN. *It pays better to divide the ports up.*

Mr. MARTIN of Colorado. Is that the way it is done?

Mr. RAYMOND. No.

Mr. MARTIN of Colorado. Let us see; we have got *three lines* out of New York—the *Clyde*, the *Mallory*, and the *Morgan*. Now, how many lines have we got in the coastwise trade going out of New York in addition to the Mallory, Morgan, and Clyde Lines?

Mr. RAYMOND. Out of New York?

Mr. MARTIN of Colorado. Yes, sir.

Mr. RAYMOND. The *Ocean Steamship Co.*

Mr. MARTIN of Colorado. That is four.

Mr. RAYMOND. The *Old Dominion;* that is, coming south.

Mr. MARTIN of Colorado. That is what I mean.

Mr. RAYMOND. Coming south from American ports?

Mr. MARTIN of Colorado. That is what I want, in order not to scatter too much.

Mr. RAYMOND. The Old Dominion.

Mr. MARTIN of Colorado. *That is five.* Are there none of those carrying passengers into the same ports from New York, down along the Atlantic coast and return?

Mr. RAYMOND. No, sir.

Mr. MARTIN of Colorado. What do they do, then—have they just divided up the territory between themselves?

Mr. RAYMOND. No.

Mr. MARTIN of Colorado. I do not understand why there is not an explanation for this. We have got the facts in a measure, but not the explanation as to why there is just one boat line in the coastwise trade of the Atlantic carrying passengers between New York and all these coast points around to Galveston and the Gulf.

Mr. RAYMOND. The explanation is that two would not pay.

The CHAIRMAN. I think that is a good one.

Mr. SIMS. How is it about the *freight?*

Mr. RAYMOND. *The same.*

The CHAIRMAN. Five or six lines and no two of them run between any two points?

Mr. RAYMOND. These lines here all originated years and years ago by private capital—merchants and other people did not see that they wanted to compete because where one could live two could not.

The CHAIRMAN. They were wisely located with a view to profit.

Mr. MARTIN of Colorado. This is rather an interesting line of testimony, I think. Your Mallory Line, then, hauls all the passenger traffic from New York south—the Atlantic coastwise passenger trade and around into the Gulf?

Mr. RAYMOND. That is your statement, not mine.

Mr. MARTIN of Colorado. I have understood it to be yours.

Mr. RAYMOND. No, sir.

Mr. MARTIN of Colorado. Hauls all of it, then, to certain ports.

Mr. RAYMOND. *Handles all the passengers to the ports to which it operates where no other passenger line does.*

Mr. MARTIN of Colorado. Tell me this, then: Are not ports divided as to carrying passengers and to which no other passenger lines operate?

Mr. RAYMOND. I testified to that in the beginning.

Mr. MARTIN of Colorado. Those that you named are the ones that it goes to—the Mallory Line?

Mr. RAYMOND. Yes, sir.

Mr. MARTIN of Colorado. Which ports does the Clyde Line go to and to which the Mallory Line does not go to?

Mr. RAYMOND. The *Mallory*, if you want it, goes to the following ports, or operates, rather, between the following ports: *New York* and *Key West*, New York and *Tampa*, New York and *Mobile*, New York and *Galveston;* it *handles passengers* and *cargo to all of those ports.*

The *Clyde* operates between *New York* and *Philadelphia*, and between *Boston* and *Charleston*, *New York* and *Jacksonville*, *New York* and *Wilmington*—all those other places that I named in the beginning; and they carry passengers only to two ports, Charleston and Jacksonville.

Mr. MARTIN of Colorado. What is the *Morgan* Line in the way of freight and passenger?

Mr. RAYMOND. They operate *freight* and *passenger* service between *New York* and *New Orleans?*

Mr. MARTIN of Colorado. What is this *Ocean Steamship Line* and what has this Ocean Steamship Line got?

Mr. RAYMOND. Between *New York and Savannah.*

Mr. MARTIN of Colorado. Did you name another besides the Ocean?

Mr. RAYMOND. Not coming south—the *Old Dominion* between *New York* and *Norfolk.*

Mr. MARTIN of Colorado. How did this division of territory come about between these five lines?

Mr. RAYMOND. It is perfectly natural.

Mr. MARTIN of Colorado. Natural growth?

Mr. RAYMOND. Natural growth.

AMPLE SHIPPING FACILITIES AWAIT OPENING OF CANAL.

The testimony of Mr. Raymond also goes to create a suspicion, which is strengthened by the statements of others, that there will be but little, if any, more competition, even in the matter of service, to say nothing of rates, from coast to coast than now exists in the Atlantic coastwise trade. Mr. Raymond makes it clear that neither of his lines are contemplating any conquest over canal traffic, and the impression is gathered from Mr. Raymond that none of the five Atlantic coastwise lines will put a single boat through the Panama Canal. They each have their little monopoly and are going to keep it. They are not going to invite trouble by poaching on other preserves. The American-Hawaiian Line, which is now doing the principal trans-Isthmian traffic, may continue so far as these Atlantic coast lines are concerned. If the American-Hawaiian has any competition, it must come from one or two small independent Pacific coast lines, whose boats are shown by the Commissioner of Navigation to be too small for that trade, or its competition must come from the Pacific Mail Steamship Co., which will put a fleet of big steamers through the canal if not prevented by law.

The two coastwise lines under the management of Mr. Raymond operate about 45 boats. Some of these exceed the 4,000 tonnage, which Mr. Raymond concurs with Commissioner Chamberlain and others in saying is the practical minimum for canal traffic. He estimates that there are 200 vessels, all told, in the Atlantic coastwise trade south of Boston. According to Mr. Raymond there should be nothing in law to prevent any of his boats of sufficient tonnage from transiting the canal, as he is positive in his statements that his lines are not owned or controlled by railroad companies. On the whole, therefore, it would appear that the supply of available shipping facilities for the canal will far exceed the demand, and that if the great majority of existing American boat lines do not engage in that traffic it will be because they prefer to follow the rule of the sea, upon which discovery and occupancy gives the better right. I attach hereto the list of vessels of the American-Hawaiian fleet, 18 in number and ranging in gross tonnage from 4,408 to 8,671 tons, a sufficient tonnage for canal traffic (hearings, p. 884):

American-Hawaiian fleet.

Name of vessel.	Speed, in knots.	Gross tonnage.	Net tonnage.
Californian	12	5,707	3,716
American	12	5,591	3,643
Hawaiian	12	5,597	3,651
Oregonian	12	5,597	3,651
Nevadan	13	4,408	2,824
Alaskan	12	8,671	5,621
Nebraskan	13	4,408	2,824
Texan	13	8,615	5,636
Kansan	12	7,913	5,131
Arizonan	12	8,671	5,621
Virginian	13	7,914	5,077
Missourian	13	7,914	5,077
Mexican	13	8,579	5,578
Columbian	13	8,579	5,598
Isthmian	13	5,404	3,468
Kentuckian	13	6,606	4,016
Georgian	13	6,606	4,016
Honolulan	14	7,059	4,421
Total		123,839	79,548

Besides, the above company contracted, since August, for five more ships, *Pennsylvanian, Panamanian, Minnesotan, Montanan,* and *Dakotan,* two of which are to be 6,600 gross tons, 4,000 net tons, 11 knots (all approximate), and the remaining three doubtless of similar types to the above, all to be delivered in 1912 and 1913.

I also append the list of the Pacific Mail Steamship Co., which is owned by the Southern Pacific Railway Co., nine in number, ranging in gross tonnage from 2,076 to 3,532:

Pacific Mail Steamship Co.

Name of steamship.	Year built.	Gross tonnage.	Net tonnage.	Date of sailing.
Peru	1892	3,528	2,539	
Pennsylvania	1873	3,343	2,567	January 3.
Aztec	1894	3,508	2,298	January 15.
City of Para	1878	3,532	2,504	January 31.
San Jose	1882	2,080	1,538	January 3.
City of Sydney	1875	3,016	1,965	January 13.
Acapulco	1873	2,592	1,759	January 23.
Kansas City	1889	3,679	2,183	
San Juan	1882	2,076	1,496	

And also the list of the California-Atlantic Steamship Co., an independent line, seven in number, ranging from 1,838 to 3,753 gross tons:

California-Atlantic Steamship Co.

Name of vessel (chartered).	Year built.	Gross tonnage.	Net tonnage.	Date of sailing.
Navajo	1911	2,755	1,711	January 8.
Mackinaw	1890	2,578	2,005	January 20.
Pleiades	1900	3,753	2,982	January 28.
Stanley Dollar	1908	1,838	955	
Riverside	1908	1,838	955	
Leelanaw	1886	1,923	1,377	
George W. Fenwick	1907	2,009	1,198	

SUMMARY OF VESSELS AVAILABLE FOR THE PANAMA CANAL.

The testimony as to vessels available for the domestic Panama service is considerably scattered, and it may prove of some service to investigators to collect and present it in succinct form.

Easily at the head of the list will stand the American-Hawaiian Line with its 23 vessels of about 10,000 gross tonnage each.

The Luckenback Line consists of approximately 10 vessels of 4,000 to 6,000 tons. Some of these vessels have been plying via the Strait of Magellan. Like the American-Hawaiian Line, the Luckenback is capable of enlarging.

The Pacific Mail Steamship Co. has a fleet of approximately 10 steamers on the Pacific and is said to be awaiting the action of Congress as to whether it will permit railroad-controlled vessels to use the canal before undertaking the construction of some very large vessels for this trade. Notwithstanding the "if" now in the way of the use of the canal by the Pacific Mail Steamship Co., to wit, the proposed prohibition of the use of the canal by railroad-controlled boats, I venture the prediction that the Pacific Mail Steamship Co. will find a way to enter the Panama route. It will enter the Panama route or cease to exist, and it is not in the logic of things that the steamship line which has for more than 20 years past been supplying practically all of the Pacific coast traffic to the Panama Railroad should go out of business when the canal opens and turn this traffic over to others. This, I think, will hardly occur.

The same prediction may be hazarded of the California-Atlantic Steamship Co., with its present Panama-Pacific fleet of seven boats, which was organized to fight the Southern Pacific-Pacific Mail in the Panama trade, and which Mr. Wheeler testifies it is doing successfully.

It is claimed that the tonnage of the Pacific Mail and the California-Pacific Lines is somewhat light for the coast-to-coast service, which calls for vessels of about 4,000 gross tons, but there is little doubt the heavier of them would traverse the canal with the cargoes they are now delivering to the Panama Railroad at Balboa, and that they will build larger vessels.

The Mallory and Clyde Lines, it has also been pointed out, now have a number of vessels in the Atlantic coastwise trade of sufficient tonnage to enter the canal route if they elect to do so. And there are doubtless others.

THE AMERICAN-HAWAIIAN STEAMSHIP CO.

That the Panama Canal, while exacting a reasonable toll from domestic shipping, will be fully able to compete with the transcontinental railroads, to cause substantial reductions in transcontinental rail rates, and to wrest a part of their present traffic from the transcontinental roads, is clearly established by the testimony of Mr. George S. Dearborn, president of the American-Hawaiian Steamship Co.

In 12 years this company has built up a fleet of 18 steamers of about 10,000 gross tons each, and which now handles an annual traffic of 750,000 tons from the Hawaiian Islands and the Pacific coast, but principally from the Hawaiians, and the company is now constructing 5 more of these large steamers, so that, against the opening of the Panama Canal, the American-Hawaiian Steamship Co. will be ready to supply it with a fleet of 23 large steamers, with a carrying capacity of 1,500,000 tons annually, which is larger than the existing coast-to-coast water tonnage.

CAN PAY TOLLS AND COMPETE WITH RAILROADS.

Upon the question of the present and future capacity of his steamship company and to what source it will look for additional traffic, Mr. Dearborn said:

We are prepared to-day to almost double our tonnage through the canal with the ships we are building, and if we did not believe we could make such rates as would divert to us 750,000 tons more from the railroads we would not build the ships. With the ships we are building and the shorter time we could make through the canal, if our

plans are carried out, we will acquire double the quantity of freight we are getting to-day. We are getting all we can handle to-day. When it comes to the canal, if we are building these ships to take 750,000 tons more from the railroads, we have got to lower the rate.

I challenge the production from all the mass of testimony in either House of Congress touching the traffic and competitive possibilities of the Panama Canal that will equal in significance, that will compare in the number and importance of the facts embraced, with the statement I have just read.

GREAT ADVANTAGES OF THE CANAL.

Mr. Dearborn had just stated that his company would not require free tolls in order to do business through the canal. In answer to a question as to whether he could pay a dollar per net registered ton through the Panama Canal and do even better than he is now doing across the Tehuantepec route, Mr. Dearborn said:

Sure; there is no argument about that. The no-toll business is a matter of principle. We would not spend $1 in any propaganda for no tolls, because the shipper is going to pay for it. It is an operating expense.

With the paying of tolls, therefore, as a factor in his calculations, and implied in the paragraph which I have read, that single paragraph may be resolved into the following highly important facts:

First. The American-Hawaiian Steamship Co. can pay canal tolls at $1 per ton.

Second. It can double its present traffic of 750,000 tons.

Third. It proposes to take this tonnage from the transcontinental railroads.

Fourth. It will lower its rates to get this tonnage from the railroads.

Fifth. Even at its existing high rates the steamship company is getting all the business it can handle.

Sixth. The railroads must lower their rates, notwithstanding which some of their existing traffic will be divided with the canal.

This important testimony, which serves concretely to put the Panama Canal before us as a vital factor in domestic commerce, followed a question as to the cost to the American-Hawaiian Co. of its Tehuantepec railway connection, and I shall insert here the brief colloquy leading up to the statement that I have read in full and analyzed.

SHIPPER WILL PAY TOLLS—AN OPERATING EXPENSE.

Mr. MARTIN of Colorado. Would you mind telling us this—about what your Tehuantepec transshipment costs you per net registered ton?

Mr. DEARBORN. That would take some figuring.

Mr. MARTIN of Colorado. You are able to do business now, and you are building your business up, I think, fairly satisfactorily, at the rate you are acquiring ships, from Hawaii to New York, and from the Pacific to the Atlantic coast, notwithstanding the cost of the Tehuantepec transshipment?

Mr. DEARBORN. Yes.

Mr. MARTIN of Colorado. And it simply occurred to me that if you could do that, you could pay, say, a dollar per net registered ton through the Panama Canal and do even better than you are doing now.

Mr. DEARBORN. *Surely; there is no argument about that.*

Mr. MARTIN of Colorado. *You do not have to get free tolls through the Panama Canal?*

Mr. DEARBORN. *The no-toll business is a matter of principle. We would not spend one dollar in any propaganda for no tolls, because the shipper is going to pay for it. It is an operating expense.*

Mr. MARTIN of Colorado. Just like "Jones pay the freight," the shipper pays railroad taxes?

Mr. KNOWLAND. Your contention is that any toll would come out of the shipper?

Mr. DEARBORN. That is it.

Mr. MARTIN of Colorado. Would your Tehuantepec transshipment cost be considerably more than a dollar per net registered ton?

Mr. DEARBORN. Certainly.

I will tell you what answers that question. We are prepared to-day to almost double our tonnage through the canal with the ships we are building, and if we did not believe we could make such rates as would divert to us 750,000 tons more from the railroads we would not build the ships. With the ships we are building, and the shorter time we could make through the canal, if our plans are carried out we will acquire double the quantity of freight we are getting to-day. We are getting all we can handle to-day. When it comes to the canal, if we are building these ships to take 750,000 tons more from the railroads, we have got to lower the rate.

NOW PAYING ONE-THIRD TO MEXICAN RAILWAY.

The question, however, did not bring the information sought at that point, but later this most material and instructive information was fully developed by the gentleman from South Dakota [Mr. MARTIN], and I shall insert it in my remarks at this point:

Mr. MARTIN of South Dakota. Approximately, can you indicate to the committee about what is the cost to your company for the transportation of dead-weight tonnage over the Tehuantepec route, including the cost of loading and unloading, the cost of transportation, and such habitual damages that you must pay by reason of the transfer?

Mr. DEARBORN. I would not want to make an offhand statement.

Mr. MARTIN of South Dakota. Just an approximation.

Mr. DEARBORN. You would have to take averages.

Mr. MARTIN of South Dakota. I mean averages, considering the entire business as a mass proposition.

Mr. DEARBORN. We were making estimates the other day; on 750,000 tons of freight our net profit was a few cents a ton. On the total freight we have it is about 20 cents a ton.

Mr. MARTIN of South Dakota. On your whole business?

Mr. DEARBORN. On the whole business.

Mr. MARTIN of South Dakota. I am trying to ascertain how much of your expense is represented by the transfer at Tehuantepec. In other words, how much would you pay, in the course of your business, per ton, if you did not have the charges for the transfer at Tehuantepec?

Mr. DEARBORN. Now, you take sugar and other merchandise. Of course, sugar being dead-weight cargo and easier to handle, you get much lower rates. I should say, on an average, it must be something like $4 a ton. I should say——

Mr. MARTIN of South Dakota. I wanted it translated into cost.

Mr. DEARBORN. About $4 a ton.

Mr. MARTIN of South Dakota. That is your estimate on sugar cargo.

Mr. DEARBORN. That is on the whole. (Hearings, pp. 576–577.)

IMMENSE SAVING AND PROFIT TO SHIPPERS OF CANAL ROUTE.

Mr. MARTIN of South Dakota. I am pleased to say that it struck me all through the witness's testimony that we are arriving at some very impartial statements of facts. It has been claimed here by numerous witnesses, if not by their statements, at least by inference, that the question of applying a dollar net tonnage for the toll, which would be 40 or 50 cents dead-weight tonnage, might be the difference between attracting or driving away the American shipping industry as an element in coastwise trade, and, of course, your statement is quite different.

Mr. DEARBORN. Yes, sir.

Mr. CULLOP. What was the answer? Is the answer in the record?

Mr. DEARBORN. Yes, sir.

Mr. MARTIN of Colorado. I will ask you again, along the line of my colleague's questioning with reference to the $4 per ton approximated to be the cost of transshipment over the Tehuantepec route. I understood that to be $4 per dead-weight ton of 2,000 pounds?

Mr. DEARBORN. That is right.

Mr. MARTIN of Colorado. Now, the Panama charge will be a net-registered ton, we will assume, and this net-registered ton will hold about 2½ dead-weight tons, ordinarily, so that he would pay only 40 cents per dead-weight ton.

Mr. MARTIN of South Dakota. In the question I asked, the answer to which Judge Cullop has thought, perhaps, was not given in the record, I asked, whether, supposing that the toll through the canal, for an estimate, might be considered as $1 per net ton, which I suggested, would be something like 40 or 50 cents in dead-weight tonnage.

Mr. DEARBORN. That applies to dead-weight cargoes. Take a cargo of sugar, which would load a ship to a dead-weight capacity. I say then that proportion would be right. Take our west-bound cargo, where our ship has only little dead-weight cargo, the toll applied to a ton of dead weight carried in the ship would be settled.

West bound we have about 50 per cent of her dead-weight capacity.

Mr. MARTIN of South Dakota. And east bound you are practically carrying your capacity?

Mr. DEARBORN. Yes. So that there is less tax per ton on sugar than there is on the other freight?

Mr. MARTIN of South Dakota. And the solution of that part of the problem would be that east bound your net-weight tonnage would vary much less than your west bound; you might be carrying more measurement of tonnage, and be carrying less in actual tonnage?

Mr. DEARBORN. Yes.

Mr. MARTIN of South Dakota. The question that I was asking and about which there might be some doubt in the record was in substance this: It being understood that the committee might consider the subject of putting a toll to the amount of $1 per registered ton for transportation through the Panama Canal, which would, on a ship carrying its full cargo, mean 40 or 50 cents per ton, whether in your judgment that would be a controlling consideration as between the encouragement or discouragement of coastwise trade through the canal to determine whether it would be a profitable business or not?

Mr. DEARBORN. The lower the toll, the less the resistance of the movement of trade.

Mr. MARTIN of South Dakota. Naturally.

Mr. DEARBORN. Naturally it would result in a greater volume of business, to the extent that the business would be enlarged or contracted by the rate of toll.

Mr. MARTIN of South Dakota. Of course. That follows. If you are now carrying on your business by the Tehuantepec route, with a practical cost of transfer something like $4 per dead-weight ton——

Mr. DEARBORN. Yes.

Mr. MARTIN of South Dakota. And you can, by the opening of the canal, even if we put a dollar toll upon the net tonnage, you can carry the business through there at 50 cents to $1 cargo tonnage, according to how you happen to be loaded, it would seem to be self-evident that the putting of the toll on there would not be a controlling factor in determining whether you would go through the canal?

Mr. DEARBORN. No. That is why I wish to deal with that on business lines. *It would be ridiculous to treat the canal toll, as applied to domestic trade, on these lines. If you are going on the lines of what the traffic would bear, it would stand very much more.* (Hearings, pp. 577–578.)

RÉSUMÉ OF CANAL ADVANTAGES.

This testimony shows that the American-Hawaiian Co. is paying the Mexican Government for transferring its cargo by rail across the Isthmus of Tehuantepec at the rate of $4 per cargo ton of 2,000 pounds. The same ton, say for instance of sugar, at a toll rate of $1 per net registered ton, would go through the Panama Canal for just 40 cents. That is the difference in cost between the canal and the railway, but it is only one of the canal advantages. To unload the ships at one side of the Isthmus, put the cargo in railway cars, transfer these cars across the Isthmus, unload them and reload the cargo in another ship takes time. According to the testimony it takes one-third of the entire time, or about 10 days out of a 30-day trip, and the boats must lie idle and return without cargoes, and the cargoes in the railway transshipment are more or less wasted and damaged, so that it is no exaggeration to say that if the Panama toll rate were to be made $4 per

cargo ton instead of 40 cents, or were to be made $5 or even $6 per cargo ton, it would still be preferable in every way to the present Tehuantepec route. It is no wonder that shipowners may smile at the question as to whether the moderate toll rate proposed for the Panama Canal will injuriously affect its traffic.

Mr. Dearborn, however, while admitting that he does not need the tolls to enable him to do business or compete with the railroads, and while further concurring with Mr. Raymond, the manager of the Clyde and Mallory Steamship Lines, that the consumer would not be affected one way or another by the presence or absence of a reasonable toll, nevertheless furnished the committee prior to his examination with a printed statement in which he expressed the opinion that free tolls should be provided as an inducement to investment in the coastwise shipping business. In the same statement it is remarked that while the Pacific Coast States would derive the great benefit for which all of the country would be taxed, still the country would be benefited in obtaining Pacific coast products at lower prices. I refer to this printed statement principally as a basis of comment that these ex parte statements, when put to the test, always fail to produce any sustaining facts. Indeed, there is nothing in the exhaustive testimony of Mr. Dearborn to support a conclusion or even a probability that free tolls will result in the construction of a single ship for the canal route. Mr. Dearborn's company is constructing five ships in anticipation of the opening of the canal, and this without any reference whatever to the question of tolls. Mr. Dearborn is only human, and if the Federal Government proposes to make his company a present of the service which is now directly costing it $4 per cargo ton and indirectly perhaps half as much more, it is hardly to be expected that Mr. Dearborn will protest.

I do not wish, however, to have preserved in the record of this legislation a single remark which could be construed as even dealing lightly with any statement made by Mr. Dearborn, either in print or to the committee. I believe the entire committee, regardless of their attitude upon the question of tolls, experienced in listening to him a thrill of assurance that upon the completion and opening of the Panama Canal there would be a magnificent fleet of ships flying the American flag, waiting for its great lock gates to swing open and receive them. A spirit of optimism pervaded the committee on listening to this gentleman, who impressed everybody with a feeling of confidence and respect for his capability. Mr. Dearborn himself is the explanation of the great success of his company; his optimism, his quickness of mind, his grasp of the situation, his personality, all combined not only to explain the American-Hawaiian Steamship Line, but to assure the committee that when the great engineer who is constructing the canal had completed his work, a great shipper would be ready with a splendid line of boats to furnish it with traffic.

DISINTERESTED TESTIMONY ON THE TOLL QUESTION.

All the testimony thus far considered was adduced by interested persons, by those engaged in domestic shipping or the representatives of coast ports. I do not believe it is necessary to look beyond this testimony to justify the levying of a reasonable toll, such as is contemplated upon domestic shipping. Indeed, this testimony shows affirmatively, it affirmatively establishes from the lips of the shipowners themselves, that free tolls is not a vital factor in any problem concerning the Panama Canal. If the Government wishes to establish a free shipway for vessels in the domestic trade, it may do so, but it must do so with the knowledge and understanding that the sums involved—two or three or four or five million dollars per annum, as the case may be and as the traffic develops—will be net to the shipowners and to nobody else.

The Panama Canal will be too great a benefit to vessels which are now required either to round the Horn or transship by rail and too great a burden of expense to the Government to permit of any such purely sentimental policy as free tolls.

This proposition, already satisfactorily established, is more clearly shown when we consider the very valuable treatment of this problem by Dr. Johnson, the investigator assigned to this specific task by the President of the United States. Dr. Johnson is responsible to no one but the President and has no incentive but the development of the truth; and when such an authority treats the Panama Canal as a proposition of sense and not of sentiment, and as the result of his long, patient, and scientific study of the question, recommends the payment of tolls upon domestic equally with foreign commerce, the laity may well give pause and consideration to his views.

TRAFFIC AVAILABLE ON OPENING OF CANAL.

Dr. Johnson estimates that upon the opening of the Panama Canal there will be an available annual traffic of 10,500,000 tons; that approximately only one-tenth of this volume will consist of coast-to-coast traffic, or a little more than 1,000,000 tons, although there will be in movement at that time more than 4,000,000 tons of coast-to-coast traffic, from which it follows that the railroads will continue to handle approximately three-fourths of the coast-to-coast traffic, although it is estimated by Interstate Commerce Commissioners that more than 90 per cent of the coast-to-coast traffic will be competitive in character; that is to say, traffic which may move either by land or water. I shall insert at this point a partial but interesting and instructive analysis of Dr. Johnson's estimates as made by members of the committee during his testimony:

Mr. KNOWLAND. I would like to ask regarding that 10,500,000 tons, how much of that do you figure would be coast-to-coast commerce?

Dr. JOHNSON. The Panama traffic of 1910 is put down at 418,000 tons net register. The American-Hawaiian Steamship Co.'s traffic is credited with 363,000 tons, and there are 172,000 tons of traffic through the Strait of Magellan. The total would be 950,000 tons net register.

Mr. KNOWLAND. About 11 per cent?

Dr. JOHNSON. Yes, sir; a little over 11 per cent.

Mr. KNOWLAND. A very small proportion?

Dr. JOHNSON. Very small. One reason for thinking that these figures may prove conservative in future years is that very soon after the opening of the canal there should be a very large increase in the coast-to-coast movement of American traffic.

The CHAIRMAN. Have you figured what portion of it would be foreign commerce of American ports?

Dr. JOHNSON. Over half of this total here consists of foreign commerce that would not touch the shores of the United States.

The CHAIRMAN. I asked you what per cent of it represents the foreign commerce of the ports of the United States, ships that touch at the ports of the United States and foreign countries, is not that the large bulk of the commerce we may expect?

Dr. JOHNSON. I find that 33.8 per cent of the total trade available for the canal in 1909–10 consisted of the foreign commerce of the United States.

Mr. KNOWLAND. These figures for 1915—950,000 tons—are exclusively coast to coast from American port to American port?

Dr. JOHNSON. Yes, sir; 1909 and 1910.

Mr. KNOWLAND. Of the 950,000 tons, 418,000 is via Panama?

Dr. JOHNSON. That is Panama traffic. The American-Hawaiian Steamship Co. had 363,426 tons net register of Tehuantepec traffic, and there were 172,655 tons net via the Strait of Magellan, making in all some over 950,000 tons net, or 11 per cent.

Mr. STEVENS. You have made no estimate here of the traffic that may be taken away from the transcontinental railroads by the canal.

Dr. JOHNSON. I have not referred to that. The statistical tables do not make any conjectures as to what will be taken away from the railroads or as to what the growth of the coastwise business will be after the opening of the canal. We have preferred to keep on the basis of solid facts and simply refer to the limitations of the data presented.

Mr. STEVENS. What was the estimate of coast-to-coast business over the transcontinental lines and other lines, as shown by the testimony before the Interstate Commerce Commission in the Long-and-short-haul cases?

Dr. JOHNSON. About 3,000,000 tons.

Mr. STEVENS. What would that amount to in 1915 if the same ratio of increase were taken which you estimate—about 6 per cent a year?

OVER 90 PER CENT OF TRAFFIC COMPETITIVE.

Dr. JOHNSON. I assume those figures for 3,000,000 cargo tons by rail must have been for a period as early as 1908, and that would mean a period of seven years. I should say the increase would be over 40 per cent, which would thus be 4,200,000, or four and a half million tons, possibly. Of course, the committee will understand we are now talking about tons of 2,000 pounds, not vessel tons.

Mr. STEVENS. I am speaking of cargo tons shown by testimony that existed, say in 1908, and by the same estimate will exist for transportation in 1915, which should be an amount probably in excess of 4,000,000 tons. Now it is estimated by quite a number who have testified here, Mr. Dearborn and Mr. Skinner and others, that there will be a substantial reduction of rates on the coast-to-coast business due to water transportation. If that be true, have you any judgment as to what proportion of that could be taken by water rather than by rail? Now, this is just a matter of conjecture entirely, outside of your——

Dr. JOHNSON. The traffic men say there is comparatively little traffic that may not theoretically move by water, as well as by rail, west bound.

Mr. STEVENS. What did Commissioner Lane say?

Dr. JOHNSON. I think all but about 7½ per cent consisted of traffic which might not move by water.

Mr. STEVENS. So over 90 per cent of the traffic is competitive in character?

Dr. JOHNSON. Yes, sir.

Mr. STEVENS. So if it can be made competitive in rates and facilities, have you any estimate as to the amount which might be carried by water?

Dr. JOHNSON. I do not think any traffic expert will venture to make an estimate, because it is not the rate which controls the route taken so much as it is the character of the service performed. It often happens that a shipper may prefer a higher rate by a rail line which takes his goods from his shop or warehouse and delivers them to the factory, store, or warehouse of the consignee without cartage and without transfer; I think only experience can demonstrate the actual division of this competitive traffic between the water and rail routes.

Mr. HAMLIN. I understand that 950,000 tons, in round numbers, is the estimate for 1909 and 1910?

Dr. JOHNSON. Yes; and of course that is effected by the 26 per cent increase to 1914–15.

Mr. HAMLIN. For instance, in making your 10,500,000 tons estimate, how much of it is the coast-to-coast business?

Dr. JOHNSON. Of that ten and a half million tons, 1,160,000.

Mr. HAMLIN. Then, in other words, of the 10,500,000 tons estimated for 1915 but 1,160,000 tons is coast to coast?

Dr. JOHNSON. Less than one and a quarter millions.

Mr. HAMLIN. So that in the total revenue it is very small?

Dr. JOHNSON. Your statement is correct. But the traffic moving from coast to coast in 1914, at the time of the opening of the canal, may and probably will be larger than that. The American-Hawaiian Steamship Co. will have a fleet whose passage through the canal will add 500,000 tons to the net register tonnage of canal traffic.

BUSINESS METHODS IN FIXING PANAMA TOLLS, AND WHY.

While acknowledging the Panama Canal to be a great military and naval asset, we are reminded by Dr. Johnson that—

It will not be that without a large addition to our already heavy military expenses—

And that its protection—

will involve an annual outlay little, if any, less than the cost of operating the canal and paying interest on the investment.

And these two items, by the way, total the snug sum of not less than $16,000,000 annually, to meet which will require just the present traffic of the Suez Canal, which it has been 40 years in developing, at $1 per net ton.

So Dr. Johnson would treat the canal as a business proposition, quoting from the message of the President to Congress on December 21, 1911, as follows:

I believe that the cost of such a Government work as the Panama Canal ought to be imposed gradually but certainly upon the trade which it creates and makes possible. So far as we can, consistent with the development of the world's trade through the canal, and the benefit which it was intended to secure to the east and west coastwise trade, we ought to labor to secure from the canal tolls a sufficient amount ultimately to meet the debt which we have assumed and to pay the interest.

Continuing, Dr. Johnson says:

Considered as a commercial highway, the canal may logically be managed so as to yield a revenue that will cover operating expenses, interest on the investment, and eventually the amortization of the principal of the canal debt—

And that—

The evidence, both as to the volume of probable traffic and as to the ability of the Panama Canal to compete with alternative routes, indicates that tolls can be imposed which will neither burden nor unwisely restrict commerce and which will yield revenues large enough to meet the running expenses of the canal and, to quote the President's words, "ultimately to meet the debt which we have assumed."

The tolls at Panama need not be heavy. They need not exceed 5 or 6 per cent of the average freight charge paid by shippers on traffic using the canal. I suppose it will be agreed by everyone that a Panama toll equivalent to 50 or 60 cents per ton of cargo in the ship, cargo upon which the freight rate will average $10 per ton, will not be a high charge.

The canal will cost the United States $375,000,000, much of which sum has been, or will be, secured by borrowing money. The interest and principal of this debt must be paid either from funds secured by general taxes or from the revenues derived from canal tolls. Being a nation of practical people, it is probable that we shall adhere to sound business principles in the operation of the canal and in levying tolls.

FREE TOLLS NOT NEEDED.

That the payment of the moderate charge suggested by Dr. Johnson will not impair the canal as a competitor of the transcontinental railroads and that relieving shipowners of its payment would inure but little to the consumer is made clear in the following discussion:

Mr. COVINGTON. This morning in your testimony you said that toll charges on the canal will have no effect on commerce moving from the Atlantic to the Pacific ports of the United States, or the reverse, except in so far as the toll will be such as to secure freight which would otherwise move from one coast to the other by rail. What effect will that condition have upon the necessity for preferential rates to be given to the coastwise trade of the United States?

Dr. JOHNSON. The advantage to the commerce of the United States by relieving the coastwise carriers of Panama Canal tolls would, in my judgment, be slight. First, I think the toll will be a comparatively light burden to be borne, and, second, I think the burden, such as it is, will be borne by the steamship companies, whose rates may be expected to be adjusted with reference to the railroad rates and thus will not be upon a ruinously low basis. From the point of view of American commerce there is little, if anything, to be gained by relieving the coastwise carriers of the payment of reasonable tolls. Do I answer your question?

Mr. COVINGTON. That answers it to an extent. I believe I understood you to say this morning, in answer to some one, that there would be practically no necessity for preferential rates in favor of American vessels to induce American commerce to use the Panama Canal route as a means of transportation of freight from the one coast to the other.

Dr. JOHNSON. I believe that to be true. I was not aware that I said it, but I think it is a fact.

Mr. COVINGTON. I may have gathered that impression from——

Dr. JOHNSON. In other words, the opening of the Panama Canal will largely increase the possible commerce between our two seaboards, and the law in the trade world is that the demand for facilities is met by the creation of a supply of facilities. I see no reason to doubt that, if there is an active demand for more shipping between our two seaboards, the demand will be met. If we maintain our present navigation laws, that demand will be met by American capital building ships in American yards. If we open our coast-to-coast business to foreign shipping, of course the demand will be met almost entirely by the use of ships built abroad, as far as new ships are needed to meet the demand.

ONLY EXTREMELY HIGH TOLLS WOULD AFFECT THE CANAL.

Perhaps no more effective statement, considered in the light of the surrounding circumstances, could be made upon the question of the effect of tolls upon domestic shipping than that made by Dr. Johnson at the outset of his discussion of the effect of tolls upon traffic. In his usual scientific and systematic way he had divided the world's water traffic, leaving out the domestic traffic, into six sections. In his exhaustive discussion Dr. Johnson at no time suggested as high a rate as the present Suez rate of $1.30 per net ton and usually no higher than $1. Bearing in mind, then, that Dr. Johnson had in view the Suez rate and his own repeated illustrative figure of $1 per ton, he said:

It is not necessary to consider the effect of tolls upon the traffic through the Panama Canal between the north Atlantic and the west coast of North America, because that is commerce over which the Panama Canal has an absolute monopoly, and tolls much higher than could be borne elsewhere would have no effect in diverting traffic from the canal. The only effect of extremely high tolls would be to keep traffic to the rails, instead of allowing it to go by water.

The CHAIRMAN. That is the only way tolls can materially affect the coastwise trade in so far as they may be affected by competition with the transcontinental railways?

Dr. JOHNSON. Yes; that is so.

This is only another way of stating the same fact had in mind by the Secretary of War, when he said that "In one respect the coastwise trade has less need of a canal subsidy than our foreign trade."

It is secured by a Government monopoly from water competition and could be affected only by such high tolls as would prevent it from competing with land transportation, and Dr. Johnson had no such rates in mind when speaking as above. And he not only had in mind, but had mentioned, rates the sum total of which upon the vessel cargo will be small indeed in comparison either with the present cost of rounding the Horn or of hauling to the Panama or Tehuantepec railways in one vessel, transferring to the rail, then to another vessel. The toll will be but a minor part of the saving to the ship's owner, as clearly shown by the testimony, and it would be pandering to sentiment, not adhering to sense, to make this moiety also a bonus to an unregulated shipping combine. I do not believe it will be done.

OBJECTS OF THE CANAL.

There are those who, seizing upon everything as a peg upon which to hang an argument for free tolls, point to the increased efficiency of the Navy as a justification for charging the canal up entirely to the national defense. It is an inadequate view of the canal, not sustained by history, to even connect it until very recent times with the military defense of the United States.

There are those who regard the canal as primarily an instrument of commerce between the Atlantic and Pacific coasts of the United States. But this view is no older than the discovery of gold in California, and Tracy Robinson, in his history of Panama, quotes another authority to the effect that at and prior to the time of the construction of the first transcontinental railway across the United States the Pacific coast of the United States was furnishing the Panama railroad one-sixteenth of its traffic. So this position is also inadequate.

My views upon the question of tolls are not determined primarily by either of these considerations. It has been the dream of navigation since the circumnavigation of the American Continent to pierce the Isthmus with a shipway. When this dream first troubled the mind of man neither coast of the United States was known even to exist. The dream was to pierce the narrow neck that stood as a barrier against ships which would sail to the unknown lands beyond the sunset and the seas. The dream was to make a gateway to the East.

Then, as civilization spread from the very spot where the canal is now building, up and down the shores of the two oceans, the Isthmus became increasingly a barrier to intercourse between the coasts, until to-day it is a universal obstruction; and the dream, now about to be realized, is the severing of two continents and the opening of a new highway on the seas, for the benefit not merely of the two coasts of one country or for a handful of shipowners, but of all the world.

There is a noble basis in sentiment for the contention of John Barrett that it should be treated as a natural waterway, free in every sense of the word to the vessels of the world. But it is going to be the most expensive waterway in the world to maintain as well as to construct; and since it can not be universally free, the next best and most unselfish thing to do is to equally distribute, among all the vessels of the world, the cost of maintaining it.

Mr. ADAMSON. Mr. Chairman, I yield to the gentleman from Indiana [Mr. CULLOP].

Mr. CULLOP. Mr. Chairman, I have always understood that the Panama Canal was constructed for a purpose other than the one to which some of the gentlemen on this floor have attempted to dedicate it. I understood at the inception of the agitation for the Panama Canal that it was not a mere local affair, as these coastwise-trade gentlemen seem to have in mind, but that it was a great international affair; that it was to be constructed not for the purpose of carrying the products and commodities of

the United States from coast to coast alone, but that it was to give an outlet for the surplus of the products of the United States to other countries throughout the world, open their markets and make them accessible to our people, and thereby dispose of our surplus and accelerate our production; that after we had supplied the wants of our people at home and had a surplus to put upon the markets of the world, by the construction of the Panama Canal we could send them to other countries cheaper and in less time and compete with other countries successfully. This was the primary purpose for the construction of the Panama Canal. This great object made the construction of it possible. And yet the gentlemen to-day who are advocating here free ships through the canal for the coast-to-coast trade are diverting this great commercial artery of commerce to a mere local purpose from its original international object. It was never intended, when the treaty was made, that any discrimination should be made in favor of vessels passing through the Panama Canal carrying articles from one coast to the other. That is a mere afterthought which has been injected into this proposition by selfish interests and by gentlemen who believe in subsidizing the ships of this country. It is another form of subvention or ship subsidy, and the argument made here for it to-day is merely a subterfuge to divert the attention of the people of the country from the real object of the measure they propose. It is a ship subsidy in a new costume.

I desire to call the attention of the committee, to sustain the proposition that it was never intended to make any discrimination between the coastwise trade and other trade, to an amendment which was offered in the Senate at the time of the ratification of the treaty, and the construction that was put upon it then by the United States Senate and the construction that went out to the entire world it should have; and I want to know now, after that construction has remained upon that treaty for 11 years, has been so published to the world, has been acquiesced in by this Nation, whether we are acting in good faith if we now place a different construction upon it at the behest of selfish interests and to serve only certain localities of the United States. Shall it be diverted from its world-wide purpose and localized? Can a great Nation, the most powerful in the world, now change the construction from the one that was placed on this instrument 10 years ago, when the treaty was confirmed in the United States Senate? If it is done, what will be our position in the estimation of the great powers of the earth? On this very question I desire to call attention that at the time when the United States Senate was construing the treaty in question to mean the same as Secretary Hay had construed it when it was made—that no discrimination could be made—Senator Bard, of California, in the Senate contended that the discrimination ought to be made and offered an amendment for that purpose as follows:

ART. III. The United States reserves the right in the regulation and management of the canal to discriminate in respect to the charges on traffic in favor of vessels of its own citizens in the coastwise trade.

This amendment was voted down by a vote of 27 to 43. Thus it placed its construction upon it.

Mr. HARDY. Will the gentleman yield?

Mr. CULLOP. I have but a limited time, and I must decline to yield for that reason only. Certainly when this identical question was under discussion and if then it was the construction put upon this provision of the treaty, language which was entirely free from ambiguity, that construction should not be changed now, but should be observed. If that was not the proper construction, what must have been the position of the Senator who offered that kind of an amendment to the treaty? It would be a reflection on him to hold otherwise. When the vote was taken there were 27 in favor of incorporating that provision in the treaty and 43 against it. This ought to convince every man of the true construction given it by that body at the time it was made. The sentiment was almost two to one that no discrimination should be made, and that sentiment ought to prevail here and now. Yet, as I said before, when the Panama Canal is about to be completed, when the people of this country, not only on the coasts, but in the interior of the country, have poured $400,000,000 of their hard-earned money into the construction of this canal, selfish interest to-day comes in and wants to repudiate the treaty under which it was built and say to the world, we are changing this treaty and now construe it differently.

Mr. DOREMUS. Will my colleague yield?

Mr. CULLOP. I have not the time; if I had I would be very glad to do so, and I would like to debate it with any man who takes the other position. Now, the question is, Shall we be guilty of repudiating the position that was taken when the treaty was written by the authorized representative of the United States delegated to make it and by the United States Senate when it confirmed it? Shall we repudiate that provision after it has stood unquestioned for 11 years and every nation of the world has been notified that such was the construction that this country placed upon it? I ask gentlemen when they come to vote upon this question, Are they willing to repudiate the position that their country has taken from the time this treaty was made down to the present hour? If that provision was open to the construction that is sought to be put upon it here to-day by selfish interests, who want to gain an advantage in the use of this great artery of commerce, what would be the position of the United States before the great powers of the earth hereafter when other great international questions are to be settled and set forth to the world? Can this House, can the Senate, or could the Executive indorse a measure that would turn down the position of this country for 11 years upon that proposition? But some gentlemen have said that the Suez Canal is operated in this or that way. Let me say to those gentlemen that the operation of the Suez Canal is not a parallel to this proposition at all. It is a private corporation; it is not owned by any Government on the face of the earth. The Suez Canal has its principal office at Paris; it was built by purchase of stock as a private enterprise and has always been so operated. I will read the part of the hearings bearing on that matter, which will clear up that question and remove all doubt on that subject:

Up to December 31, 1910, the Suez Canal, with its accessories, improvements, and extensions, represented a total investment from the beginning of 656,178,271 francs, or $126,642,406.35, almost exactly one-third of the estimated cost of the Panama Canal on the day when it shall be opened to commerce. The Suez Canal is almost exactly twice the length of the Panama Canal, but the flat, sandy soil of Egypt presents none of the obstacles which engineering at Panama by deep cuts and massive locks has mastered. The stock of the corporation consists of 379,421 shares of a par value of 500 francs ($96.50).

Where was the ownership? It was asserted here yesterday that the English Government was in the control of the Suez Canal. That is a mistake. There is no Government on the face of the earth which manages or has the power to manage the operations of the Suez Canal or control it. The policy of its management has always been to avoid this or to permit any country to hold a controlling interest.

Mr. RAKER. Will the gentleman yield to just one question right there?

Mr. CULLOP. I have not the time. If I had, I would.

Now, let us see what interest the English Government has in it. Before I pass to that, however, I want to show why the stock of the Suez Canal is so valuable. Last year it paid a dividend on its $126,000,000 and more of investment of 31 per cent, a very alluring investment to capital. This is the reason why the English people paid more than par for the stock. I read again from the hearings concerning their ownership of stock:

In 1875 the Khedive of Egypt, owner of 176,602 shares, was embarrassed and sold his holdings for £4,000,000, or $110 a share, to the British Government, which is by far the largest shareholder.

That stock, bought by the minister representing the British Government, is not held as Government stock, but it is divided among the investors as private individuals and is so owned by them.

Mr. RAKER. Just one question right there.

Mr. CULLOP. I have said to the gentleman from California that on account of my limited time I can not yield.

Mr. RAKER. Very well.

Mr. CULLOP. I would be glad to yield if it were otherwise.

Mr. RAKER. I thank the gentleman from Indiana. I appreciate it.

Mr. CULLOP. Now, then, they have another provision concerning its management to the effect that whenever it will earn a dividend of more than 25 per cent a year they reduce the tolls. That is one of the provisions which the management has incorporated into the government of the corporation itself. And the tolls have been reduced from time to time on account of the enormous dividends that the company, or the canal, was earning.

The CHAIRMAN. The time of the gentleman has expired.

Mr. CULLOP. Will you not let me have a little more time?

Mr. ADAMSON. I will let you have three minutes in order to compensate for the interruptions you have had.

Mr. CULLOP. I thank the gentleman. Now, then, what does the giving of free tolls to the ships in the coast-to-coast trade mean? The ships engaged in that business already have a monopoly of that trade under the navigation laws of the United States. It is simply a bonus, a subvention or gratuity, given to them, which the people of the country have to pay. My Democratic friends, our party from time immemorial, let me say, has pledged itself against any form of a ship-subsidy scheme.

The proposition of free tolls has been adroitly made here, in order to both confuse and prejudice the public mind, that to charge tolls on vessels engaged in coast-to-coast trade would be to the advantage of the transcontinental railroads, alleging such roads were favorable to such a policy. This is a most unreasonable proposition, and one artfully foisted into this debate. But it has no foundation in fact. Sir, the converse of the proposition is true, and there is sound reason in support of this contention. The great trunk lines control today water navigation both on the rivers and oceans. The great common carriers of both are one great community of interest organized and operated to stifle competition in transportation both on land and sea, and their efforts in this respect have been wonderfully successful as everybody knows and which all regret to admit. But it is true, ah, too true, for the good of a great majority of the people, who are compelled to pay their unjust and unreasonable charges. These roads now own the controlling interest in the ocean liners plying in our coast-to-coast trade; they control the dockage; they are masters of the situation; give free tolls, or, better stated perhaps, exempt them from tolls in the use of the Panama Canal, and what a magnificent sum is contributed to their earnings; what a princely gratuity is donated them, all at the expense of the American taxpayers, without giving any assistance to the ultimate consumers. It is an additional profit unearned, which by legislation they secure.

But suppose the great railroad lines do not own or operate, either by direction or indirection, the vessels engaged in this trade, and by adopting the free-toll proposition the cost of transportation is reduced that amount. The railroads will then reduce their charges for freight from coast to coast the same amount in order to get traffic, but they will then increase their charges on freight carried in the interior of the country an equal amount to make up for their loss in coast-to-coast business, and while it would help the people on both coasts it would be done at the expense of the people living in the interior of the country and the railroads would lose nothing. Would this be just and fair to the people of the entire country? Is not the proposition indefensible? Why should the people of the interior of the country be so unjustly imposed upon for the benefit of the people living on the coasts? This would be the result; and against the adoption of a policy which would produce such unjust conditions I protest. The railroads doubtless are more than anxious for the adoption of the free-toll proposition, because through it splendid opportunities are afforded them to reap golden rewards.

I want to say a word or two before closing about section 11. I held a different view about the use of the canal until it was developed at the hearings that certain financial interests were attempting to manipulate the control of the use of the canal. Mr. Schwerin, of California, the manager of the Pacific Mail Co., came before the committee insisting that in order to build four additional ships to the fleet of their company for operation through the Panama Canal it would have to borrow $12,000,000. The majority of the stock of his company is owned by the Southern Pacific Railroad Co. He testified that for more than 60 days they had tramped the streets of New York trying to get this loan by the floating of their bonds upon their entire property—good security, as everyone knows. He said he was notified that if the word "railroad" occurred in this bill not a dollar could ever be raised to build ships for the Panama Canal. This was the ultimatum issued by powerful interests, which covet the control of this great project.

Gentlemen of the committee, that is the proposition which confronts us and is the great influence against which we have to contend. Its power no one denies and none will attempt to minimize. The question, then, is, Shall we sit here in the capacity of legislators and let any man or set of men, I care not where they come from, dictate the policy of legislation on this great subject in their own interest or prevent its success if we do not frame a bill or enact a law as they demand? Upon what meat does such a Cæsar feed? Why has he grown so fat? By what right has he or his company to say to 93,000,000 people composing the American Republic, "If you do not legislate as we direct, we will see that the business project which you are about to launch shall be a failure"? The financial interests defy us by such a threat, and for one I believe it time to notify them such a stand on their part is unwise and dangerous. It was then, and not until then, that I was thoroughly convinced that there was a money trust in this country, and that the legislation in this bill could not be too drastic to meet the requirements of the hour upon that subject. [Applause.]

The right to use it should be limited and restricted, that its great purpose may be realized to our people and that they may enjoy the benefits which were promised them in return for the great expenditure they have made in its construction. I can conceive of no greater wrong that could be done the people now than by failing by proper legislation to protect their interests and prevent them from being forfeited. This section is directed at the preservation of competition in the use of the canal in order that great transportation interests may not gain control and stifle it. Its adoption is essential, in my judgment, to insure this great object and to restrain the greed and avarice of these great interests from dominating its use. Its adoption will assure the people, the world, that this great project is to be operated for the benefit of the country, the purpose to which it was dedicated; to promote industry and maintain the prosperity of our people; and that persons with selfish designs shall not thwart the great purpose for which it was constructed, to promote the general welfare of all. In view of the attempts by special interests to dictate the legislation on this subject this provision is made necessary, and I hope it will be adopted, in order that the people may be assured that this, the greatest of all projects ever undertaken by man or nation, is to be maintained for the common benefit of a liberal and progressive people. [Applause.]

Mr. CULLOP. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD.

Mr. ADAMSON. Mr. Chairman, I intended to ask that privilege for all who speak to-day. I will ask it now, Mr. Chairman, that all who addressed the committee to-day be allowed that privilege.

The CHAIRMAN. It is not in order in the committee.

Mr. ADAMSON. I intended to do that in the House when we got back into the House. I will do it when we go into the House. I understand, Mr. Chairman, that gentlemen on the other side want to use some time. I do not see the gentleman from Louisiana [Mr. BROUSSARD] or the gentleman from California [Mr. KNOWLAND].

Mr. KNOWLAND. Mr. Chairman, I would like to use an hour now.

Mr. STEVENS of Minnesota. I will yield an hour to the gentleman from California at any time.

Mr. KNOWLAND. I will yield that hour to the gentleman from Iowa [Mr. TOWNER]. [Applause.]

The CHAIRMAN. The gentleman from Iowa [Mr. TOWNER] is recognized for one hour.

Mr. TOWNER. Mr. Chairman, I am pleased to agree with the committee as to most of the provisions of this bill. I agree with the committee that the future government of the Canal Zone should be in effect a continuation, a development, and an adaptation of the present system; that the zone should be occupied, as far as possible, only for military, naval, and canal purposes; that the Government shall supply coal, provisions, repairs, drydock facilities, and so forth, and do so on business principles, to earn a profit by attracting traffic; that power should be given to acquire additional necessary territory; that the existing judicial system should be confirmed and extended. I approve the provisions for the protection of the canal, and I especially approve the action of the committee in investing a large discretionary power in the President.

I especially approve of the principle sought to be established by the eleventh section, that railroad companies shall not be allowed to destroy competition in our coastwise trade or to neutralize the benefits that will come to the people because of reduced rates on transcontinental and interior transportation through the unrestricted use of the canal. Such legislation is in line with the message sent to Congress December 6, 1910, by President Taft, who then said:

> I can not close this reference to the canal without suggesting as a wise amendment to the interstate-commerce law a provision prohibiting interstate-commerce railways from owning or controlling ships engaged in the trade through the Panama Canal. I believe such a provision may be needed to save to the people of the United States the benefits of the competition in trade between the eastern and western seaboards which this canal was constructed to secure.

I congratulate the committee on the wisdom and far-sighted statesmanship shown in most of the provisions of the bill submitted. It is because I so greatly appreciate and admire the act as a whole that I regret that I can not assent to all its terms. I am compelled to differ from the committee as to some of the provisions of the bill, but such changes being adopted as I believe the House must after consideration deem wise, I hope the bill will pass and become a law. I am confident that if it does it will be considered as not only one of the most important measures adopted by the present Congress, but one of the great acts of constructive statesmanship of the century, worthy as a piece of statecraft to rank with the completion of the canal as a physical and engineering accomplishment, to the lasting credit and honor of American enterprise and statesmanship. [Applause.]

TOLL CHARGES.

The fifth section of the bill relates to toll charges for vessels using the canal, and from some of the provisions of that section I am compelled to dissent.

The section provides that—

No preference shall be given nor discrimination shown, directly or indirectly, to the vessels of any nation, its citizens or subjects, other than vessels belonging to the Government of the United States (including those belonging to the Panama Railroad Co.) and the Government of the Republic of Panama, observing the rules and regulations of the Panama Canal.

The effect of this provision is to give free passage only to the Government-owned vessels of the United States and Panama. It subjects all American-built and American-owned vessels, whether engaged in foreign or domestic trade, to the same rates and charges as foreign ships. It gives no encouragement to American shipping, and it subjects the American coastwise trade to burdens and conditions never before imposed upon it through all the years of our Nation's history. It appears that the committee must have adopted this most unwise and unpatriotic view under the belief that we are forbidden by our treaty stipulations to give any preference either to American vessels engaged in the foreign trade or to American vessels engaged in our domestic commerce.

Mr. RAKER. Mr. Chairman, will the gentleman yield there?

The CHAIRMAN. Does the gentleman from Iowa yield to the gentleman from California?

Mr. TOWNER. Certainly.

Mr. RAKER. Having discussed the question of tolls and exceptions, now, as a matter of fact, as to this pretended exception of American war vessels and vessels belonging to the Panama Railroad Co., that is not an exception in fact, because the Panama Railroad Co. stock belongs to the United States except as to one share. Is not that a fact?

Mr. TOWNER. I believe that is true.

Mr. RAKER. And the exception really amounts to nothing?

Mr. TOWNER. From the gentleman's standpoint, yes; but it is important, because of other considerations.

Mr. RAKER. I just wanted to call the attention of the gentleman to the matter at that point.

Mr. TOWNER. It is true the committee disclaims an intention to thus interpret the treaty adversely to American interests. But the fact remains that if this provision of the committee bill is adopted we will thus interpret it by this first expression of governmental authority, and there is no doubt but all the nations of the world, whose interests in such matters would be adverse to our own, will be quick to take advantage of such fact. No disclaimer by members of the committee of such intention, and no declaration they make that their action is not to be considered a precedent or the declaration of a policy will or could prevail as against a deliberate surrender of a privilege, which in spite of the committee's statements, I assert exists in favor of American shipping and American commerce, if we but exercise our rights under our treaties as interpreted by well-established principles of international law. [Applause.]

TREATY OBLIGATIONS.

If an interpretation of the Hay-Pauncefote treaty is not intended by the bill, its language is most unfortunate. The language of the treaty is:

There shall be no discrimination against any such nation, or its citizens or subjects, in respect of the conditions or charges of traffic or otherwise.

The language of the bill is:

No preference shall be given nor discrimination shown, directly or indirectly, to the vesels of any nation, its citizens or subjects.

It will be readily seen that the terms of the bill are but a recasting of the language of the treaty, using many of the same words and phrases, and intended on its face to carry exactly the same meaning. If it is adopted in its present form we shall be guilty of the incredible folly of giving away a right that was not claimed, and of forcing the relinquishment of a privilege that was not demanded. We shall, by the adoption of such act, place an interpretation upon the treaty which no other nation has presumed to insist upon, and which so interpreted would bind us to our own disadvantage.

It has been said this afternoon by gentlemen on the floor of this House that this matter is of no considerable importance, that only about 1,600,000 tons of our coastwise trade would be affected by it. But gentlemen should remember that if we by this act thus interpret this treaty, we shall bind ourselves throughout all future years by that interpretation, and no matter what may be the conditions that exist, we shall be without power to grant to our coastwise trade any discrimination in its favor if we now accept this interpretation of the treaty. Therefore it is of supreme importance to the United States that we should not thus interpret it.

And if it is not of considerable importance to these gentlemen, why do they argue so strenuously against it? If it will not make very much difference anyway, why is this effort made to impose upon our coastwise trade in this particular instance a burden that was never placed there before? And if we shall by this interpretation of the treaty by our own official act stop our hands from further action regarding this matter, we will be doing not only a foolish thing, but one that we have no right to do with regard to the future interests of our country.

Mr. POWERS. Mr. Chairman, will the gentleman yield for a question?

The CHAIRMAN. Does the gentleman from Iowa yield to the gentleman from Kentucky?

Mr. TOWNER. Certainly.

Mr. POWERS. Under our present laws, covering our coastwise traffic, is it not true that the carrying of freight from one American port to another must be done by Americans and not by foreign vessels? That is true, is it not?

Mr. TOWNER. That is true.

Mr. POWERS. Now, if that is true, the carrying of our stuff by coastwise trade from one American port to another, since it is not in competition with foreign countries, can not be considered as a discrimination?

Mr. TOWNER. Yes; that is true, and I will discuss that feature shortly.

In the committee report it is stated that—

Many members of the committee believe that by the terms of our treaties with Great Britain we are prevented from allowing preferential or free tolls to ships of American registry, either coastwise or foreign.

This must certainly be true, for it would appear that nothing less than such belief could have induced the committee to have thus sacrificed American to foreign interests. But, fortunately, it is an unfounded belief, and there is nothing in our treaty obligations that will prevent allowing preferential or free tolls to ships of American registry, either coastwise or foreign.

AN AMERICAN CANAL.

No elaborate argument is required to prove this. We are, of course, permitted to use the canal, which is our property, purchased and built with our money and located on our territory, as we think best in the interest of our people, except as we may be restrained by our treaty obligations.

Article 2 of the Hay-Pauncefote treaty with Great Britain provides that the United States shall construct the canal, and that it shall—

have and enjoy all the rights incident to such construction, as well as the exclusive right of providing for the regulation and management of the canal.

It will be noticed by gentlemen that the language quoted is the particular portion of the treaty that relates to the privileges and obligations of the United States. It also declares what powers she may exercise with regard to it, and the power is given to her exclusively to control and regulate and govern the canal.

Now I come to article 3, which provides:

The United States adopts, as to the basis of the neutralization of such ship canal, the following rules, substantially as embodied in the convention of Constantinople, signed the 28th October, 1888, for the free navigation of the Suez Canal, that is to say:

1. The canal shall be free and open to the vessels of commerce and of war of all nations observing these rules, on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens or subjects, in respect of the conditions or charges of traffic or otherwise. Such conditions and charges of traffic shall be just and equitable.

I would like just here to call attention to this distinction, which seems in the minds of some gentlemen not very plain or clear. We were not only negotiating a treaty with Great Britain, but we were entering upon an obligation through her with all the other nations of the world that might come under the terms of this treaty, and any nation that desires to use this canal must come under the terms of this treaty in order to do so; and so in effect this treaty that we thus made was a treaty between the United States, building the canal, and the other nations of the world who were to use it.

Now, having stated the things that the United States might do with regard to the canal, it states the things that the United States promises to do, and how the United States will treat other nations.

The United States can not give a privilege to England that it would not grant to Germany. It can not treat the South American countries in a more favorable way than it does the European countries, although many of us would like to do so. It must treat them all upon terms of equality.

I appeal to gentlemen recognizing the situation as it was, is it not a strained construction to put upon this treaty to say that after having said the United States will build it, pay for it, put it in operation, place it upon her own purchased terri-

tory, fortify it, govern it, control it, regulate it through all the years to come, that it should have all these powers, and then, when it says with regard to the other nations of the world that they shall not be discriminated against, that they shall be treated upon terms of equality, that such language means that the United States shall not use it for her own people and her own purposes as she may choose? [Applause.]

Such conditions and charges of traffic shall be just and equitable. The United States can not demand unreasonable tolls from England or from Germany or from any other nation. The tolls that she fixes must be reasonable and they must be equitable. Under this provision what does the United States undertake to do? It must keep the canal open to all nations. It can not allow the vessels of commerce or of war of one nation to use it and refuse its use to another. It can not give special privileges to France and refuse them to Russia. It is apparent the language of the provision has reference to the manner in which we shall treat foreign nations and does not apply to our domestic concerns. It refers to ships of other nations and not to our own.

Secretary Hay, in his memorandum to the Senate following the negotiation of the treaty and contrasting its terms with those of former treaties, said:

> The whole theory of the treaty is that the canal is to be an American canal. The enormous cost of constructing it is to be borne by the United States alone. When constructed it is to be exclusively the property of the United States, and to be managed, controlled, and defended by it.

We never had any such treaty as that before. The previous treaty was not such a treaty. We never entered before into an agreement by which we agreed to build the canal and pay for it, by which we agreed that we should be responsible for it, and maintain and govern and keep it free to the nations of the world forever; and therefore the restrictions of former treaties can not bind us now.

RIGHT TO REFUND.

It should be noted that while the matter of the fixing of toll rates has been a subject of international consideration for months, although it has been discussed in foreign journals on the assumption that America would give her own shipping preferential or free tolls, no nation has filed a protest against such action on our part.

It should be further noted that the treaty refers to the provisions of the convention of Constantinople regarding the use of the Suez Canal as a basis for the present treaty. Under the Suez Canal provisions nearly all European nations refund the tolls paid either directly or indirectly. Russia, Austria-Hungary, and Sweden directly refund such tolls, and Germany, France, Holland, Japan, Italy, and Spain do so indirectly, through their subsidies to their national mail lines using the canal. Spain has already taken steps to provide for the payment out of her national treasury of whatever tolls her ships shall be required to pay for the use of the Panama Canal.

Spain is now building vessels to engage in this trade. She thinks that with her associations with the Spanish-American countries in South America she ought to control a large part of this trade, and as an encouragement to her shipping, in order that her trade may be developed, already she has passed a law giving to her ships that may engage in such trade and use the Panama Canal a refund of whatever tolls may be required to be paid by them for such use.

Mr. LAFFERTY. Then, to all intents and purposes, this will be a free canal to Spanish ships?

Mr. TOWNER. Certainly, and probably to every other nation in the world, because that is the policy of nearly all of them.

Mr. BOWMAN. I should like to get clearly in my mind the gentleman's idea with relation to the situation regarding the canal. Is it not this: Just as a railroad might have the right when building its line to carry material in connection with the construction or might transport its own employees and officers without charging them anything, and yet be obliged to give rates which would not discriminate against anyone outside.

Mr. TOWNER. The gentleman's illustration is exceedingly happy. It would be a singular condition that would exist if the United States should persist in this attempted policy—the other nations of the world paying the tolls of their ships using the canal and the United States, which built and owns it, demanding tolls from its own vessels.

It would probably be better in form, and save any possible protest, that tolls from American vessels engaged in foreign commerce should be collected in the first instance; but these may be and should be refunded. To so refund the tolls paid would be purely a question of domestic policy and would not be in contravention to our treaty obligations.

Mr. POWERS. In the gentleman's judgment could American ships engaged in foreign commerce go through the canal without paying the same toll as the others without violating the treaty?

Mr. TOWNER. I am not sure about that, and there is a contention regarding it. It seems to me that if the United States has the power to refund the tolls it would have a right to remit them absolutely; but other gentlemen think otherwise, and as it is a matter of comparatively no consequence, I think perhaps it would be better that we do it in the usual form, as is done in case of the Suez Canal, in order to save any protest that might be made. I am very confident that the United States has the power to relieve all American ships from tolls, enther directly or indirectly.

President Taft said in his message of December 21, 1911:

> I am very confident that the United States has the power to relieve from the payment of tolls any part of our shipping that Congress deems wise. We own the canal. It is our money that built it. We have the right to charge tolls for it. These tolls must be the same to everyone; but when we are dealing with our own ships the practice of many governments of subsidizing their own merchant vessels is so well established in general that a subsidy equal to the tolls or an equivalent remission of tolls can not be held a discrimination in the use of the canal.

In his report for 1911 the Secretary of War said:

> An examination of the treaty and the surrounding circumstances to my mind leaves no doubt as to the right of the United States, both legally and morally, to pay the tolls on its own vessels. This is a perfectly recognized practice in respect to the tolls of the Suez Canal, the toll rules of which canal were adopted by the United States in the Hay-Pauncefote treaty for the government of the Panama Canal.

Mr. SABATH. Will the gentleman yield?

Mr. TOWNER. Certainly.

Mr. SABATH. The gentleman agrees with the President that we could not do it directly, but it might be done indirectly.

Mr. TOWNER. I agree with the President as far as foreign commerce is concerned, and I am not sure but that was probably in the mind of the President when he had reference to it.

Mr. SABATH. That it should not be done directly.

Mr. TOWNER. In regard to foreign commerce.

Mr. SABATH. If it should not be done directly, does the gentleman think it would be fair on the part of the Government to do it indirectly?

Mr. TOWNER. I know it would be fair to do it under the terms of the treaty stipulation. I know there could be no question about that, because the treaty stipulates that it shall be done under the terms of the Suez Canal, and under the terms of the Suez Canal almost every nation using it refunds the toll.

Mr. SABATH. Is there any evidence that the canal management of the Suez Canal refunds any tolls to the English ships?

Mr. TOWNER. Oh, no, sir; I think not; the English Government owns a majority of the stock, and the English Government pays subsidies to its ships in one form or another.

EXEMPTING OUR COASTWISE TRADE.

The right of the United States to exempt from tolls American ships engaged in domestic commerce is stronger than with regard to American ships engaged in foreign trade.

Mr. CONNELL. Will the gentleman yield?

Mr. TOWNER. Certainly.

Mr. CONNELL. According to the gentleman's argument, as I understand it, with Spain and other nations paying the tolls for their vessels, if America should impose tolls on American ships, we would be the only ones that paid tolls through the canal.

Mr. TOWNER. That is exactly what our condition would be. Besides that, we would be interpreting the treaty with Great Britain to our disadvantage in that regard, and she would probably insist that having once so interpreted it that we could not afterwards change our interpretation of it.

Mr. SABATH. There is nothing in this bill to preclude our Government from subsidizing our ships if we so desired, is there?

Mr. TOWNER. I think not, but the argument that is urged here is that we can not, in view of our stipulations, either directly or indirectly, refund these tolls. But I desire now to speak of our domestic and coastwise commerce.

Indeed, there is little doubt but we have a right to exempt them in the first place from the payment of tolls. The coastwise trade of a nation is subject exclusively to local control. It is not a subject about which any foreign nation has a right to interfere. Indeed, our law prohibits any foreign vessel engaging in such trade. Revised Statutes, 4347; Navigation Laws, section 270, provides:

> No merchandise shall be transported by water, under penalty of forfeiture thereof, from any port of the United States to another port of the United States * * * in any other vessel than a vessel of the United States.

It is manifest that there could be no discrimination against vessels that were already by law excluded from entering such commerce on any terms. It is apparent also that the treaty could have no possible effect on such commerce, and was not so expected or intended.

President Taft has well said: "We built the canal as part of our coast line."

Our laws now provides (R. S., 4220; Navigation Laws, sec. 158) that—

No vessel belonging to any citizen of the United States trading from one port within the United States shall be subject to tonnage, tax, or duty, if such vessel be licensed, registered, or enrolled.

That has been the settled policy of the country for years, and the proposition contained in this bill to reverse this policy and to charge American ships engaged in interstate trade tolls for the use of an American canal built by the American people on American soil is un-American and abhorrent. Fortunately, the question as a question of law has been settled by the Supreme Court of the United States.

In Olsen *v.* Smith (195 U. S., 332) our Supreme Court passed upon this treaty provision—

That no higher or other duties or charges shall be imposed in any of the ports of the United States on British vessels than those payable in the same ports by vessels of the United States.

I submit to the committee that this language is much stronger than the provisions of the Hay-Pauncefote treaty that we have now under consideration.

The State of Texas passed a law providing lower pilotage charges on American vessels engaged in domestic commerce than on vessels engaged in foreign commerce. A British vessel protested on the ground that this discrimination was in violation of the treaty rights, and particularly in violation of the provision cited. The Supreme Court in deciding the point said:

Neither the exemption of coastwise vessels from pilotage resulting from any law of the United States, nor any lawful exemption of coastwise vessels created by the State law concerns vessels in the foreign trade, and therefore any such exemptions do not operate to produce a discrimination against British vessels engaged in foreign trade and in favor of vessels of the United States in such trade. In substance, the proposition but asserts that, because by the law of the United States steam vessels engaged in the coastwise trade have been exempt from pilotage regulations, therefore there is no power to subject vessels in foreign trade to pilotage regulations, even although such regulations apply without discrimination to all vessels engaged in such foreign trade, whether domestic or foreign.

I was somewhat amused by the ingenious argument of the gentleman from Minnesota [Mr. STEVENS] this afternoon. He said it is true the Supreme Court in that case had decided against the treaty regulating our coastwise commerce, but did so upon the grounds that such action was only a determination of different classifications. An examination of the case will show that the question of classification had nothing to do with the pivotal point determined, which was that it was not a matter of concern to Great Britain what charges were made or conditions imposed in regard to our coastwise trade. We could do as we pleased with it, since they were prevented from entering upon it; and the decision in that case is an absolute determination by our own Supreme Court that no matter what may be the provisions of a treaty with relation to our foreign trade it could not be applied to our coastwise and domestic trade, because the regulation of such trade could not be within the contemplation of the parties, since one of them could not under any circumstances enter it.

In that case it was accordingly held that the State law exempting coastwise vessels from pilotage charges was not in violation of the treaty. For the reason that foreign vessels can not on any terms enter our coastwise trade, the question as to tolls as to our vessels using the canal is purely a local one. The question of discrimination or inequality of treatment can not arise. The terms of a treaty can not be held to apply to a subject about which one of the parties has no interest whatever and could not be injured, whatever action is taken.

The localization of the coastwise trade and the exclusion of it from foreign influence or interest is shown in the now well-established principle of international law that if a nation opens its coastwise trade to foreign ships, such foreign ships entering into such coastwise trade will be regarded as ships belonging to the nation under whose coast trade it operates and may be captured by the enemy of that country in time of war as if it were a hostile ship.

SUMMARY OF LEGAL STATUS.

Viewed with regard to its legal aspects, the question of our right to charge tolls may be summed up as follows:

Foreign ships engaged in foreign commerce must be treated alike; there must be no discrimination in favor of any nation. The same rule applies to foreign ships engaged in commerce between American and foreign ports. American ships engaged in foreign commerce or in commerce between American and foreign ports, may be charged the same rates as foreign ships in the first instance, but the amounts thus paid may be refunded in part or in whole by the Government.

American ships engaged in our coastwise or domestic trade between American ports may be exempted in whole or in part from payment of tolls.

The whole question as to the legal objections to free tolls may be summed up in two propositions: First. The question is hardly a debatable one, since everyone admits that we may refund the tolls if we impose them. There is no serious difference between an exemption in the first instance and a collection first and a refunding afterwards. The final result is the same. Second. If the question is debatable, we ought not to give away a right before it is claimed. We ought not to yield a principle that is not demanded. It will be time enough to yield when we are required to do so, either through diplomatic negotiations or upon the determination of an arbitral court.

Every patriotic American must rejoice that we are thus free to consider the question of tolls for American ships on its merits and as a clear question of national policy. Everyone should be glad that we are not restrained by our treaty stipulations, either technically or in spirit, to give to American shipping the favorable consideration which it deserves. Everyone should welcome the opportunity to develop our policy in harmony with our past history and take such action as must be for the best interests of the American people. [Applause.]

THE REVENUE ARGUMENT.

I will now ask your consideration of the merits of the question as a matter of policy. In doing so we can not follow a better course than to consider the objections as urged in the committee's report. In that report the chairman has anticipated every argument presented yesterday and to-day on the floor of the House. All that has been said here is but an amplification of the arguments which he has so earnestly and so ably presented.

First, it is urged we shall need the money which we will derive from the tolls. Building the canal is a tremendously costly undertaking; its continued maintenance will be a constant drain on our resources, and we will need every dollar we can get to reimburse the Government. It is sufficient answer to this argument to call attention to the fact that we did not build the canal as a commercial enterprise, as a profitable investment. We did not expect to make it pay as a business proposition. The distinguished chairman of the committee has said that we never would have undertaken to build the canal if the *Oregon* had not been compelled to make her memorable voyage around the southern cape. I do not agree that we would never have undertaken it, for if we had not done so European nations would, and this we could not have permitted. But I do agree that the demonstration thus made, that our Atlantic and Pacific seaboards were 10,000 miles apart, gave the needed impulse to our act and hastened its undertaking. But we thought then principally of the fact that by digging the canal we should double the efficiency of our Navy and strengthen our military power; commercial considerations were only secondary and incidental.

The financial outlook is not by any means discouraging. It is estimated by the experts that approximately 10,500,000 tons of commerce annually will pass through the canal following its opening. At the proposed dollar rate this will yield an annual revenue of $10,500,000. Deduct the 1,600,000 tons of coastwise commerce, which we desire to exempt, and there is $8,900,000 remaining. The estimated cost of maintenance is $4,000,000. Thus the revenue will more than twice pay the expense of running the canal. It is true that no account is here made of interest on the bonds nor of the expense of maintaining our naval and military establishment there.

There will be nearly $5,000,000 surplus to apply to these at the beginning, the revenues will rapidly increase, and the expenditures will remain approximately stationary.

SPECIAL INTERESTS.

It is urged that as the shipping interests are in a "combine," to thus aid them is to legislate in favor of "special interests."

It is sufficient answer to say that if trusts exist in American shipping it is our duty to dissolve the trusts and free the shipping. What we want is free competition in the American coastwise trade, and we can not do more to secure this than to make and keep our commerce free to American ships. It may be suggested that every dollar of tolls imposed at Panama is a contribution to the transcontinental railways. Are gentlemen urging such action in the interests of these trusts and combines? In fact, the danger that American shipping will be controlled by trusts comes principally from the railroads who desire, by controlling the coastwise trade, to thus prevent water compe-

tition in order that they may thus maintain rates. It is for this reason that the section in the bill was inserted which will enable the Interstate Commerce Commission to prevent such control.

To allow the railroads to operate ships would destroy competition in rates by driving out all independent ships. The independent competitor would be dependent entirely on the revenues received from his vessels. The railroad vessels would be operated only as a part of their systems. They could put the price down even below the cost of carriage until they had driven their independent competitors from the field and then make rates high enough to protect the transcontinental lines in their desired schedules of rates. The railroad-owned vessels would thus become commerce destroyers.

It should be remembered that railroads do not embark in ocean commerce for its own sake, but only for such purpose as will enable them to limit or destroy competition, to increase rates and consequent dividends.

I am glad the bill affords a remedy for this. Under its terms we will prevent either railroad or trust control of our coastwise trade and thus secure not only reasonable rates on water transportation but also the benefits that will come from reductions on railway transportation compelled by water competition.

BENEFITS.

It is argued that it will be of no benefit either to the ships or to the people to remit the tolls.

It is contended that a toll of $1 per net ton will not be large enough to appreciably affect the traffic. But it is shown that vessels, in order to profitably use the canal, will be of from 4,000 to 10,000 net registered tonnage. A charge of $4,000 to $10,000 on a single voyage is not an inconsiderable item. It is almost self-evident that to thus reduce the expense of a contemplated expedition will directly and to that extent encourage it and thus stimulate the enterprise. This will be of direct benefit both to the shipowner and to the shipper.

The observation is hardly necessary that every increased item in the cost of transportation while paid in the first instance by the shipper is added to the cost of the product and is paid eventually by the ultimate consumer. Thus the burden of the toll charged is borne by the people and not by the shipowners. It is a tax on them and not on the ships.

Experts agree that as a general proposition heavy freight can be transported by water at one-third the cost of railway carriage. If that be true, the inauguration of water as a competitor of railway transportation must necessarily bring reductions in railway transportation rates.

It is admitted by transportation experts that the establishment of water transportation will bring about a readjustment, a classification of traffic by which the heavier and cheaper commodities will go to the water carriers. For instance, lumber, a great necessity of the interior, is now transported by rail from the Columbia and Puget Sound regions to Iowa and Illinois. The principal cost to the consumer is the cost of transportation. If lumber can be shipped through the canal to New Orleans and thence barged to Iowa and Illinois points on the Mississippi, the transportation cost can be reduced more than two-thirds.

An experimental shipment of barley from San Francisco was recently made. It was carried by ship to Panama, thence by rail across the Isthmus to Colon, thence by ship to New Orleans, and thence by barge up the Mississippi to St. Louis. The cost of carriage was $4,200 less by this method than was charged by the railways. It is manifest that if the shipment could be made without breaking bulk from San Francisco through the canal to New Orleans, and thence by barge to its destination, the transportation cost could be still further reduced.

No other example is necessary as to the effect of water competition on railway rates than the reduction of rates on the railways east of Chicago by the competition of water transportation on the Great Lakes and the Erie Canal. They have been forced down by such competition to reasonable figures.

No reduction of transcontinental rates can be made that will not be reflected by the rates to and from interior points, and the great Mississippi Valley will not only profit directly by her opportunity for river rates, connecting at New Orleans with ocean shipping, but also by the reflected reductions compelled by transcontinental competition.

IS IT A SUBSIDY?

It is asserted over and over again that to exempt our coastwise shipping is to subsidize it. The contention that free tolls is a subsidy is strenuously urged. Indeed it may be said that the strength of the opposition to free tolls lies in that cry. Subsidy is an unpopular word, and to label anything a subsidy is to discredit it.

But free tolls is not in any sense a subsidy. If to make free a Government improvement for the use of American citizens is a subsidy, then all public improvements are subsidies. Hundreds of millions have been spent on all kinds of public improvements all over the land. Harbors have been improved, rivers dredged and canalized, canals have been constructed—all have been made free to American citizens because paid for by their money, and yet these have not been regarded as subsidies. It is impossible to equalize the benefits of any public improvement. In the view of gentlemen here if a discrimination is shown a subsidy is established. On that line of reasoning a discrimination is made against the people of Indiana whenever a post office is built in Ohio. If that is logical, a discrimination is made against California whenever an Atlantic port is improved.

What do gentlemen propose? Is it suggested that we shall charge our people for the use of every improved waterway? Then support should be given the bill of the gentleman from Colorado [Mr. MARTIN], who proposes to exact tolls from every American ship for the use of every harbor, river, and canal on which the United States has put any improvement of any kind. That is at least logical. It would tax interstate commerce; it would impose a burden on trade between the States; but it would do no more than is proposed by this bill.

The Soo Canal connects Lakes Superior and Huron. Through it passes an almost incredible commerce. Thirty-six million tons passed through it last year. Why not tax that commerce? That canal was built by the Government. It is maintained at large expense by the Government. But no one proposes tolls there. Is the exemption from tolls there a subsidy? And if not there, why at Panama?

A TAX ON INTERSTATE COMMERCE.

But the question is not one of subsidy. To impose tolls on American ships at Panama is to tax commerce. In spirit, if not in letter, the Constitution prohibits any restraint or tax or imposition on commerce between the States. Under certain circumstances the Government has allowed private companies to build a bridge or improve a waterway and allowed the imposition of a toll for its use. But that is upon the theory that the private interests, having made the investment and thus relieved the Government of that cost, were entitled to charge a toll to reimburse them. Never before has it been proposed that the Government, having made an improvement, should charge its citizens for its use. Our internal commerce has been our greatest national achievement. It is not only greater than that of any other nation, but it is nearly equal to that of all Europe. Whatever our tariff policy may have been with regard to foreign trade, here we have free trade on a scale of almost inconceivable magnitude. Now, for the first time, we are asked to abandon that policy and impose a duty on our internal commerce. And, strange to say, that proposition comes from that side of the House where hitherto the advocates of the greatest obtainable measure of free trade were found. It is a strange position to advocate restrictions and burdens on domestic commerce but to favor freedom in foreign commerce; to advocate the desirability of relieving the people as far as possible from burdens on our foreign commerce, but to impose it on our domestic.

AMERICAN INTERESTS.

It is particularly noticeable that in this debate all appeals to American interests are deprecated and condemned. It has been said as applicable to those who think that American interests are entitled to consideration by an American Congress that "patriotism is the last refuge of a scoundrel." It has been said that we never hear of the American flag in this House but there is some sinister motive behind it. Singular sentiments these coming from Representatives of the American people! And remarkable certainly must be conditions that would warrant condemning as demagogic all arguments for the protection and preservation of American interests!

It may be thought by some gentlemen that the only persons professing patriotism in America to-day are scoundrels, and that no expression of love for the American flag is now made unless to cover graft. But there are some of us who refuse to accept such a belief. There are some of us who even confess to a belief that there is still some patriotism in the land; that there are still to be found among our people those who love the flag and what it represents. There are some of us who believe that the day has not yet come when it is necessary to apologize for an honest endeavor to protect and preserve the interests of the American people. [Applause.]

Mr. ADAMSON. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. LLOYD, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 21969) to

provide for the opening, maintenance, protection, and operation of the Panama Canal, and the sanitation and government of the Canal Zone, and had come to no resolution thereon.

Mr. ADAMSON. Mr. Speaker, it is my purpose to make a suggestion about a recess and further procedure under the pending bill.

Mr. LAMB. Will my colleague yield?

Mr. ADAMSON. I will.

AGRICULTURE APPROPRIATION BILL.

Mr. LAMB. Mr. Speaker, I ask unanimous consent to nonconcur in the Senate amendments to the bill (H. R. 18960) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1913, and ask for a conference.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none.

The SPEAKER announced the following conferees: Mr. LAMB, Mr. LEVER, and Mr. HAUGEN.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted as follows:

To Mr. BURKE of South Dakota, indefinitely, on account of illness.

To Mr. TAGGART, indefinitely, on account of illness.

To Mr. DAUGHERTY, for 10 days, on account of sickness.

SENATE BILLS AND JOINT RESOLUTION REFERRED.

Under clause 2 of Rule XXIV, Senate bills and a joint resolution of the following titles were taken from the Speaker's table and referred to their appropriate committees as indicated below:

S. 6508. An act to exempt from cancellation certain desert-land entries in the Chuckawalla Valley, Cal.; to the Committee on the Public Lands.

S. 4007. An act for the relief of the J. Kennard & Sons Carpet Co.; to the Committee on Claims.

S. J. Res. 107. Joint resolution authorizing the granting of permits to erect reviewing stands in connection with the unveiling of the Columbus memorial statue on the Union Station Plaza to the citizens' general executive committee of the Columbus memorial unveiling; to the Committee on the District of Columbia.

ENROLLED BILLS SIGNED.

Mr. CRAVENS, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bills of the following titles, when the Speaker signed the same:

H. R. 18335. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war;

H. R. 18337. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war;

H. R. 18954. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war; and

H. R. 18955. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war.

The SPEAKER announced his signature to enrolled bill of the following title:

S. 5624. An act granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent relatives of such soldiers and sailors.

ANTIOPTION BILL.

Mr. LAMB, from the Committee on Agriculture, by unanimous consent, was granted leave to file the views of the minority on the bill (H. R. 18323) to prohibit interference with commerce among the States and Territories and with foreign nations, and to remove obstructions thereto, and to prohibit the transmission of certain messages by telegraph, telephone, cable, or other means of communication between States and Territories and foreign nations. (H. Rept. 681, p. 2.)

PANAMA CANAL—RECESS.

Mr. ADAMSON. Mr. Speaker, I ask unanimous consent that the House take a recess until 8 o'clock p. m. for the purpose of debate on this bill, to continue not later than 11 o'clock to-night, and that on to-morrow, when the House resolves itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill, the general debate shall not continue for longer than two hours, after which the bill shall be read under the five-minute rule, and that when sections 5 and 11 are reached they be passed to the end of the bill for consideration.

Mr. MONDELL. Is not the gentleman proposing to close general debate before those desiring to discuss the bill have been given an opportunity to do so?

Mr. ADAMSON. We are providing for three hours to-night and two hours to-morrow. That makes five more hours, and I think that will be sufficient to meet all the requests I have had as to time.

Mr. MONDELL. Evening debate to empty benches is not very profitable and satisfactory to anybody. It is no more effort than to print in the RECORD, except that a man has an opportunity to talk to the galleries, which do not vote on the subject.

Mr. MANN. I apprehend there will be more people here to-night than there were here during the latter part of the afternoon.

Mr. ADAMSON. I have known some mighty good speeches to be made here at night sessions. I have made them myself. My motion will provide five hours' debate.

The SPEAKER. The gentleman from Georgia asks unanimous consent that the House take a recess until 8 o'clock to-night, and that the general debate on this canal bill shall run not longer than 11 o'clock p. m. and shall be entirely confined to the bill; that when the House resolves itself into the Committee of the Whole House on the state of the Union to-morrow for considering this bill there will be only two hours of general debate on it; then, when under the five-minute rule section 5 and section 11 are reached, they shall be passed informally and without prejudice to the end of the bill.

Mr. ADAMSON. That is right.

The SPEAKER. Is there objection?

Mr. RAKER. Reserving the right to object, will the gentleman answer a question?

Mr. ADAMSON. You are cutting off the time for supper under this recess proposition.

Mr. RAKER. I know; but what I want to know is, will there be any disposition to urge an early vote on the bill under the five-minute rule, so there will be no opportunity to present the matter fully as to sections 5 and 11?

Mr. ADAMSON. Our expectation is that most of the time will be devoted to those two sections. We do not anticipate much difference as to the other sections.

Mr. RAKER. As to those two sections, there will be no disposition to rush it through and limit it, will there?

Mr. ADAMSON. Not in my mind or heart.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none, and it is so ordered. The Chair will appoint Mr. HAMILTON of West Virginia to preside to-night as Speaker pro tempore.

Accordingly (at 6 o'clock and 15 minutes p. m.) the House stood in recess until 8 o'clock p. m.

EVENING SESSION.

The recess having expired, at 8 o'clock the House was called to order by Mr. HAMILTON of West Virginia, the Speaker pro tempore.

PANAMA CANAL.

Mr. ADAMSON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the Panama Canal bill.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 21969) to provide for the opening, maintenance, protection, and operation of the Panama Canal, and the sanitation and government of the Canal Zone, with Mr. LLOYD in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the further consideration of House bill 21969.

Mr. ADAMSON. Mr. Chairman, by direction of the gentleman from Louisiana [Mr. BROUSSARD], I yield 30 minutes to the gentleman from Missouri [Mr. BORLAND]. [Applause.]

Mr. BORLAND. Mr. Chairman, as the time approaches for the completion of the Panama Canal it becomes important to turn our attention to the problem of the permanent government of the little stretch of territory which is destined to play an important part in the future military and commercial history of the world.

The acquisition of the zone and the construction of the canal have proceeded so rapidly that we have scarcely had time to consider the questions bearing upon permanent control and occupation. Thus far we have regarded the zone as an immense

construction camp under military discipline. The people on the zone are mainly those whom we have brought or sent there for the purpose of constructing the canal, the work being done under the supervision of officers of the United States Army, and the purpose to be accomplished the digging of the canal with the greatest possible expedition, efficiency, and economy. When the construction days are over, however, a form of government adapted to such temporary conditions must give way to something of a permanent nature. The views of public men on the question of a permanent government will differ, according to their ideas of the paramount purpose of the canal. One view will be dominated by the idea that the canal is primarily a military necessity, the other view by the thought that its highest purpose is the promotion of peace and commerce.

We have had in the brief discussion on this bill the most brilliant argument, the most learned debate that it has been my fortune to listen to in this House; some of the most masterly speeches, replete with information and erudition. The speech to-day of the gentleman from Wisconsin [Mr. ESCH] was a remarkable presentation of facts governing the movement of the great commerce in the civilized world. Scarcely a factor that enters into the movement of that commerce and the channels which it will seek, or ought to seek, seems to have been omitted by him in his wonderful grasp of the subject. But in all of that remarkable address, which showed how the Panama Canal could be made of permanent usefulness to the commerce of the world, I listened in vain for one word that showed how a single, solitary vessel carrying the American flag would go through the canal. He told us how Liverpool could use the canal to reach the markets of South America. He told us how Europe could reach the Orient. He told us how England would be brought in close touch with her colonies. But nowhere was a single flag bearing the Stars and Stripes going through the canal.

As the canal approaches its completion the American people will look upon it as either a pure military necessity, the cost for which must be charged off as other items of military expense are charged off, or they will look upon it as they have been taught to look upon it—as a great agency for the promotion of American commerce. If the present bill, unamended and unmodified, becomes a law in relation to the Panama Canal, the net result is that we have spent $400,000,000 for no purpose on earth except to bring a battleship once in 40 years from the Pacific Ocean to the Atlantic Ocean in time of war. [Applause.] Every nation on the globe, with its ships, can use the canal to the same advantage as ourselves, and, in addition, we have even excluded ourselves from the ordinary advantage that every nation claims for its purely coastwise commerce.

If our treaties will not bear the construction that the coastwise commerce, at least of the United States, is entitled to preferential rates in the canal, then we are worse off than we would be if we had not built the canal, for we have put forever the carrying trade and monopoly of the commerce of South America into the hands of the English and the Germans.

Mr. MICHAEL E. DRISCOLL. Will the gentleman yield?

Mr. BORLAND. I am glad to yield to the gentleman.

Mr. MICHAEL E. DRISCOLL. Does any gentleman here who opposes section 5 make any argument in favor of free tolls for our ships going to the western coast of South America?

Mr. BORLAND. Yes.

Mr. MICHAEL E. DRISCOLL. Who is the man.

Mr. BORLAND. I am.

Mr. MICHAEL E. DRISCOLL. The gentleman is the first one, and I believe he would not have said so if I had not suggested it.

Mr. BORLAND. I will make what argument I can in regard to it. The cost of the canal is $400,000,000. The interest on that at 3 per cent is $12,000,000. The majority report of the committee says it is necessary that somebody pay for this canal, and gives this as a reason for charging tolls to American ships. The report further says that by the highest estimate placed on the tonnage that will go through the canal by no possibility can it pay the interest on the cost of the investment; therefore it is only possible for us to get any return from our investment by encouraging American commerce from the east coast to the west coast of America. We are told that we are bound by the Hay-Pauncefote treaty not to discriminate in favor of American ships as to the coastwise trade of the west coast of South and Central America. We are told that we have no such control over the commerce going to the Orient as will place us in any advantageous position in comparison with the subsidized ships of England or of Germany, and that the sole dividend the American people can draw on that $400,000,000 investment is the possible encouragement of shipping going through the canal between the east and west coasts of America.

If there be not that dividend, then there is no dividend from the $400,000,000 invested except the possible saving of the expense, once in 40 years, in taking a battleship around Cape Horn. We all hope that the need of such expenses of taking battleships from one coast to the other will be on rare occasions and very few and far between.

Mr. MICHAEL E. DRISCOLL. Will the gentleman allow an interruption?

Mr. BORLAND. Yes.

Mr. MICHAEL E. DRISCOLL. The gentleman does not claim that even if the tolls have to be paid there will be any failure of the commerce between the eastern and western coasts of America to go through the canal, does he?

Mr. BORLAND. No.

Mr. MICHAEL E. DRISCOLL. It will go through anyway, so that the tolls proposed are really of no account. The canal will be patronized just the same for all the commerce there is between one coast and the other.

Mr. BORLAND. I am not sure that I understand the gentleman's question. If I understand him, he says that even if the tolls have to be paid, the canal will be patronized as to all the commerce there is.

Mr. MICHAEL E. DRISCOLL. Certainly.

Mr. BORLAND. And that therefore it is useless to remit the tolls?

Mr. MICHAEL E. DRISCOLL. Except to the people who will ultimately have to pay them. We take the position that somebody must pay a certain amount of money, and that the people who get the most direct benefit are the ones who ought to pay, rather than the people who do not get the direct benefit. Whatever has to be paid will be taxed back upon the people. That is our position.

Mr. BORLAND. Has not the gentleman refuted his own argument? I understand the gentleman to say that if the ships going through from the Atlantic to the Pacific pay the tolls, the amount will be so negligible in quantity that they would not be of any consequence in supporting the canal.

Mr. MICHAEL E. DRISCOLL. I did not say that.

Mr. BORLAND. I understood the gentleman to say that the amount would be negligible.

Mr. MICHAEL E. DRISCOLL. I say that the tolls on the commerce coming through the canal after it is in operation will be negligible compared with the benefits that will be conferred upon commerce.

Mr. BORLAND. What commerce? That is what we are trying to get at.

Mr. MICHAEL E. DRISCOLL. Ships coming from one coast to the other. In other words, any man who owns a ship and can now compete with the railroads will get at least $4 a ton benefit by going through the canal. He can pay one-half dollar a ton to the Government for going through the canal and save $3.50 on every ton of cargo. He will get $3.50 benefit on every ton and will give the Treasury 50 cents benefit on a ton of actual cargo, so that the amount charged per cargo ton—50 cents—is negligible. That is what they say. That is what Mr. Deering says.

Mr. BORLAND. As I still understand the gentleman, he says that the amount of the tolls will be negligible either to the ship or to the Government. If they are negligible to the ships, they are of course negligible to the Government, and the amount of tolls we collect could very well be dispensed with, because they would be relatively unimportant in comparison with the enormous amount of the investment. But I want to take the gentleman's words at their face value. Suppose that a 4,000-ton ship only saves $4,000 or a 10,000-ton ship only saves $10,000, that it only amounts to $1 a ton on the load of that ship, I ask the gentleman how far inland will that carry each ton of that freight brought by the ship? How much farther will it carry it into the interior of the country to compete with the transcontinental railroads? Every 50 cents a ton that is taken off is of that much advantage in reaching farther and farther into the interior and productive regions of the country. [Applause.] For the great problem that has always confronted the people of the Mississippi Valley, I want to tell gentlemen of this committee, has not been the question of producing, but the question of transporting. We want to get our stuff to the seaboard at the cheapest price possible, and then get it into the markets of the world.

If we have to produce it in competition with the markets of the world, if we must sell our goods in Europe under conditions with the highest competition, we must figure that every penny it costs us to get our goods to the seaboard and to Liverpool is so much out of the pockets of the producer, and so much out of the pockets of everyone from the small merchant up, whose prosperity depends on that of the producer.

Mr. MICHAEL E. DRISCOLL. Will the gentleman yield?

Mr. BORLAND. Mr. Chairman, I prefer not to yield further at this time, because my time is so limited. I desire to refer in that connection to some of the other features of this bill very briefly, because I do not expect to occupy the attention of Members very long. I have read the report of the committee that the tolls that can be collected from the coastwise vessels are negligible. If they are negligible, and if we have an investment of $400,000,000, the interest on which is accumulating at the rate of $12,000,000 a year, and there is any possibility that by remitting those tolls as to coastwise vessels, we can increase the number of coastwise vessels; then, that is one dividend, at least, that we ought to draw from the construction of the canal.

I believe further that if we do not have this method of encouraging the coastwise ships of this country, the carrying trade will remain as it has been—under foreign flags. I believe that gentlemen will be back here demanding some sort of a subsidy, not only for coastwise vessels, but to all vessels, in order to encourage again the American flag upon the ocean.

Mr. MICHAEL E. DRISCOLL. Mr. Chairman, will the gentleman yield there?

Mr. BORLAND. Certainly.

Mr. MICHAEL E. DRISCOLL. I desire to state to the gentleman that I have always been in favor of a subsidy for our ships engaged in foreign commerce, and I would be for it again, even more than you are asking for it for this interstate commerce.

Mr. BORLAND. I will say that I am not in favor of a subsidy.

Mr. MICHAEL E. DRISCOLL. So far as commerce needs it, but interstate commerce does not.

Mr. CLINE. Mr. Chairman, will the gentleman yield?

Mr. BORLAND. Yes.

Mr. CLINE. How does the gentleman demonstrate that the remission of the proposed toll of 50 cents a ton will have any influence in developing coastwise shipping?

Mr. BORLAND. Frankly I do not think that that thing can be demonstrated in advance. I think any gentleman can take a piece of paper and formulate theories and figures on that subject to his heart's content, and those who favor charging the tolls can sit down and figure out that the toll is absorbed somewhere and does not reach the consumer. I have seen gentlemen figure that out in regard to a protective tariff. Gentlemen have figured out that all kinds of charges placed on commerce are absorbed somewhere, but my belief is that ultimately the consumer in domestic commerce pays the entire cost of transportation added to the article produced, and that in foreign commerce, where we come in competition with foreign people, the American producer pays the entire cost of transportation, and that there is no absorption of it at all.

Mr. RAKER. Suppose in the freight from New York to San Francisco we could deliver at San Francisco at a dollar a ton cheaper, or vice versa, is it not possible that we will get the benefit, the intermountain States, by getting an opportunity to get our produce cheaper, and thereby get more and cheaper products?

Mr. BORLAND. I think so. I think the Pacific coast will be able to go back farther into the interior and take more products from the Pacific coast there and around to New York in that way.

Mr. RAKER. And the same way with the eastern coast.

Mr. BORLAND. With the eastern coast the same.

Mr. KNOWLAND. And with the southern coast also.

Mr. HAMLIN. Mr. Chairman, will my colleague yield?

Mr. BORLAND. Certainly.

Mr. HAMLIN. Of course, the gentleman understands that our coastwise trade is protected now by coastwise laws.

Mr. BORLAND. Yes.

Mr. HAMLIN. And that no foreign ships can enter into the coastwise trade. Our coastwise trade has a monopoly. Does not my colleague believe that, whether we charge them a dollar per net registered ton or let them go through free, there will be just as many ships engaged in the coastwise trade as there is cargo to transport?

Mr. BORLAND. No; I do not. I live on great transcontinental railroads, and I realize that the carrying facilities of the railroad in competition with the water haul are such that, even at the higher rates on account of the regularity of service and the promptness of delivery, the railroads have an advantage.

I know that you have got to put the water carriage at the lowest possible point in order to compete with the transcontinental railroads. Every expense you put upon the water carriers is so much advantage to the transcontinental railroads, added to their natural advantage.

Mr. HAMLIN. We are taking off that water carriage $4 a ton by giving the canal.

Mr. BORLAND. The fact we are now taking off the $4 a ton by saving the land haul across the Isthmus, to that extent encouraging shippping through the Panama Canal for coastwise vessels, the remission of tolls ought to be another encouragement to increase the carrier trade for the entire western country.

Mr. HAMLIN. In regard to the objection the gentleman made awhile ago as to the competition between the water and railroad carriers, I will call attention to the testimony taken before the committee, when his associate upon this proposition, the apostle of free tolls—I refer to the gentleman from Washington [Mr. HUMPHREY]—was asked this question. I quote:

> The actual cost of moving goods by water from the Atlantic seacoast to the Pacific coast when the canal is completed will be far below the actual cost of moving freight by rail.
>
> Mr. HUMPHREY. I think that is right; nobody can dispute that.

Now, if that be true, is there any other competition from the transcontinental railroads?

Mr. BORLAND. The transcontinental railroads, the rail carriers, can get business at a higher rate than the water carriers. There are natural reasons why that is true, too numerous to enter into here. Every advantage that the water carrier can have to secure more trade is to that extent a more active competition with transcontinental railroads. Then another well-demonstrated fact: Every advantage the water carrier is deprived of is that much added weight in favor of the transcontinental railroads.

Mr. HAMLIN. If they can carry and pay these tolls for less money than it actually costs the railroads to haul, will not this traffic go by water?

Mr. BORLAND. No. I think I have answered that correctly. I said the railroads can get the business at a higher rate, because they carry winter as well as summer; they have regular deliveries, they have a way of soliciting trade, they take a carload and deliver it at a man's back door or deliver it at a man's warehouse, or deliver it at a grain elevator, and there are a thousand reasons I have not the time to go into why the rail carrier gets the business. You have to put the water carrier on a level of rates much below the railroad before they can compete with the railroad. Now, I do not wish to spend any more time on that question.

Mr. KNOWLAND. Will the gentleman yield?

Mr. BORLAND. I yield to the gentleman.

Mr. KNOWLAND. I think the gentleman referred to freight between coast to coast. Now, naturally the lower the toll the more advantage the interior will get because the shipments will be made by rail to the interior and the advantage of the water route will be reflected; it always has been for the last 30 years.

Mr. BORLAND. I want to call the attention of the committee again to the fact that unless some advantage is derived by coastwise shipping there is absolutely no dividend from the construction of the Panama Canal at the cost of $400,000,000. I hope that not only will we be able to encourage shipping by giving free tolls to the American ships, but I hope we will find a way of actually reaching and controlling the markets of Central and South America, and do that without the necessity of a ship subsidy such as has been hinted at here. The only way in which that can be done in my judgment is by the good old democratic principle of a preferential low tariff for goods coming in in American bottoms. Every American ship should have this advantage, and every ship that wants to ought to be able to fly the American flag and be placed under the American navigation laws, no matter where the ship is built. [Applause.] We believe in free ships to sail under the American flag wherever American trade can be carried. I believe every Central and South American country ought to be told that "the door of trade is no longer closed against you in America; you are no longer driven to seek your markets in Europe; you are no longer driven to seek your banking in Europe; you are no longer driven to buy your goods for a return cargo from Europe, but now you shall have an offer to an open door into this country. We will take a part of your goods here. We will buy something from you in America. We will take a little of your hardwood or your oils or your gum, your natural-forest products and tropical fruits, and such other things that can be shipped here and can be used by the application of American capital and labor." Then, when they get a shipload coming in this direction, and their bank account is here and their credit here, then they will begin to deal with the American merchants. If we subsidize every ship on the ocean to carry the mail to South America and did not allow goods to come back in that ship, it would be a useless and extravagant proceeding. I am opposed to this proposition to subsidize somebody to carry the American flag.

If we would take this $400,000,000 of investment and allow the American business man to get a preferential rate out of it, to get a preferential use, so far as our treaties will justify; if we would seek the friendly commerce of the Central and South American States; if we would invite their trade to come here and would not close our doors to them by a prohibitive tariff; if we would not drive them to Europe to sell their goods and keep their bank accounts; if we would not build a canal for the free use of England and of Germany; if we would turn some American capital and effort through the Panama Canal by means of preferential rates on goods coming in American bottoms this whole question of subsidy would be solved. [Applause.] Here we are not only asked to spend millions of dollars for the canal and to maintain it and protect it and then allow 98 per cent of it to be turned over to England and Germany, our shipping rivals, but we are not to allow the coastwise vessels to go through with a less toll than the English vessel pays in going from San Francisco to Liverpool. That is the principal point I want to make on that particular clause.

I want to discuss now, in some detail, the history and government of the Canal Zone to show why I oppose the military reservation theory.

The plan to construct an interoceanic canal at or near the Isthmus of Panama first assumed importance during the gold rush to California in 1849. The result was the Clayton-Bulwer treaty of 1850 between Great Britain and the United States. This treaty contemplated that such a canal would be constructed, probably in Nicaragua or Costa Rica, and that the work would be undertaken by a private company organized under the authority of one or the other of the signatory powers. The controlling motive of this treaty was clearly commercial; it expressly restrained each nation from fortifying the canal or from occupying, colonizing, or exercising sovereignty over any country through which the canal might be constructed, and it was contemplated that other civilized States should be invited to join in the treaty for the protection and neutralization of the canal.

No canal was begun under this treaty. Meanwhile American capitalists had constructed the Panama Railroad, which proved a very valuable property. Later a French company, headed by the celebrated engineer Compt de Lesseps, secured a concession from the Government of Colombia for the construction of a commercial canal across the Isthmus. This canal was actually begun and nearly 80,000,000 cubic yards of excavation made. The failure and subsequent bankruptcy of this company was due to causes partly natural and partly administrative. The thousands of French stockholders lost their money, and after a legal receivership the concessions and property, including the Panama Railroad, passed into the hands of a small band of speculators who acquired the property for a song, with the design of selling it to the United States Government.

In 1901, after the War with Spain, the United States sought and obtained from Great Britain a new convention known as the Hay-Pauncefote treaty, which superseded the Clayton-Bulwer agreement. This treaty provides that an interoceanic canal shall be constructed entirely by the Government of the United States, or by private corporations with its aid; that the basis of the neutralization of the canal shall be the rules adopted for the free navigation of the Suez Canal; and that no change of territorial sovereignty or of the international relations of the country or countries traversed by the canal shall affect the general principle of neutralization. This treaty omits all mention of fortifications. From this omission it is assumed that our Government regained the right to fortify the canal at the expense of agreeing with Great Britain to waive the terms of the Clayton-Bulwer treaty. In other words, Great Britain has conceded to us the right to construct a canal entirely at our own expense and to fortify it as we please, provided that we never charge her ships more than we charge our own, and that we allow her at all times free use of the canal facilities on the same terms as ourselves. As Great Britain has the largest merchant marine in the world, equal to the combined merchant marine of several other countries, it is manifest that as a commercial proposition she will make $10 profit out of the construction of the canal to our $1, and this without any expense to her in either constructing, policing, or protecting the canal. She is quite satisfied that we should restrict our use of the canal to military purposes, so long as we are bound by treaty to accord her every commercial advantage.

The next step in the construction of the canal was the passage of the so-called Spooner Act of January 28, 1902. By this act the President was given power to acquire the property of the new Panama Canal Co., or the alternative of constructing a canal through Costa Rica or Nicaragua. He was empowered to appoint a commission to be charged with the duty of constructing the canal. It is a matter of common history that the negotiations following this act led to a revolution by which the State of Panama seceded from the Republic of Colombia and entered into a treaty with the United States which cleared the way for the acquisition by the United States of the property of the new Panama Canal Co. This treaty between the United States and Panama was proclaimed February 26, 1904, and is the basis of all of the present rights of the United States in the Canal Zone.

The powers of this Government as a sovereign are defined by article 3 of the treaty, as follows:

> The Republic of Panama grants to the United States all the rights, power, and authority within the zone mentioned and described in article 2 of this agreement and within the limits of all auxiliary lands and waters mentioned and described in said article 2 which the United States would possess and exercise if it were the sovereign of the territory within which said lands and waters are located, to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power, or authority.

It may be noticed that this article does not confer actual sovereignty upon the United States, but provides that this Government shall possess all the rights, power, and authority within the zone as if it were sovereign of the territory, to the entire exclusion of the exercise by the Republic of Panama of any such power or authority. This wording is as obscure as the wording of article 2, by which the grant of land is made to this Government. In article 2 the Republic of Panama grants to the United States "in perpetuity the use, occupation, and control of a zone of land." Justice Brewer properly decided that such a grant necessarily carried the fee title, as it entirely excluded the rights, present or reversionary, of any other proprietor. He well stated that the absence of technical words of conveyance could not alter the nature of the title. The same reasoning should apply to the right of sovereignty in section 3 of the treaty. If the United States has all the rights, power, and authority within the zone which it could possess and exercise if it were sovereign of the territory, and it is to exercise these powers to the entire exclusion of the enjoyment by the Republic of Panama of any such rights, power, or authority, it is manifest that there is but one sovereign over the zone and that is the United States. It occupies, therefore, with relation to the Canal Zone the same position that it occupies with relation to the Louisiana Purchase, Alaska, or any other added territory. By the treaty its powers of sovereignty are expressly extended beyond the limits of the Canal Zone for certain purposes. In section 7:

> The Republic of Panama agrees that the cities of Panama and Colon shall comply in perpetuity with the sanitary ordinances, whether of a preventive or curative character, prescribed by the United States, and in case the Government of Panama is unable or fails in its duty to enforce this compliance by the cities of Panama and Colon with the sanitary ordinances of the United States the Republic of Panama grants to the United States the right and authority to enforce same.
>
> The same right and authority are granted to the United States for the maintenance of public order in the cities of Panama and Colon and the territories and harbors adjacent thereto in case the Republic of Panama should not be, in the judgment of the United States, able to maintain such order.

Following the ratification of the treaty with Panama an act was passed, approved April 28, 1904, to provide for the temporary government of the Canal Zone. Section 2 of this act follows:

> That until the expiration of the Fifty-eighth Congress, unless provision for the temporary government of the Canal Zone be sooner made by Congress, all the military, civil, and judicial powers, as well as the power to make all rules and regulations necessary for the government of the Canal Zone, and all the rights, powers and authority granted by the terms of said treaty to the United States shall be vested in such person or persons and shall be exercised in such manner as the President shall direct for the government of said zone and maintaining and protecting the inhabitants thereof in the free enjoyment of their liberty, property, and religion.

This act, which remains substantially unchanged, contains the whole law for the civil government of the zone. It seems to have been assumed that the powers of civil government were vested in the Canal Commission. In fact, the President, on May 9, 1904, issued a letter of instructions to the Secretary of War outlining a plan for such civil government. The Canal Commission has been created and had formulated a complete civil government for the Canal Zone, including courts, police, fire and sanitary regulations, fees and licenses, schools, public works, and other necessary branches. The commission originally acted as the legislative body of the zone. Between August 16, 1904, and March 1, 1905, the commission enacted a number of laws, which are published in book form and numbered from 1 to 24, inclusive. After that time this method of legislation was abandoned and no other acts—or ordinances, as they are called—of the commission have been passed. General legislation has been enacted from time to time under the form of Executive orders signed and promulgated by the President. These Executive orders relate to every possible phase of civil life and cover every known branch of legislation from the qualifications to practice a profession to the procedure for the administration of an estate. In the aggregate they form a large

and undigested mass of legislation, in the main fragmentary acts torn from the statute books of various States, which govern in the points expressly covered the conduct and rights of the persons within the zone. As to matters not covered by any specific Executive order the law applicable to rights of individuals is extremely hazy. It seems to be assumed, in accordance with the settled principles of private international law, that where one country acquires sovereignty over a territory which has enjoyed a system of local laws established by a civilized government the local laws shall continue to prevail until they are supplanted by express legislation of the new sovereign. According to this principle there is a vague and ill-defined body of laws, supposed to have been in force under the Colombian Government and to have remained in force after the revolution establishing the independence of Panama. This body of laws, as is the case in all Latin-American countries, is an evolution from the civil or Roman law. Unfortunately this body of laws is a sealed book to the judge sitting in the American courts of the Canal Zone. So far as I am aware few of the judges on that bench have been able to read the Spanish language or have had any knowledge through experience or study of the Colombian law. In but one instance, so far as I know, has it been appealed to as the basis of a decision in the American courts. In a recent case it was decided that a person injured on the Panama Railroad by the negligence of its employees had no right of action against the railroad company, because under the principles of the Colombian law the employer is not legally responsible for the negligence of his employee.

This chaotic condition of the law and of private rights is emphasized by two decisions of the Supreme Court of the United States. In the case of Coulson *v.* The Government of the Canal Zone (212 U. S., p. 553) it was decided that a writ of error to review a judgment of the Supreme Court of the Canal Zone must be dismissed for want of jurisdiction. No written opinion was filed, but the effect of this decision is that the judgment of the Supreme Court of the Canal Zone is final in all cases, and there is no power of review in the Supreme Court of the United States or any other tribunal. Another phase of the same question was presented in the case of Kaufman *v.* Smith (206 U. S., 610), in which the Supreme Court of the United States held:

> The questions involved in this case as to the right of the Government to collect duties on merchandise coming into the United States from the Canal Zone, under the act of March 2, 1905, have already been settled by the case of Downes *v.* Bidwell (182 U. S., 244), and the writ of error is dismissed for want of jurisdiction.

Downes *v.* Bidwell is the celebrated case in which the Supreme Court of the United States decided that the Constitution did not extend to the island of Porto Rico. The Supreme Court therefore holds, in accordance with that case, that the Constitution of the United States does not extend to the Canal Zone.

By a gradual but very natural encroachment, all of the power, legislative, executive, and even judicial, within the Canal Zone has been transferred to and absorbed by the chairman and chief engineer of the Canal Commission. I say judicial, not only because there have been no cases in the zone courts against either the commission or the railroad company but that have been promptly reversed by the Supreme Court of the Canal Zone, but because I have seen a copy of a letter from the chairman and chief engineer of the Canal Commission to one of the judges of the circuit court refusing to recognize the authority of a receiver of private property appointed by a decree of said court. In other words, we have in the zone a complete and perfect type of a benevolent despotism. A benevolent despotism may work very satisfactorily for a short time amid the enthusiasm of a great scientific work which calls out all that is best in the patriotism and professional ambition of men, and especially where the benevolent despot is drawn from and centers upon himself the public sentiment of 93,000,000 people, who have been trained by a century and a half of self-government. After the enthusiasm of the construction work is over, however, and public attention is diverted to other matters, it is perfectly manifest that such a system of government would be the worst possible, not only for the governed, but also for the governors, and especially for the public.

It may be said that it will be difficult to frame and enforce a suitable government for such a territory with such a population. Conceding the difficulty, are we to assume that the only solution is to drive the population off at the point of a bayonet? Every foot of land in the Canal Zone not actually needed for the operation of the canal should be sold, not leased, but sold in fee to American citizens. Preference should be given to the employees of the canal. As to government, the form should first be that of a Territory, with a governor appointed by the President, but without a legislative assembly. One United States court should be established, with the usual provision for review by a circuit court of appeals and by the Supreme Court of the United States. Legislation should be enacted for the zone by Congress in the same manner that legislation is now enacted for the District of Columbia. It has long been the desire of American lawyers to secure, under national authority, a complete codification of the laws of this country, especially upon commercial subjects. Commendable efforts have been made by the American Bar Association to secure uniform State laws upon commercial papers, bills of lading, and so forth. Here is an opportunity for both practical and experimental legislation that may well challenge the attention of the American Bar Association. When England acquired India, a vast country of petty sovereignties, with a decayed civilization, she found it necessary to enact codes of laws on commercial subjects for the use of the British subjects who were developing India commercially; hence the English contract act, the English evidence act, and so forth. No such opportunity has been before presented to our country to codify and enact, under the authority of Congress, an advanced and complete commercial code for the use of American citizens. It is a subject worthy of the thought of the entire bar. Such a code applicable to Panama could be made a model for the commercial codes of each of the 48 States and would have its influence upon the commercial life of the entire world. It would establish a uniform system of commercial rights which would bring us into touch with all of our neighboring countries and form the basis of an international code of commerce. Such an international code is the great need of the present day and the biggest contribution that the legal profession can at this time make to the advancement of civilization. [Applause.]

So much for the powers of the United States as sovereign. Its rights as a private proprietor are founded on other sections of the treaty.

The second article of the treaty provides:

> The Republic of Panama grants to the United States in perpetuity the use, occupation, and control of a zone of land and land under water for the construction, maintenance, operation, sanitation, and protection of said canal of the width of 10 miles, extending to the distance of 5 miles on each side of the center line of the route of the canal to be constructed.

By this article a grant is made by the Republic of Panama of all right, title, and interest it has in the land embraced in the strip, containing approximately 400 square miles, extending from the Caribbean Sea to the Pacific Ocean. It seems to be intended, and has been construed, to be a grant of the full title to all public land claimed by the Republic of Panama within the zone. This question was squarely decided in Wilson *v.* Shaw (204 U. S., p. 33), in which case suit was brought to restrain the officers of the United States from expending money in the construction of the canal on the ground, among others, that the United States did not own the land upon which the canal was being constructed. On this point Justice Brewer, in delivering the opinion of the court, said:

> It is hypercritical to contend that the title of the United States is imperfect, and that the territory described does not belong to this Nation, because of the omission of some of the technical terms used in ordinary conveyances of real estate.

By the sixth article of the treaty the Republic of Panama grants to the United States the right to acquire by purchase or eminent domain any lands or other property within the cities of Colon and Panama, which may be considered necessary for canal purposes. By the eighth article of the treaty the Republic of Panama grants to the United States all reversionary interest which it may have as successor to the Republic of Colombia in the property and franchises of the new Panama *Canal Co.* This treaty having resulted, as was contemplated by both parties, in the purchase by the United States of the property of the new Panama Canal Co., has made the United States the proprietor not only of all the public land within the Canal Zone, but of all the private property of the new Panama Canal Co. in the zone and in the cities of Panama and Colon, and the reversionary interest of the Republic of Panama in all the land and other property of the new Panama Canal Co. The Federal Government claims, therefore, that it now owns the fee title to the public land in the Canal Zone, together with several valuable pieces of real estate in the city of Panama and nearly all the real estate in the city of Colon. The city of Colon is built almost entirely upon land, the ownership of which was in the new Panama Canal Co., and which is leased to the persons constructing and occupying the buildings. The United States, since the acquisition of this property, has still further improved it by the construction of new docks, warehouses, terminals, and other facilities.

The United States has further enlarged its holdings of real estate within the Canal Zone by extinguishing, through the

power of eminent domain, the private titles in such portions of the land as are taken or damaged by the construction of the canal and the filling of the lake. None of the real estate acquired by the United States has been sold. A system of leasing has been adopted under the authority of an act of Congress approved February 11, 1909. By this act the President is authorized to grant leases of public lands in the Canal Zone not needed for actual use by the canal, for a period not exceeding 25 years, and in tracts not exceeding 50 hectares. The terms and conditions of the lease were left to the discretion of the President, but the lessee must be the head of a family, over 21 years of age, and the lease must be made in good faith, for the purpose of actual settlement and cultivation.

At this time, as we approach the completion of the project and its practical operation, we must choose between the only two systems of administration that will be possible. If the canal is regarded as primarily a military enterprise, with only such commercial advantages as are incidental, then the Government might be purely military and placed under the arbitrary control of a military governor, accountable only to the President. This seems to be the view of the present chairman and chief engineer of the Isthmian Canal Commission. As a logical result, he advises that the entire zone should be cleared of inhabitants when the canal is completed, except the employees engaged in its operation and soldiers quartered there for defense. Of course he believes that a large number of soldiers should be maintained there, together with fortifications and land batteries sufficient not only to repel an attack by sea, but to withstand any possible invading force that might approach by land. The entire zone is to be made a military reservation, which would necessitate the acquisition by the United States of the title to all the private land which it does not now own. The United States now owns, according to the highest claim, about 60 per cent of the land in the zone, so that to turn the zone into a military reservation it would be necessary to acquire the remaining 40 per cent.

I say the United States "claim to own," because that claim is not admitted. We admit a private ownership of about 40 per cent, represented by the land marked there in green on the map. We claim all of that marked in yellow as railroad concession and all marked pink as public land, but, in fact, a large amount of that is in possession of people who claim it themselves, and if we undertook to acquire it we would find a large number of claimants with whom we would have to settle.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BORLAND. I would like to have about 15 minutes more.

Mr. ADAMSON. That rests in the discretion of the gentleman from California [Mr. KNOWLAND].

Mr. KNOWLAND. Mr. Chairman, I yield 15 minutes more to the gentleman from Missouri [Mr. BORLAND].

Mr. BORLAND. Thank you.

Under the treaty with Panama the value of private land acquired by the United States in the zone must be fixed by a joint commission appointed by the Government of the United States and the Government of Panama, composed equally of Americans and citizens of Panama. Only one such commission, known as the Denby Commission, has been appointed during the life of the treaty. This commission awarded to private owners prices below what they claimed, but greatly in excess of what the United States officers contended were reasonable. The result is that the chairman and chief enginer of the commission is strongly opposed to any further joint commission under the treaty, and has followed the good old soldierly way of seizing the lands necessary to be used and leaving the private owner to litigate as long as he chooses. Under any plan, however, it is apparent that the acquisition of the remaining 40 per cent of the land within the zone would be made at enormous expense. To further emphasize his views, the chairman contends that the presence of a producing and trading population on the zone would greatly impair its military strength, and even hints that it might introduce an element of danger; further, that the land itself is worthless for the purpose of cultivation. It may be said that these views are not shared by other military members of the commission.

Again, it is inevitable that warehouses and other business establishments of great shipping centers will spring up at each end of the canal. By the peculiar terms of the treaty with Panama the cities of Colon and Panama, while geographically within the zone, are excluded from American jurisdiction. From this it results that the limits of these cities are carefully defined and are completely surrounded by American territory. Hence, the growth of these cities, resulting from an overflow of their commercial population, must be upon American territory. To one who is used to commercial affairs and who has made an actual personal observation of conditions at both ends of the canal, it is almost inconceivable that the military occupation theory can be carried out in practice. It would leave absolutely no room for the cities to expand except by sufferance, which, in plain English, means by favoritism toward those who could secure locations upon the military reservation.

I am frank to say that after three visits to the zone and a fairly careful study of its commercial and physical characteristics, I am entirely opposed to the military reservation theory. The land is not remarkably good, but it will produce in paying quantities all of the tropical products, including bananas, oranges, lemons, limes, grapefruit, mango, casaba, guava, coconut, chocolate bean, coffee, pineapples, and rubber. The principal drawback of the Tropics is not the unproductiveness of the soil, but the difficulties of transportation and the unhealthfulness of the climate. The land within the zone enjoys a very fortunate situation both as regards transportation and sanitation. It will have the most remarkable transportation facilities of any tropical district in the world, and I believe that every foot of available land would be eagerly taken up by our American employees as fast as the construction force is disbanded. In fact, our employees are now going just beyond the edge of the zone into the Republic of Panama and investing their money in tracts of land there with the intention of remaining. If a force of white Americans can be induced to live in the zone along the route of the canal, even though they employed largely Jamaica negro labor in operating their plantations, it would not be a menace, but might be an aid to the protection, repair, and operation of the canal.

After we have acquired the lands of the zone, then the bill provides that no person shall go on or be upon the zone without the permission of the military government.

Now, if there must be a military reservation, and nobody can be on the zone without the permission of the governor, that means that every location on the zone is a matter of permission or of sufferance or of favoritism, if you choose to call it so. That condition, it seems to me, is absolutely incompatible with any considerable growth of South and Central American trade.

When the canal is completed, a vessel entering from the Caribbean Sea will proceed about 8 miles on a sea level to the foot of the Gatun Dam. At this point it will be raised by a flight of three locks to the level of the lake. The lake will be 165 square miles in extent, dotted with beautiful islands and surrounded by the luxuriant verdure of the Tropics. A sail of 23 miles across the lake will bring the vessel to the entrance of the cut at Bas Obispo. From thence there will be more than 9 miles of narrow canal through the Culebra Cut to Pedro Miguel, whereby means of one lock the vessel is lowered to the little lake of Miraflores. At this point two more locks permit the vessel to reach ocean level on the Pacific, from whence a journey of 7 miles brings it out to the Bay of Panama at Balboa. The time consumed in this trip would enable the passengers to cross the Isthmus by railroad and reach Panama several hours ahead of the ship to transact business or to entertain and amuse themselves. The trip will be a very beautiful one, especially in the dry season of early winter, and the zone may easily become one of the most delightful winter resorts in the world. It may be dotted from end to end with beautiful hotels, equipped with American conveniences, surrounded by spreading verandas, and shaded by stately groves of palms. Every amusement would be within the reach of the winter guest—horseback riding, canoeing, golf, tennis, sailing, surf bathing, deep-sea fishing, and numerous exploring trips to neighboring islands.

But above and beyond all this in the minds of most Americans, that great mass of our citizens whose money has paid for the construction of this great work, is the thought that the supreme importance of the canal consists in the fact that it will open up new channels of trade to American commerce. If we can count on the friendship and trade of our South American neighbors and turn to our own shores some of the wealth that is flowing year by year to Europe, we shall perhaps regain many fold the enormous cost of the canal. This means that the canal ports will soon be busy with American commerce, crowded with American merchants, and rapidly building up with American warehouses and branches of American commercial establishments. It is hardly to be conceived that we should handcuff ourselves through the medium of a military reservation and turn the best commercial advantages of the canal over to England, Germany, and our other commercial rivals.

I want to read to the House briefly the reply of a high official of the canal on that point. He said:

For defensive purposes of the locks and dams we will require everything from Paraiso to the sea and from the locks to the Canal Zone lines. We ought not to allow settling of any kind to come between the earthworks that we contemplate constructing for the defense of the

locks and the locks themselves, nor ought we to allow the occupation of any of the land over which an enemy must pass in order to reach these earthworks. That, then, practically limits the Canal Zone from Paraiso to the Gatun Lake, so far as the south side of the Isthmus is concerned, and from Gatun Lake to the Atlantic on the other side. If it were not necessary to protect the canal, the terminal cities which Judge Feuille spoke of this morning would be advisable, and it is possible that necessity may force us to it later on. The proper military protection of this canal is against any such establishment of cities at the terminals.

Now, I submit, gentlemen, that we have gone plenty far enough under the Hay-Pauncefote treaty, in turning this canal over to the English and German merchants, after we have dug the canal at our own expense. We have gone plenty far enough in encouraging shipping to come in that direction and take away the commerce of Central and South America. We can not afford to go as far as to cut off our coastwise trade with the western coast of North America, and we can not afford to go so far as to exclude commerce from the Canal Zone under the guise of military protection. This military protection, of course, is the professional idea of the gentlemen who have been constructing the canal. It may be that the training of their profession is responsible for such views. No man can go on the canal with enough dynamite in his pocket to blow up the locks, and, if he did, the ordinary policing of the locks for the distance of a couple of miles would be amply sufficient for all purposes. It is sufficient for the Treasury of the United States, and it will certainly be sufficient for the locks at Gatun. If any hostile nation or hostile individual undertook to blow up the locks, he would probably swoop down there in three or four minutes in an airship and drop enough explosives into the locks to blow them up anyway. It is not the man on foot who is a source of danger; it is the man in the air, and that is no stage joke either, because similar things have actually been done. So that we can not protect the locks by earthworks.

England does not try to police the Suez Canal. Nobody has ever undertaken to police or protect a work of that magnitude. After we have constructed it and dedicated it to the commerce of the world there is absolutely no reason why we should be compelled to police it. I believe there ought to be great commercial cities at both ends of that canal, containing great American warehouses, filled with American manufactured goods, with American banking facilities, American mercantile facilities, American transportation facilities, American insurance facilities, and every facility that this country can furnish to encourage all of the Central and South American trade to seek American aid and an American market. Unless the American people get that kind of a dividend out of the Panama Canal, or if they get nothing out of it except once in 40 years the transportation of a battleship from one coast to the other, they will feel that the $400,000,000 expended has been spent in vain.

I am very glad that these gentlemen on the west coast States have maintained this fight for free tolls, at least for American commerce; but we ought to go much further than that. We ought to provide for preferential duties on all goods coming in American bottoms. We ought to encourage by every possible means a financial and mercantile connection with every Central and South American country, and then the American people—not the Pacific coast alone, but every American producer and every American business man—will begin to realize a dividend upon that $400,000,000, which will vastly increase the prosperity, wealth, and power of our beloved country. [Applause.]

Mr. ADAMSON. Mr. Chairman, at the suggestion of the gentleman from Louisiana [Mr. BROUSSARD], I yield 15 minutes to the gentleman from New York [Mr. LEVY].

Mr. LEVY. Mr. Chairman, the Panama Canal when completed will be one of the great wonders of the world. It will be another monument to American genius and American industry. It was built under the auspices of the American Government, it has been paid for by American citizens, and while it is intended to be of benefit to the whole world, I submit that the country which built it and under whose control it will stay, and the people whose money has paid for its construction, are entitled to more than an equal share in its benefits. [Applause.] And yet, what you are proposing here to-day will give a vast percentage of its benefits to foreign countries; and foreign countries realize this fact so well that in every maritime nation in the world ships are being built and money is being invested in shipping companies for the Panama Canal trade.

It is bad enough to realize the fact that has saddened so many American travelers, who have gone all around the world without seeing an American flag or an American ship, and now you propose to limit still further the possibilities of an American merchant marine by placing restrictions upon the shipping that is to go through the canal, restrictions which under no possibilities can be enforced against the ships of any foreign nation. Do you realize that the Canadian Pacific Railway Co. controls $20,000,000 of investments in steamships? Its great steamships on the Atlantic and Pacific will all be able to ply through the Panama Canal, and not one of these ships can be subjected to these restrictions under the Hay-Pauncefote treaty between this country and Great Britain.

Mr. RAKER. Will the gentleman yield?

Mr. LEVY. Yes.

Mr. RAKER. Is it not a fact that the very moment they land their cargoes on American soil they have to pay an import duty?

Mr. LEVY. Yes; as between foreign countries; but they have the whole of Canada from the Atlantic to the Pacific coast.

Mr. RAKER. But if they pay the tolls through the canal and then when they undertake to land their products from Canada on either side when they come into the United States they have to pay a toll and revenue tax.

Mr. LEVY. A revenue tax for going through the canal?

Mr. RAKER. Oh, no; when they land their products in the United States.

Mr. LEVY. I am not talking about landing cargoes in the United States. I am discussing the matter of carrying goods from one point in Canada through the canal to another point in Canada. But these steamships could carry goods into the United States on payment of tolls and duties.

Mr. KNOWLAND. Does not the gentleman know that section 11 prevents the Canadian ships from going through the canal?

Mr. LEVY. How can that be? You may make restrictions, but you can not enforce them because of the plain terms of the treaty we have made.

Mr. KNOWLAND. The act covers any railroad company that comes under the Interstate Commerce Commission, and every Canadian road comes under the Interstate Commerce Commission.

Mr. LEVY. But that provision of this act is clearly inconsistent with the terms of the treaty.

Mr. KNOWLAND. Railroads entirely in Canada would not come under the Interstate Commerce Commission.

Mr. LEVY. That is what the Canadian Pacific does.

Mr. KNOWLAND. This provides what they shall not do in the United States.

Mr. LEVY. I do not agree with the gentleman; I do not believe that you can control such a foreign railroad.

Is it possible that we are going to be so blind as to allow another nation to get the cream of the wonderful commercial possibilities which will be opened up by the inauguration of the Panama Canal? The moment you forbid an American ship owned or partly owned by an American railroad company to use the canal you strike one more blow at the American merchant marine and eliminate practically all ships that are flying our flag to-day. [Applause.]

Why should there be objection to an American railroad company building and owning steamships? No private enterprise can attempt, nor will attempt, to build steamships under our present navigation laws; but the great railroad companies build them for the purpose of relieving congestion and taking care of freight at their terminal points. They are to-day the only means of keeping the American flag on ships and sustaining, at least to some degree, the American merchant marine. Are they not regulated sufficiently now by the Interstate Commerce Commission, and is it possible that the misguided hatred of railroads can go so far as to forbid them doing what will be of the utmost benefit to trade and American interests? Is it not enough that the pernicious hindrances to American railroads have already stopped the building of thousands of miles of railroads in this country; and shall we now pass a law that surely will prevent the building and operating of American ships, while other countries are getting ready to take advantage of the new opportunities of trade which the Panama Canal will create?

Mr. CLINE. Mr. Chairman, I think the gentleman is not opposed to the railroads owning shipping going through the canal.

Mr. LEVY. No; I am not.

Mr. MURRAY. I understand, however, that the gentleman from New York believes in adequate and complete regulation by some governmental commission of railroad-holding companies.

Mr. LEVY. Yes.

Mr. KNOWLAND. Will the gentleman yield?

Mr. LEVY. Yes.

Mr. KNOWLAND. I will say in that connection that the Interstate Commerce Commission recommend this provision and say it is the most effective method of regulation.

Mr. ADAMSON. Mr. Chairman, I do not think the gentlemen ought to quarrel among themselves. Whether a railroad should rob the people by freight rates or the steamship company shall rob the people by taking the money out of the Treasury is equally pernicious. They had better make common cause in their raid on the Treasury and their assault on the treaties.

Mr. LEVY. The Canadian Pacific Railway, with its 16,000 miles of railroad from the Atlantic to the Pacific coast, has diverted an enormous amount of trade from American railway interests on account of the large opportunities and splendid advantages it enjoys under the Canadian Government, and now you propose to allow it the same benefit on the sea and through our own canal that it has on land. Only a short time ago this company placed an order with the Fairfield Shipbuilding Co., of Glasgow, for two steamships 570 feet long and 68 feet beam, with a speed of 18 knots per hour, to supplement the fleet now engaged in the Pacific trade. The approximate cost of these steamers will be over $2,000,000 each. They already have 16 magnificent steamers in the Atlantic service, 4 in the Pacific service, and 21 on the Pacific coast service—all available for the Panama trade and ready to grasp the opportunity that you are seeking to make us throw away.

Mr. CLINE. Mr. Chairman, I do not want to charge up against the gentleman my inability to understand him. What remedy does the gentleman propose? Is he sorry that we built the canal?

Mr. LEVY. No; but I do not believe in putting in all these restrictions. [Applause.]

The CHAIRMAN. The Chair takes it that the gentleman from New York does not care to be interrupted.

Mr. ADAMSON. If I take any of his time, I will return it to him fourfold. I did want to suggest that the gentleman from Indiana probably never heard of the man who dug a well and had to buy water to fill it. [Laughter.] Now, when the Government has built a canal, the Ship Trust demands that we hire them to furnish commerce and patronage and that they be allowed to loot the Treasury in addition to being paid otherwise therefor.

Mr. LEVY. Europe and Asia are also interested, and it is conservatively estimated that at least 1,500 ships are in process of building throughout the world for the Panama trade. We have lost magnificent opportunities in South America by neglecting our merchant marine and allowing Germany, England, and other countries to attract trade which should have properly come to us; and now it is proposed to carry out the same policy with regard to the great Pacific trade, which the Panama Canal will open up to us and turn that carrying trade over to foreign bottoms. I can not see either patriotism or sound business sense in the proposition at all, and it is incomprehensible to me that there can be any doubt or question on this matter.

The further proposal to place these shipping interests under the control of the Interstate Commerce Commission is most vicious and ridiculous. It takes from six to nine months for the Interstate Commerce Commission to render a decision in domestic railway matters. How long do you suppose it will take them to reach a decision in questions affecting shipping? Is any man blind enough to think that any shipper will wait for the Interstate Commerce Commission rulings when he can obtain a quicker ruling and an immediate service from the competing foreign lines?

The story of our maritime decline is a sad enough one as it is. Eighty-six years ago the percentage of American carriage in foreign trade was 92.5; when the Civil War began, 65.2; when it ended, 27.5; in 1892, 13.3; and it has been steadily declining until now it is only about 8 per cent. If you will allow the Interstate Commerce Commission to get a fair chance at it, I have no hesitancy in predicting that it will take a still further tumble if it is not entirely swept off the surface of the seas.

And, Mr. Chairman, it should not be forgotten that opportunities once lost are extremely hard to regain; and even if some future Congress should show more wisdom and more patriotism than we are showing to-day, the steamship companies of other nations, which, as stated above, are bending every energy and are keenly alive to the vast changes the canal will make in sea carrying trade, will have so intrenched themselves in the firm control of this trade that it will be next to impossible to dislodge them. And it can not be repeated too often that if you carry out the policy outlined here to-day you are making foreign nations the chief beneficiaries of this canal, which is about as wise a proceeding as it would be for a man to build a large and expensive garage fully equipped with every device for the care and maintenance of automobiles, and then going out and hiring the motor cars he needed for his transportation. And the Panama Canal stands in this further position that it is the last, almost desperate, chance we have of retrieving our position as a deep-sea trading nation. Our coast trade has been one of our proudest possessions and one of the most valuable assets of the people of the United States for so many years that to allow this incomprehensible and unjustifiable hatred of railroads to eliminate the last vestige of our mechant marine will most certainly be emphatically and severely rebuked by the American people when they once become cognizant of what this legislation really means.

Even now before the canal is open thousands of our citizens are visiting it on ships that fly a foreign flag and paying tribute to a foreign country. When they see the wonderful work that is being done on the canal they are thrilled with pride at the showing of American skill and American energy, but the great majority of them on their return, along with the patriotic pride that they felt in American achievement in the Panama Zone, bring back also a feeling of shame and deep humiliation when they remember that on the trip going and coming from start to finish they did not see the American flag on an American built and owned steamship.

Do you suppose for one moment that foreign nations will not do the same with the ships of theirs that will pass through the Panama Canal as they now are doing with the ships of theirs that pass through the Suez Canal? Just let us for a moment examine. The Russian Government in 1909 appropriated 650,000 rubles in exact terms to pay the tolls of the Russian volunteer fleet both for tonnage and for men, women, and children carried. The British Pacific & Orient Co. receives in subsidies enough to nearly pay all its canal dues, although it operates through the canal a number of boats apart from the mail steamers. The North German Lloyd receives an annual appropriation on its vessels using the canal of $1,385,000. Japan pays a subsidy of $1,336,947 to the Nippon Yusen Kaisha for its steamers through the Suez Canal to Europe.

The Massageries Maritimes, the largest French company using the Suez Canal, was paid for its lines to China, Japan, Australia, and Madagascar $2,145,000 in subsidies. Austria specifically provides by law for payment of Suez tolls on Austrian steamers from Trieste to Bombay, Calcutta, and Kobe. The Swedish Government calculates its subvention to the Svenska Ostasiastika Kompaniet to represent the amount of tolls paid by the ships of the company for passing through the Suez Canal.

In the meantime, while every foreign government is helping and will continue to help its steamship companies, knowing well that every dollar expended will be returned in tenfold, you not only are against helping, but you are in favor, apparently, of absolutely hindering American ships from competing on any kind of basis with these foreign subsidized lines. I will not say, nor is the question involved, that we should subsidize our steamship lines, but I do object, always have objected, and always will object to allow our Interstate Commerce Commission to penalize them.

Let us see for a moment how well the steamship lines pay in England. The advance in the combined net profit in 1911 over 1910 was over 26 per cent, and with two exceptions every concern in the big group of English ships participated. And even the two exceptions did much better in 1910. I append two tables, the first one showing a dozen representative companies for the last two years, net profit being struck after deducting debenture service, depreciation, and insurance allowances and other changes written off revenue:

Company.	Net profit.		Ordinary dividend.		Carry forward.	
	1911	1910	1911	1910	1911	1910
			Per ct.	*Per ct.*		
Cairn Line	£35,900	£2,100	6	Nil.	£12,800	£5,200
Cunard Steamship	222,900	203,300	7½	5	87,300	60,300
Elder Dempster & Co	103,000	134,700	10	8	34,900	23,200
India General Navigation	59,300	54,000	6	5	10,700	7,200
Isle of Man Steam Packet	21,900	11,500	6¼	6	6,900	4,100
King Line	8,700	400	5	Nil.	1,500	2,300
Mercantile Steamship	48,600	38,500	10	5	1,200	1,000
Moor Line	33,200	18,800	10	5	2,700	1,400
Neptune Steam Navigation	15,900	23,800	10	5	2,200	2,100
Pacific Steam Navigation	131,300	78,100	6	5	8,700	6,000
Royal Mail Steam Packet	122,100	96,100	5	4	11,100	4,000
Sutherland Steamship	15,400	3,600	7½	5	10,800	1,100

The second table compares the gross receipts of the various companies in 1911 with those of 1910:

	1911	1910	Increase.
Cairn Line	£129,400	£27,600	£101,800
Cunard	3,103,600	3,097,400	6,200
Elder Dempster	236,900	228,600	8,300
India General	153,200	148,100	5,100
Isle of Man	213,800	193,000	20,800
King Line	41,700	24,500	17,200
Mercantile	62,100	42,500	19,600
Moor Line	113,900	66,100	47,800
Neptune	43,700	37,300	6,400
Pacific	135,700	108,800	26,900
Royal Mail	293,100	181,600	111,500
Sutherland	52,400	9,900	42,500

Among the most successful of the companies is the Pacific Steam Navigation. The latter's report has just appeared, and part of the greatly increased earnings is reflected in the former's accounts through its predominant holding of share capital. Gross profit is up £26,900, and net profit £53,200. So that this company will be in a most favorable condition for the Panama Canal trade.

The liner tonnage of England is actively employed all the year, and especially with the emigration movement to Canada, and that emigration movement to Canada will continue and increase very largely in the next few years, and inevitably increase the earnings of the Canadian Pacific Railroad both in freight and passenger traffic enormously, giving them a still further power to use its great resources in extending their steamship lines to use the Panama Canal, while our railroad companies come under the restrictions of the Interstate Commerce Commission, and the further restrictions, which you are placing upon them by this legislation, will be eliminated as a factor in competing on the sea with our British competitors.

One of the excuses made for this legislation is that it is to discourage monopoly of domestic traffic by placing these restrictions on the railroads, yet a careful study of its real effect will readily show that instead of discouraging monopoly it can easily have the effect of fostering and promoting steamship monopoly, since it would forbid a railroad from establishing a steamship line in competition with an existing independent line, and it certainly would not restrict and might even promote industrial monopoly through the control by large corporations of steamship lines. But the main object and the most serious fault in the entire matter is the advantage that it gives to foreign steamship companies and the tribute it will make Americans pay to foreign Governments.

It means less business for American shipping lines, with the natural result of less business for American industrial enterprises; it means more wages not only to foreign seamen, but to foreign workmen in every field of industrial endeavor; it means taxing the American people for the benefit of people who contribute nothing to the wealth or prosperity of our country; it means a still further decline in the training and development of American sailors, and it will make it still more difficult to man the ships of the United States Navy with American bluejackets. It is not only unnecessary from a commercial and industrial standpoint, but it is—and I regret that I must say so in all candor—unquestionably and undeniably unpatriotic.

While we stand, and hope to stand in all the years to come, on friendly terms with every great nation in the world, yielding to all fair opportunity to compete with us in the markets of the world, it is not selfishness, but the natural and patriotic desire of a nation to take care of its own; to see that we, who bear the burden, who made possible, by our energy and by the wealth which our citizens contributed, this great engineering feat of modern times; it is not selfish for us, I say, to claim our just and fair share of the fruits that will accrue from this enterprise.

Americans have long had the deserved reputation of being good business men. Our factories turn out the finest products in the world; commercial methods are of the very best; and I submit to you gentlemen that there is no reason why we should not apply the same sound American common sense to this question and desist from these constant disturbing attacks on business which are menacing the very industrial life of this Nation. We should spend a little less time in this sort of destructive legislation, for it can be called nothing less, and do a little more constructive work along lines that will make business better, that will increase both our output and its distribution; and while helping our merchant marine and giving our railroads a living chance to expand and to progress, at the same time increase the demand for labor and bring the natural prosperity which belongs to our country and should to-day be ours. [Applause.]

Mr. ADAMSON. Mr. Chairman, I will ask the gentleman from Louisiana or the gentleman from California if he has another speaker this evening.

Mr. BROUSSARD. We have no other one to-night, and we will ask the gentleman from Georgia to proceed if he has any other one here.

Mr. ADAMSON. That being the case, Mr. Chairman, I yield to the gentleman from Indiana [Mr. CLINE] 30 minutes.

Mr. CLINE. Mr. Chairman and gentlemen of the committee, I feel that I ought to make an apology to the members of this committee, for the reason that all the gentlemen who address the committee must necessarily traverse the ground with which you are already familiar.

The only justification I have for attempting to use a short space of time is the justifiable pride that any citizen may have in taking a little part in the discussion of legislation that indicates the approach of the completion of the greatest exhibition of genius and skill that the American people have ever exhibited. The completion of the canal that opens up a new pathway for the commerce of the world that has been the dream of all nations for the last 50 or 75 years is about to see its realization through the efforts of the American people, and is one of the greatest achievements since the organization of the Government.

Mr. Chairman, in order that I may occupy as little time as possible, I am going to confine myself to the notes that I have made, and I desire to discuss simply the questions involved in section 5 of this bill, the question of tolls.

I desire at the outset to express my approval of this bill and my purpose to support the same. The completion of this monument to the genius, skill, and ability of the American people in bringing into use this new pathway for the world's commerce is of such immense importance as to require by this body the most careful consideration of those measures intended to secure its most comprehensive and widespread usefulness.

A government for the zone should first be established with responsibility definitely fixed for the exercise of the functions with wisdom and experience.

One of the absorbing questions involved in this legislation is the problem of tolls for use of the canal and the manner of laying them. Gentlemen, in the report on this bill, disclaim any attempt to construe the language of the treaty of the United States with Great Britain lying at the very bottom of the building of the canal and establish by "such construction any precedent or permanent legislative policy or to bind any future Congress, should it be deemed expedient or adjudged competent, to adopt a different basis." There can be no abandonment of the proposition to construe the language of the treaty, and if the national honor is regarded of any consequence the terms of the treaty must be consulted in fixing the rates. Why should we lay uniform rates of tolls or no tolls at all? Because we promised as a condition precedent to any authority to build the canal in the most solemn compact the Government could enter into, a compact that the Government declares to be the supreme law of the land, to administer no "discrimination against any such nation or citizen or subjects in respect to conditions of charges or traffic or otherwise." That promise was made by properly constituted authority and confirmed by the Senate of the United States. I propose to inject into this discussion as a part of my remarks a little history of that transaction. Before what is known as the Hay-Pauncefote treaty was adopted, no authority existed for the United States to enter any part of Panama to construct a canal. For the very purpose of laying the authority to do so, our Government negotiated a modification of the Clayton-Bulwer treaty that provided against either Great Britain or the United States engaging to construct or own any canal or interest in any canal across the Isthmus. This modification in the form of a new treaty was negotiated and confirmed by the Senate on February 22, 1902, and before the British Government would assent to the proposition it made us consent to these provisions, viz:

> The canal shall be free and open to the vessels of commerce and of war, observing these rules (those of neutrality) on terms of entire equality, so that there shall be no discrimination against any such nation or its citizens or subjects in respect to the conditions or charges of traffic or otherwise. Such conditions and charges of traffic shall be just and equitable. (Art. 3, clause 1, of the treaty.)

That was the result of the modification of the treaty. Now, what is the next thing we did? We entered into a treaty stipulation with the Republic of Panama in which we agreed to do these things for the privilege of constructing the canal across their territory. I quote from the treaty of 1902:

> The United States of America and the Republic of Panama, being desirous to insure the construction of a ship canal across the Isthmus of Panama to connect the Atlantic and Pacific Oceans, and the Congress of the United States of America having passed an act, approved June 28, 1902, in furtherance of that object, by which the President of the United States is authorized to acquire within a reasonable time the control of the necessary territory of the Republic of Colombia, and the sovereignty of such territory being actually vested in the Republic of Panama, the high contracting parties have resolved for that purpose to conclude a convention, etc.
>
> ART. 1. The United States guarantees and will maintain the independence of the Republic of Panama.
>
> ART. 18. The canal, when constructed, and the entrances thereto shall be neutral in perpetuity, and shall be opened upon the terms provided by section 1 of article 3 of and in conformity with all the stipulations of the treaty entered into by the Governments of Great Britain and the United States on November 18, 1901. (The Hay-Pauncefote treaty.)

These are the preliminaries, briefly stated, that this Government had to arrange before she had any authority to enter upon this undertaking. Panama was indirectly a party to the construction of the canal because she was in a position to dictate the terms of the enterprise, and because we assented to them

we are bound by them. I want you to notice that Panama, as well as the United States, reaffirmed their purpose in the treaty with each other to respect the terms of section 1, article 3, of the Hay-Pauncefote treaty and made such terms and their observance a part of the condition for the right to build that was conferred by the Republic of Panama on the United States.

Gentlemen say that the original purpose of the construction of the canal was for strategic purposes in time of war and that commerce was a secondary matter. That can not be true, for many reasons not necessary to state. These treaties to which I have called your attention show conclusively that the canal was a commercial project of the widest possible scope, and the very provision in the Hay-Pauncefote treaty declaring that the canal should be "free and open to vessels on terms of entire equality" reflects the very purpose in the minds of the high contracting parties that the strategic value was incidental to its construction, and the terms were made definite as to every element of contract necessary for the successful administration of the great commercial highway.

That opinion is confirmed by the fact that President McKinley, in the message he sent to Congress, made no suggestion to have the Panama Canal constructed for the purpose of creating a strategic point in time of war, but the tenor of all the presidential messages for the last 70 years was to create a highway for trade across the Isthmus of Panama, and in all the conventions that had been held, and in all the declarations that have been made by interested parties, the paramount question arising was to benefit the trade of the nations of the world and to cut off the long detour around Cape Horn, so that there might be a better market for us and for other nations to the East for that purpose.

For more than 60 years the purpose of establishing an interoceanic canal has been the subject of presidential messages. I quote from the former Clayton-Bulwer treaty to show that we did not originally construct the Panama Canal for the sole and only purpose of a strategic point in time of war, and that the idea of creating the Panama Canal for military purposes only, did not arise out of the fact that we were unable to get the *Oregon* around the Horn for early active service in the Spanish-American War. The Clayton-Bulwer treaty of 1850 contained these provisions:

ART. 6. And the contracting parties likewise agree that each shall enter into a treaty stipulation with such of the Central American States as they may deem advisable for the purpose of more effectually carrying out the great design of this great convention, namely, that of constructing and maintaining the said canal and ship communication between the two oceans for the benefit of mankind on equal terms to all and of protecting the same.

ART. 8. It is always understood by the United States and Great Britain that the parties constructing or owning the same shall impose no other charges or conditions thereupon than the said Governments shall approve of as just and equitable; and that the same canal or waterways being open to the citizens and subjects of the United States and Great Britain, on equal terms, shall also be open on like terms to the citizens and subjects of every other State which is willing to grant thereto such protection as the United States and Great Britain engage to afford.

Treaties are construed like any other contract, and I invite the attention of the committee to the rule laid down in this country and recognized by all authority on international law:

It is a general principle of construction of treaties that they shall be liberally construed, so as to carry out the apparent intention of the parties, to secure equality and uniformity between them, as they are contracts between individual nations. In their construction words are to be taken in their ordinary meaning, as understood in the public laws of nations, and not with any artificial or special sense impressed upon them by local law, unless such restricted sense is clearly intended. (Hauenstine *v.* Lynham, 100 U. S., pp. 483–7; Godfrey *v.* Riggs, 133 U. S., pp. 258–71.)

There is no ambiguity in the terms of the Hay-Pauncefote treaty, and consequently no room for any construction by intendment. The language is clear, direct, unequivocal, and the meaning is not to be clouded by "any artificial or special sense" imposed upon the terms.

Did England so understand the Hay-Pauncefote treaty? Certainly she did, and had faith in our observance of its conditions. On its ratification she dismantled her fortifications in Jamaica and moved away her stores and munitions of war and practically abandoned her holdings as a strategic point. Would she have done that if she had understood that the solemn compact she entered into with her great rival for trade and supremacy contained an ambiguous provision through which we could work a discrimination against her in freight rates, and that we stood ready to repudiate and trample under foot our obligations? Would she have voluntarily added an additional handicap of free tolls against her coastwise trade on this continent and in favor of our coastwise trade when we already had the advantage against her of 3,000 miles in travel to the markets of the South American Republics and the Orient? She believed in the unstained honor of this Republic, for she had dealt with us for a century in another compact on our northern border between Canada and ourselves, and she had a right to rely upon our integrity as a Nation, and that integrity will not now be compromised.

I want to pause here long enough to state that I do not concur in the opinion of the gentleman from Colorado [Mr. MARTIN] with reference to the construction of the canal being of a proprietary character. The negotiations for the construction were made with the sovereignty of the United States, and the United States acted in that sovereign capacity, and the only provision that was made in the treaty was that it might determine that the canal should be constructed by the United States, an individual, or by a corporation. The United States chose to build it herself. Admitting that it had that right under the treaty to turn the work over to a private person or a corporation, it would still be controlled by the organic act which constituted the agreement between the United States and Great Britain as to the manner under which it should be constructed, and the responsibilities of the Government entering into that contract and that agreement rested solely in the sovereignty of both nations. It could not enlarge its province and take to itself any of those incidents that attach to a proprietary nature or character from the simple fact that it determined to commit the building to a person or corporation, because back of that would rest the right of the Government of the United States in its sovereign capacity to control the manner in which the canal should be constructed and the manner in which the toll should be collected, and all of the agreements in this contract between the United States and Great Britain rested for their performance in the sovereignty of the United States and not in its contractual relationship.

Contrary to the assumption by the gentlemen opposing the fifth section of this bill, the United States does not own the canal absolutely, in the sense of having an absolute title, a perfect, indefeasible title. She obtained her interest in the territory through which the canal runs by treaty, not by purchase, and the terms under which she got it are set out in the grant and constitute a limitation defining what we got the grant for. Suppose the United States should conclude to abandon the canal for lack of commerce, or because of the expense of maintaining it, or for any other reason, would any man assert that the United States, which has acted solely in her sovereign capacity, could claim any further interest in the zone that is now under her sovereignty and conditional ownership? Would not Panama on such abandonment succeed to our present rights? The United States could not confer upon herself or her assigns any greater or different power than what she derived under the treaty, nor could she under the claim of proprietorship in the construction of the canal in the slightest degree affect or limit her liability as a sovereign power under the treaty.

But to return from the digression to the proposition of free tolls, demanded by the east and west coasts for their especial benefit: This proposition is confronted with another phase of the subject. Our navigation laws are now in force as they were when this treaty was entered into. That they were included in the understanding that there was to be no discrimination in favor of our coastwise shipping is clear to presume, for no power entering into such a compact could doubt that the vast fields for trade in South America would invite our coastwise shipping.

Is it to be supposed for an instant that Great Britain would have consented to free tolls for our ships engaged in that coastwise trade and shut the market doors of the South American Republics in her own face through such discrimination against herself at her own election? This statement will not be rejoined in that the coastwise shippers would not engage in the South American trade. Those vessels now doing business on the Atlantic coast have an absolute monopoly of the traffic, both passenger and freight, and have already investigated the subject, with a view of engaging in that trade. So also has the American-Hawaiian Line, that now owns eighteen 10,000-ton vessels and has five more in process of construction. Nor will it be objected that a different rule would prevail in case the coastwise trade shifted to the South American trade, for the difficulties of administering the law in that event would be too complex to be practicable to charge for southern trade and not for coastwise trade in the same vessel. The claim that the canal was inspired for commercial reasons, instead of to establish a strategic ground in case of war, is supported for another reason. Our individual trade would not support such an enterprise or justify the expenditure of $400,000,000. We are in no position to donate this mighty highway to the world's trade, and no nation expects us to do it—to control and defend it without pay. Governments expect and are anxious to remunerate us for the use of the canal and pay the charges without discrimination against them. The Government ought to lay a rate sufficiently

low to attract not only our own trade but the trade from foreign countries to that gateway.

The greatest element of wealth in any nation is its trade. The nation that has no great foreign commerce has no great enduring history. The trade of the South American Republics and the Latin Republics last year amounted to $4,000,000,000. We took about 20 per cent of that trade. They are lying right at our doors. Why should not we have 90 per cent of it? If we cut through the Isthmus of Panama, we bring ourselves 3,000 miles nearer to those markets than any of the nations of western Europe. We handicap the nations of western Europe by 3,000 miles of travel in our favor, and the vast amount of trade that is yet in its infancy will be our trade, and this country never did a wiser stroke of policy, despite the statement of my friend LEVY to the contrary, than when we created the Panama Canal and opened up that vast territory of South America to the trade of this country. Let me say another thing, and that is this: That the rates of the Suez Canal will determine the rate we put upon the Panama Canal. Why? It was developed in the hearings that the railroads got as high as four times as much for transportation from coast to coast of merchandise as we could carry it for by water. If that is true, then there would be no real competition between water and rail routes. If we increase our foreign trade, we must do it by handing over to those parties who would prefer coming through the Panama Canal a lower rate of duty, a lower rate of toll, so that it will be profitable to travel that distance instead of going through the Suez Canal. There is between us and the Suez Canal a zone of trade that both the Suez and ourselves will bid for. How shall we get it? Only by offering such a preferential rate as will induce them to leave the Suez Canal and come our way, and that preferential rate must be so low that the difference between the Suez and our rate will not be eaten up by time and distance. That proposition being true, then we can make the rates so low for toll that it will not affect our coastwise shipping and at the same time give us absolute control of the South American trade as far south as Chile, so far as any of the nations of western Europe are concerned. Four billions of trade and we got only 20 per cent last year!

Mr. ESCH. The gentleman means 400,000,000.

Mr. CLINE. Four billions I said, all the export and import trade of the Latin Republics, and we got 20 per cent of it.

Mr. HAMLIN. But in that is included trade on the eastern as well as the western coast.

Mr. CLINE. Yes, sir; all the trade.

Mr. HAMLIN. To open the canal would help us in getting the trade on the eastern coast?

Mr. CLINE. No, sir; but the principal trade of South American Republics for us is on the western and northern coasts—that is the valuable trade.

Mr. HAMLIN. I was thinking it was on the other side. I may be in error on that.

Mr. CLINE. I presume I might refer that question to the gentleman from Wisconsin [Mr. ESCH], who is certainly an authority on that proposition. Now, as to the question as to whether this was built as a strategic point. I think the American people will come to understand this proposition in reference to this canal and that is it will serve not only as a strategic point in time of war, but it will be a highway for increasing our commerce. Personally I am for peace instead of war. I want to say that the proudest page in the record of the present administration, that has been cursed by scandals which were entailed from a previous administration, is that the historian may write over the name of William H. Taft, as President of the United States, that he gave his sincerest efforts to the cause of universal peace. [Applause.]

Mr. SABATH. They have not very much of it just now, have they? [Laughter.]

Mr. CLINE. I want to know whether England understood this proposition. Did she understand that this great American Republic was going to be bound by its obligation to her? Had she the right to believe that we were bound when we agreed to maintain the neutrality of Panama and her independence and to maintain equal trade relations with the world and with her? She has coastwise shipping in Canada right north of us; she has coastwise shipping in Canada on the north and west of us. She closed the gate of the canal to herself and opened it to us under the contention of the gentlemen who oppose the first section of article 3, and that has given us the advantage of free tolls when we also had an advantage against her of 3,000 miles in distance. It is not to be presumed at all. Now, I have not heard any of the gentlemen who have argued this proposition tell the committee just how the remission of tolls was going to advance the local merchant marine. The evidence disclosed this fact: That the entire coastwise trade, both on the Atlantic and on the western coast, was absolutely supplied at the present time; that there was no use for any more ships for the amount of trade we now have. And the hearings developed another fact, and that is this: That the men who operate the local merchant marine and coastwise trade had a monopoly of the business. Those steamship lines running out of New York—the Clyde, the Mallory, the Morgan, the Ocean Steamship Line, and the Old Dominion—divide up the passenger traffic and the freight traffic, and no two of those lines run to the same point on the Atlantic coast.

Mr. KNOWLAND. I think the gentleman is mistaken about that.

Mr. CLINE. I will just read a little from the hearings and find out.

Mr. SABATH. That was the evidence before our committee.

Mr. KNOWLAND. In some instances they do and in other instances they do not.

Mr. CLINE. The vice president of the Clyde Co. gave the information that they have a perfect working agreement. I think the other members of the committee will bear me out.

Mr. ADAMSON. Where they went to the same point they have an entirely different service.

Mr. CLINE. I am not going to be bound by anybody's recollection. I am going to read the record.

I am going to call your attention to a little evidence in this matter. I quote from the hearings, pages 543-544, from the statement made by Mr. Raymond, vice president and general manager of the Clyde Steamship Co. and the Mallory Steamship Co., of New York:

Mr. MARTIN of Colorado. Let us bring Mr. Sabath's questions home now.

The CHAIRMAN. Yes; we want to know what the fact is.

Mr. MARTIN of Colorado. There are two lines that you are vice president of—the Clyde and Mallory.

Mr. RAYMOND. The Clyde does not go to Galveston, T

Mr. MARTIN of Colorado. The Clyde does, does it no'

Mr. RAYMOND. No, sir.

Mr. MARTIN of Colorado. The Mallory and Morgan?

Mr. RAYMOND. The Mallory and Morgan?

Mr. MARTIN of Colorado. Do go from New York to Galveston?

Mr. RAYMOND. Yes, sir.

Mr. MARTIN of Colorado. Is there any difference in the rates between New York and Galveston on these two boat lines?

Mr. RAYMOND. Yes, sir.

Mr. MARTIN of Colorado. Is not the fare identical?

Mr. RAYMOND. There is only one line that handles passengers, and that is the Mallory; there is no competition.

Mr. MARTIN of Colorado. From New York to Galveston?

Mr. RAYMOND. The Morgan does not handle passengers; no, sir.

Mr. MARTIN of Colorado. How many lines are there between New York and Key West handling passengers?

Mr. RAYMOND. Only one.

Mr. MARTIN of Colorado. What is that?

Mr. RAYMOND. The Mallory.

Mr. MARTIN of Colorado. Are there any places on the coast where the Mallory has competition in the matter of hauling passengers?

Mr. RAYMOND. Not that I know of.

Mr. MARTIN of Colorado. It hauls them all—how does it come that the Mallory has no competition?

Mr. RAYMOND. Because nobody else has put any money into that service; that is all.

Those six lines are in a position to freeze out any other lines. That is what they are for.

Mr. MARTIN of Colorado. The Clyde does not carry passengers?

Mr. RAYMOND. The Clyde carries passengers, but it does not go to Galveston.

Mr. MARTIN of Colorado. Does it go to any of the ports that the Mallory goes to?

The CHAIRMAN. It pays better to divide the ports up.

Mr. MARTIN of Colorado. Is that the way it is done?

Mr. RAYMOND. No.

Of course you would not expect a man to admit that.

Now, I want to take the following examination from the record:

Mr. MARTIN of Colorado. Let us see; we have got three lines out of New York—the Clyde, the Mallory, and the Morgan. Now, how many lines have we got in the coastwise trade going out of New York in addition to the Mallory, Morgan, and Clyde lines?

Mr. RAYMOND. Out of New York?

Mr. MARTIN of Colorado. Yes, sir.

Mr. RAYMOND. The Ocean Steamship Co.

Mr. MARTIN of Colorado. That is four.

Mr. RAYMOND. The Old Dominion; that is, coming south.

Mr. MARTIN of Colorado. That is what I mean.

Mr. RAYMOND. Coming south from American ports?

Mr. MARTIN of Colorado. That is what I want in order not to scatter too much.

Mr. RAYMOND. The Old Dominion.

Mr. MARTIN of Colorado. That is five. Are there none of those carrying passengers into the same ports from New York, down along the Atlantic coast and return?

Mr. RAYMOND. No, sir.

Mr. MARTIN of Colorado. What do they do then—have they just divided up the territory between themselves?

Mr. RAYMOND. No.

Mr. MARTIN of Colorado. I do not understand why there is not an explanation for this. We have got the facts, in a measure, but not the explanation as to why there is just one boat line in the coastwise trade of the Atlantic carrying passengers between New York and all these coast points around to Galveston and the Gulf.

Mr. RAYMOND. The explanation is that two would not pay.
The CHAIRMAN. I think that is a good one.
Mr. SIMS. How is it about the freight?
Mr. RAYMOND. The same

Mr. RAKER. Will the gentleman permit a question right there? Was it drawn out in the hearings that there was an understanding between these five companies that they were not going to the same ports?

Mr. CLINE. Has my friend an idea that they are going to take the stand and admit anything of the kind?

Mr. ADAMSON. They said they had sense enough to do it without any understanding.

Mr. RAKER. This is serious. Did the committee seek to find out, or were they able to find out, whether there was a written agreement between them?

Mr. CLINE. It was a gentlemen's agreement, an agreement which does not go into writing, so that the Interstate Commerce Commission or anybody else can get hold of it.

Mr. NYE. It never does go into writing.

Mr. ADAMSON. I remind the gentleman right there that he said it was probable he would not run through the canal in competition with the American-Hawaiian Line, because it would not be prudent or advisable to compete with them, as they could handle the business.

Mr. CLINE. And I recall that some gentleman in the committee inquired whether it was possible for foreign traders to compete with local coastwise trade if they had an opportunity, and this same Mr. Raymond said: "We never have seen a time when we were not able to take care of ourselves in the business." I say it comes with poor grace for any man to stand up before an intelligent committee as the advocate and sponsor of a class of men that have been able to get together and control all the coastwise shipping of this country; and when we open up 8,000 miles of new coast lines, with the market of the whole continent for them, so that they can control them in preference to all the other nations of the world, it is not becoming for them to ask that we give them a preference in toll in the canal that cost this Government $400,000,000, when they are able, without relief from toll, to control the market.

Mr. RAKER. Will the gentleman yield for a question right there?

Mr. CLINE. Yes, sir.

Mr. RAKER. I understand, now, from the gentleman's statement, he being one of the committee——

Mr. CLINE. I am not one of the committee. Oh, no. I beg the gentleman's pardon.

Mr. RAKER. I will change my question. From your statement and study and examination of the matter, there was no evidence to show that there was an agreement, in writing, or a favorable agreement, or a verbal agreement, between these companies as to the coastwise trade. That is a fact, is it not?

Mr. CLINE. Oh, it was not developed in the hearing, so far as I have been able to read, that there was a formal agreement. There was no evidence developed that the gentlemen running these six lines had gotten together in some office in New York and entered into a written contract that they would divide up the passenger and freight traffic among themselves, and that each of them took a copy of it and advertised their meeting in the papers. There was no evidence of that, but the fact developed that they had done so, whether in pursuance of a contract or not.

Mr. RAKER. Was there any evidence to show that anyone, or any individual or assosciation, had been seeking or trying to do this coastwise trade, and that these particular companies now in existence were working together so as to drive them off the coast?

Mr. CLINE. Well, my friend, do you know what the Gould system of railroads in the Southwest did to some men who were undertaking to start a new, independent railroad there?

Mr. RAKER. Yes.

Mr. CLINE. That is what these gentleman are able to do. Nobody would undertake to put money into a concern when there were five or six companies that already occupied the field, with power and inclination to crush any competition.

Mr. SABATH. The evidence showed that they had bought out all the smaller companies from time to time and thereby killed any possible competition that might have existed.

The CHAIRMAN. The time of the gentleman has expired.

Mr. CLINE. Let me have five minutes more.

Mr. ADAMSON. I think the interruptions that the gentleman has been subjected to entitle him to five minutes more. I think his speech itself entitles him to five minutes.

Mr. CLINE. Thank you. Now, Mr. Chairman, I wish I had time to examine the brief that I hold here, otherwise denominated the "Report of the Commissioner of Navigation."

Mr. ADAMSON. An obiter dictum.

Mr. CLINE. Yes; a brief that was filed by the Commissioner of Navigation for the local shippers of this country; a brief that no lawyer could prepare in less than two months; and the commissioner went absolutely outside the province of his official duties, that of Commissioner of Navigation, and every conclusion drawn from the gentleman's argument by himself was shot full of holes on his cross-examination before the committee.

Among other deductions he made was that if the tolls were put on American shipping it would not develop, and no shipmasters were making preparations for the Panama trade. As a complete refutation of that proposition I propose to quote from the hearings again:

The CHAIRMAN. Are you building any new ships?
Mr. RAYMOND. We built three last year; we are building two now.
The CHAIRMAN. How large are they?
Mr. RAYMOND. The ones we built last year were 5,000-ton boats; the one that is building now depends on the measurement afterwards; she will be somewhere between six and seven thousand tons.
The CHAIRMAN. Most of your ships would be large enough to do business through the canal, if you could find inviting opportunities in the Pacific Ocean, I presume, would they not?
Mr. RAYMOND. Some of them.
The CHAIRMAN I believe it has been stated 4,000 tonnage is as small as could be economically operated through the canal. I do not know how true that is.
Mr. RAYMOND. As a practical man, I should say not less than that, and it would be better to be more.
The CHAIRMAN. With those preliminary statements, if there are any words of comfort or any assistance that you can give this committee affecting this legislation, I would like to have it.
Mr. MARTIN of Colorado. You have studied the west coast of South America?
Mr. RAYMOND. I say that we have made some investigation of it.
Mr. MARTIN of Colorado. Was that based on the theory that there would be a greater development from the opening of the canal to the west coast of South America than to the west coast of North America?
Mr. RAYMOND No. We are in the steamship business for transportation, and it is the duty of those that manage the property, as I view it, to keep informed, and it is only as a matter of information that we are looking into this question at all, not with any definite view of engaging in it at once.
Mr. MARTIN of Colorado. But, agreeing entirely with what you say, what caused your investigation of the west coast of South America rather than the same coast of North America?
Mr. RAYMOND. That is a matter I would prefer to answer to the directors of my company and not to a public committee.

I now quote from the testimony of Mr. Dearborn, representing the American Hawaiian Steamship Co. I refer to pages 558–559, and ask the attention of the House to this convincing statement by Mr. Dearborn, the president of the company:

This steamship company has within 11 years created a fleet of eighteen 10,000-ton high-class freighters, all from American shipyards, and is building five additional steamers, and, in the belief that any canal tolls which may be levied will permit of its use, has announced that it will abandon the Tehuantepec route and divert its ships through the canal.

Why, he said, "We are going to go through the Panama Canal, and the toll question is not going to cut any figure with us, because we have done business across the Isthmus of Tehuantepec and made money, and we know we can do better, regardless of what the tolls are, through the Panama Canal.

Mr. KNOWLAND. It is true that he said the tolls did not make any difference, because they would come out of the consumer.

Mr. CLINE. Well, the tolls always come out of the consumer, do they not?

Mr. KNOWLAND. I am glad to have the gentleman admit that. The gentleman's Democratic colleagues have not admitted it.

Mr. CLINE. The freighter takes what he has to pay out of the consumer.

Now, Mr. Chamberlain proceeded to say that if you reduced the tolls you would destroy the coastwise shipping. He said that in the face of the fact that he knew that the water rate was only one-third of what the rail rate was now; and some of the members of the committee were inquisitive enough to try to find out what system of logic led him to arrive at that conclusion. I want to read three or four questions from the hearing. The first it this:

Mr. MARTIN of Colorado. My question is, How will the Panama Canal tolls destroy the American coast-to-coast trade, which shipping has an exclusive and absolute statutory monopoly?
Mr. CHAMBERLAIN. My reply thus far, Mr. Chairman, has been, first, I understand that this proposed canal toll is the first peace tax on interstate commerce. My second suggestion was that it is the first instance where Congress undertook to impose, in form at least, a tax on American vessels—of course, foreign vessels too, but this discussion is confined to American vessels—for using improved waterways and canals.
The CHAIRMAN. I understand he wants you to answer a concrete question as to how the tolls will affect the shipping.

The question that was put up was how the tolls would affect the shipping. The answer was:

Mr. CHAMBERLAIN. I can not get at that, Mr. Chairman, by yes or no.
Mr. MARTIN of Colorado. I want to know how tolls are going to have that result.

Of course our good friend the gentleman from California [Mr. KNOWLAND], who championed the commissioner, was beginning to get restless in his seat by that time, and he said:

I think the witness should be allowed to answer in his own way.

Of course, the witness had not been attempting to make any answer yet.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. ADAMSON. I yield two minutes more to the gentleman, as he has been interrupted.

Mr. CLINE. Then the chairman of the committee put this question:

The CHAIRMAN. Now, as to the effect which charging tolls would have in killing American merchant marine, I would like to have the explanation how that is possible.

Observe the mental agitation that the gentleman from California was going through at that time.

Mr. KNOWLAND. The commissioner was able to take care of himself all right.

Mr. CLINE. Every point that he undertook to sustain in his brief was abandoned by his own testimony.

Mr. KNOWLAND. That is the gentleman's opinion.

Mr. CLINE. It was the opinion of every man around the table, and it was the opinion of the gentleman from California, or he would not have interjected those interruptions.

Mr. KNOWLAND. I did not want answers put into his mouth. That was all I objected to.

Mr. CLINE. He ought to have had some answers put into his mouth. Now, listen to the embarrassment of a man at the head of the Bureau of Navigation of this country, who had spent months in preparing this brief. Hear what he says:

Mr. CHAMBERLAIN. This is getting to resemble, if I may be allowed to make the remark, the wireless interference with which we are dealing in another committee, etc.

Mr. KNOWLAND. You do not finish reading his answer.

Mr. CLINE. The rest of it is just like what I did read. There is no ground for the proposition. Now, just one word more, to say that the man who did more to construct the Panama Canal and had more to do with it than any other living man, Mr. Roosevelt, said in the February number of the Outlook that the tolls must be paid at the canal and there must be no discrimination.

Mr. RAKER. Is that going to settle the question?

Mr. CLINE. I hope not, but in reply to the suggestion that because other countries may appropriate tolls and therefore we ought to abandon the treaty, I have to say that we can not interfere with the local legislation of another country; we do not go to the German Reichstag, or the British House of Commons, or the French Chamber of Deputies, to see what they wish to do with reference to the toll question on this canal, but when their vessels approach the canal they must surrender to the conditions laid down in the Hay-Pauncefote treaty, which I believe this Government will enforce to the full letter. [Applause.]

Mr. KNOWLAND. Was the article in the Outlook signed by Mr. Roosevelt?

Mr. CLINE. It was on the editorial page, and I suppose he was responsible for it.

Mr. KNOWLAND. He denies any such statement.

Mr. CLINE. Where does he deny it?

Mr. KNOWLAND. He denied it through a California friend.

Mr. CLINE. Is his denial in print?

Mr. KNOWLAND. No; it is not in print, but it is over his signature.

Mr. CLINE. Put the canal on a business basis instead of upon a gratuity plan. Shipping corporations that can not pay a reasonable toll and do business can not do business if the toll is remitted. It is conceded that if the tolls are assessed it will not be detrimental to the shipping interests because the consignor will be assessed the additional amount; it is also agreed that if the tolls are remitted that the shipping concerns will get the gratuity and not the shipper or the consumer, because in the distribution it would be inconsequential and for the further reason that the rates will be kept to the limit that the business will carry.

This great Government has been good to the coastwise trade. It has shut out the foreign shipper from our local business, and properly so, and given the coastwise shipper a monopoly of the business. We have taxed this great people four hundred millions to open up 8,000 miles of additional coast line for them, and given them a position so that they could control vast fields of new business, amounting into the hundreds of millions annually. Not satisfied with that exhibition of generosity by a great Government, they "abuse our patience" by dividing up all the business on the Atlantic seaboard among themselves so as to eliminate all fair and honest competition to which the people who made this contribution in their interest are entitled. With these concessions handed over to them without money and without price, with the command to go forward and do the trade well-nigh of this Western Hemisphere, they have the unspeakable nerve to ask us not only to go down into our pockets and pay the interest on the immense debt, to pay the running expenses and the cost of constantly protecting and providing this great pathway for their business, but they demand that we pay for them the price of passing through this canal.

I wish, in closing, to refer briefly to the statement of the minority. One of the most remarkable statements in this controversy is contained in the opening page of its report. This is the language:

This great canal, built for the American people by American money, genius, and enterprise should be forever a free and untrammeled competing route with transportation by land.

Mr. Chairman, that is the kind of a half truth stated as the basis of an argument that carries in its form the virus of a willful misstatement. The Panama Canal is not fully an American canal, though built with American money. Let us be candid in this discussion. It belongs to the commerce of the world. To its use and its protection are applied the principles of international law. It is not a waterway within our own States and territory wholly under our jurisdiction without any limitation whatever. Before we built the Panama Canal we went into a foreign country and invoked the highest constitutional power under this and another Government in a formal negotiation with a distant sovereignty for the mere right to enter upon such an enterprise. We were compelled to go from that sovereignty, which imposed limiting restrictions upon us, to another Government separated from us also by a foreign State to obtain further consent and engage in additional reciprocal obligations before we could begin. Those conditions absolutely distinguish the Panama Canal from a mere domestic improvement. A companion statement to the one above is the further observation that—

It is true that we levy no tolls upon Canadian vessels using the Soo Canal, but that is because the American vessels are accorded the same treatment in the use of the Welland Canal.

That is not a correct statement of the fact. We use the Welland Canal without toll and the Canadians use the Soo Canal without toll, not because of any reciprocal arrangement, but because the right is fixed by treaty stipulations and on no other grounds. If the Canadian Government attempted to charge American vessels a toll for passing through the Welland Canal, our vigorous protest which we would immediately make would be based upon our stipulations in our treaty with them and upon no other grounds and not upon the fact that they were using, free of toll, the Soo Canal.

When we arranged with the Panama Republic for the right to build the canal they had it in their power to prescribe the terms upon which we might enter upon such an undertaking; they did it and we acceded to those terms and now we should obey them. Every declaration made not only by the President, but by Mr. Roosevelt when he was President, declared the enterprise to be international in its intended use.

But gentlemen themselves do not agree as to the method in getting the money out of the Treasury. Some of them who want this subsidy, like Mr. Lewis Nixon, of New York, and his associates, have no regard for treaty stipulations. They would create a stampede for the tolls, regardless of our treaties. They would break down all barriers, if they are correctly reported in the press, wipe out all agreements, and appropriate the necessary money. I do not believe in that sentiment, Mr. Chairman, even if there is some popularity for it in the country. I do not believe in a doctrine if a legislature gets in the way, brush it aside; if the courts get in the way, brush them aside; and if you get a decision on a constitutional question that does not suit you, go down to the corner grocery and reverse it. I believe in the integrity of this Government in all of its undertakings. As I said, there are men in high authority who wish to make a feint at a compliance with the terms of the compact. Secretary of War Stimson, this year, at Kansas City, before the Commercial Club, discussing the toll question, said:

I think the United States has a clear right to appropriate to the vessels, paying the same sum paid into its Treasury by these vessels in the form of canal tolls.

That statement is very wide of the real question. What is the real proposition involved, anyway? Stripped of all its subterfuge, its sophistry, its buncombe, it is the unmasked stalking horse for ship subsidy that has so frequently been driven out of this Capitol, only to return again at the next session under a different guise. The time has passed when this Government proposes to grant a gratuity to private inter-

ests—to cooperating capital—that already skulks in the shadow of a prosecution for violating the Sherman antitrust law. It will refuse to be a party to such combinations to fasten a tighter grip on the business of the country by way of the Public Treasury. Such indirect appropriations to these masterful institutions are wrong in principle, and the injustice can not be cured by taking the circuitous route suggested by the Secretary of War. I submit that the language of the President in his late message on this subject is open to the same objection, both in its tone and in its conclusion. This is his language:

> We own the canal. It was our money that built it. We have a right to charge tolls for its use.

It does not follow, simply because we have the sheer power to do these things, that we are not hedged about by certain limitations. We have a right to charge tolls, but not to discriminate in making the charges; and the President admits our contention, in the further discussion of the matter, in the use of this language:

> These tolls must be the same to everyone; and when we are dealing with our own ships the practice of many Governments of subsidizing their own merchant vessels is so well established in general that a subsidy equal to the tolls and equivalent remission of the tolls can not be held to be a discrimination in the use of the canal.

This is an unworthy subterfuge to milk the Public Treasury, and the statement is not in harmony with the facts. No great commercial nation, either Germany or England, our greatest competitors, votes a subsidy to their commercial and merchant vessels except in the nature of mail subsidies or as subvention to certain naval lines, both of these services being a public service and not a private enterprise.

Mr. ADAMSON. I yield 30 minutes to the gentleman from Wyoming [Mr. MONDELL].

Mr. MONDELL. Mr. Chairman, I have prepared with some care a discussion of a very important, and in my opinion the most important, question in connection with the Panama Canal, a question that perhaps is not entirely pertinent to the legislation before us, to wit, the question of fortification of the canal. I do not intend to inflict that discussion on this small, but select audience. At some future time I hope to have the opportunity to show what monumental folly it is and will continue to be to attempt to fortify and protect this great waterway with 16-inch guns and bayonets. Of all the errors that the American people have fallen into, or that they are liable to fall into, I think none can be more profound than that of attempting to create of the Isthmus of Panama a heel of Achilles, a point which every foreign enemy which we shall ever have in all our history will strike when it is entirely practicable to protect the canal without a gun and without expense.

I hope, when the appropriation bill is before the House, to have an opportunity to discuss that question at length.

It has been suggested that we have already entered upon the plan of fortification of the canal, and therefore it is useless to discuss that question. We have already wasted a million or two down there, and we have in all a $3,000,000 appropriation to draw on. But no question is ever settled until it is settled right. I do not hope that anything I shall say will prevent this Congress from making another appropriation, but I do believe that before that appropriation is used the American people will wake up to a realization of the folly of attempting to protect the canal with guns.

Gentlemen have noted that all those who have discussed the canal have talked about its neutralization, and yet we propose to plant 16-inch guns at each end of it, and talk about a fortified canal being a neutralized canal.

Failing in the opportunity of discussing at such length as I should like to the question of fortification, I did not intend to enter into this discussion at all, and I would not have done so except for the astounding fact that gentlemen who represent the localities of the organizations to be directly affected seriously urge the proposition that the American people, who have spent $400,000,000 in the construction of this great waterway, shall give to the chief beneficiaries of it for all time the opportunity of going through it without even paying for the grease used in turning the gates of the locks. [Laughter and applause.]

Mr. RAKER. Will the gentleman yield?

Mr. MONDELL. Certainly.

Mr. RAKER. Is not it provided in the subdivision 7, article 2, of the Hay-Pauncefote treaty that no fortifications shall be erected commanding the canal or adjacent territory?

Mr. MONDELL. I regret I have not time to discuss the treaty at length. I base my argument not at all upon our treaty rights, because I have discovered with regard to fortifications, as we have discovered within the last two days in regard to the question of tolls, that there are a considerable number of gentlemen who in this matter are in the attitude of the gentleman from Texas who inquired, when the suggestion was made to him that the Constitution stood in the way of a certain measure he favored, "What is the Constitution between friends?"

Mr. ADAMSON. He was from New York.

Mr. MONDELL. Well, wherever he was from, he represented very clearly the attitude of the gentlemen from the Pacific coast, and to some extent from the Atlantic coast, who, in the face of opportunity to do something for a few of their constituents, are willing to say, "What is a solemn treaty obligation in the presence of an opportunity to grab something?"

And so I shall not, in the brief time that I have to discuss the question of tolls, talk about our treaty obligations, though they are writ so plain that a wayfaring man, though he be a fool, can not fail to understand them if he wants to have these obligations carried out. [Applause.]

Every line, every syllable, every word, of all that has been done from the beginning with regard to this canal pledges this great Nation to equal opportunities and equal treatment to the ships of all flags and citizens of all nations.

Mr. RAKER. Will the gentleman yield right there?

Mr. MONDELL. Yes.

Mr. RAKER. The gentleman has given the subject a good deal of thought——

Mr. MONDELL. I have not, as a matter of fact, for I did not intend to discuss it.

Mr. RAKER. There are just two questions that I have been intending to ask the gentleman. First, under the Clayton-Bulwer treaty of April 19, 1850, if a private individual had built the canal, under the provisions of that treaty all foreign powers would have had an equal right to go through the canal. That is conceded, is it not?

Mr. MONDELL. I did not catch the gentleman's question; I was otherwise engaged.

Mr. RAKER. Under the Clayton-Bulwer treaty of April 19, 1850, if a private individual or a corporation had built the canal, and built it under its provisions, they would have been entitled to equal and exact treatment—every nation—would they not?

Mr. MONDELL. I have not the treaty before me, but we are not building the canal under the Clayton-Bulwer treaty; and, in any event, I am not discussing treaty relations, because the gentlemen from the Pacific coast do not seem inclined to regard the treaties anyway.

Mr. RAKER. Will the gentleman give me three questions, and I will quit? If that is conceded, if this private individual or corporation had built the canal, will the gentleman from Wyoming say they could not have run a line of ships through this canal?

Mr. MONDELL. I have not conceded anything. I have not the time in the very brief time I have to discuss the treaty relations.

Mr. STEVENS of Minnesota. Does the gentleman from California think that under the treaty and his statement that a line of ships having a flag of some nation would not be treated the same as every other ship?

Mr. RAKER. No; but if this private individual or corporation had built the canal would not he or it have been entitled to run a line of ships through it?

Mr. STEVENS of Minnesota. They would have to fly the flag of some nation or they would be considered pirates. If they had the flag of any nation, then they must be treated just exactly as ships under the flags of any other nation. The gentleman seems to assume that a man can be a pirate, just as all of these people do.

Mr. RAKER. Suppose they were flying the flag of America, then they would have gone through the canal without paying any tolls.

Mr. STEVENS of Minnesota. No; the gentleman is wrong, as most of his class are in that respect.

Mr. MONDELL. Mr. Chairman, I am very good-natured, but, really, my time is very brief.

The CHAIRMAN. The gentleman from Wyoming declines to yield further.

Mr. RAKER. No, Mr. Chairman, he has not declined to yield. Just one more question and I am through.

Mr. MONDELL. I will say to the gentleman again that I do not propose to spend a lot of time going into a detailed discussion of what the Clayton-Bulwer treaty proposes; nor do I intend to discuss at any length what the treaty under which we are working provides, although I do say that in my opinion that treaty prohibits us from preferential tolls; but realizing that treaties and treaty obligations seem to have no weight whatever with the gentlemen on either coast, I am going to discuss the question of tolls from an entirely different standpoint, and the

gentleman from California [Mr. RAKER] can have his own opinion as to what we may or may not do under the treaty. My opinion is that there is not a word nor a line in any treaty—Bulwer-Clayton, Hay-Pauncefote, or Panama—that gives us the right to do what the gentleman desires we shall do with regard to American shipping.

Now, Mr. Chairman, furthermore——

Mr. RAKER. Mr. Chairman, I do not want to interrupt, but I have been seeking from the gentleman on this question at least an answer to this matter, and I think that this House ought to be able to get it and somebody ought to be able to give it to us, even if it does take a little time.

The CHAIRMAN. Does the gentleman from Wyoming yield to the gentleman from California?

Mr. MONDELL. Mr. Chairman, my time is limited——

The CHAIRMAN. The gentleman declines to yield.

Mr. MONDELL. Mr. Chairman, I am not entering upon a discussion of treaties. The gentleman and those who agree with him have had an infinite amount of time in which to discuss our treaty obligations, and they have ended their argument in this way: The gentleman from California [Mr. KNOWLAND], who sits near me, closed his argument with a statement that whatever our treaty obligations were or might be, they should be construed in favor of the proposition for which he stood, and the gentleman from Washington [Mr. HUMPHREY] wanted to know by what right the Secretary of State and the Senate of the United States had made a treaty under which we could not give preferential rates to American shipping. That is the way the gentleman's side has treated this question; and as they propose to flaunt treaties and are ready to trample upon them, I shall place my argument entirely upon the question of the propriety of doing the thing. If they insist upon it, I will admit, for the sake of argument, that all of the treaties, every one of them, have written across them in letters a yard high a statement that you can grant preferential tolls, and still I say it should not be done. [Applause.]

Mr. KNOWLAND rose.

Mr. MONDELL. Mr. Chairman, I am sorry that I can not yield.

Mr. KNOWLAND. But the gentleman does not want to misquote me.

Mr. MONDELL. I did not misquote the gentleman, because almost the gentleman's closing words were that whatever we might think about the treaty we should resolve any doubt with regard to it in favor of the policy that he proposes.

Mr. KNOWLAND. I said if any doubt existed——

Mr. MONDELL. Then I will let it stand at that.

Mr. KNOWLAND. I want to say in that connection that every department of the United States Government that has written or passed upon this question maintains that we have that right under the treaty.

Mr. MONDELL. Oh, Mr. Chairman, the gentleman does not expect me to accept that statement as being true.

Mr. STEVENS of Minnesota. Mr. Chairman, I can not let that statement of the gentleman from California go unchallenged. I think the contrary is true, that every department of our Government that has construed these words has construed them exactly in the opposite way from the contention of the gentleman from California.

Mr. KNOWLAND. What department is there that has done that?

Mr. STEVENS of Minnesota. The Department of State, the records of this House, the records of the Senate——

The CHAIRMAN. The gentleman from Wyoming declines to yield. The gentleman from Wyoming has the floor.

Mr. ADAMSON. Let me make a suggestion; I will yield the gentleman another minute; the members of the committee who have studied this question and taken precedence in place for debate have opened themselves to the questions of their colleagues and have invited the most scrutinizing interrogations. When we yield time to gentlemen who are not on the committee and who do not profess to be able at all times to answer any of these questions and have only a limited time, I do insist that they ought to be allowed to utilize the time given them.

The CHAIRMAN. The Chair thinks there can be no question of the fact that a gentleman can refuse to yield if he desires to do so, and the gentleman from Wyoming refuses to yield.

Mr. MONDELL. Mr. Chairman, I want to be courteous, and I would be glad to answer these questions if I had the time. I started out with the proposition I did not propose to discuss our treaty rights, and immediately the gentlemen from California, who are in favor of trampling our treaty rights under foot, want that question discussed. That is the question they want discussed now, though they have had hours to discuss it. I propose to show how outrageous it is without regard to treaty rights to give the coasts this advantage over all the other people of the United States of America.

As far as treaty rights are concerned, I say again that the first paragraph of section 3 of the Hay-Pauncefote treaty makes it so plain that any man who wants to interpret it fairly can not fail to interpret it as against the proposition laid down and advocated by the gentlemen from California, but whether that be true or not this is the proposition: We have spent $400,000,000 of the money of the American people. To do what? To reduce by 8,000 miles the distance from San Francisco to New York, and approximately that distance between the Atlantic and the Pacific seacoasts generally. To reduce by 25 to 35 days the sailing distance between the Atlantic and Pacific coasts; to reduce by one-third to three-quarters the cost of shipping from the Atlantic to the Pacific coast, and yet gentlemen from the Pacific coast stand here, the Pacific coast that has been voted in this House an opportunity to celebrate the completion of that magnificent work, as the gentleman from Washington did to-day, and talk about our doing nothing for American shipping by this great outlay and suggesting that nothing will be done unless we give coastwise shipping the right to pass through the canal free, taxing all the American people for all time to come for its care and its maintenance. To-day you can not ship oranges from Los Angeles to New York for less than $26 to $28 a ton——

Mr. RAKER. Do you want to know why?

Mr. MONDELL. They can not be shipped around the Horn at all under ordinary conditions. They can be shipped through the Panama Canal for $8 or $9 a ton without any regard to what the rate of toll may be, and yet the gentlemen from the Pacific coast are here saying to us that after having given them the opportunity to reduce freight rates $20 a ton the people of the United States generally shall pay for putting those ships through the canal. Every case that has no foundation has to have a bogie man, and this case has its bogie man, and they attempt to stampede gentlemen by saying, at the beginning of their argument, this is a question of the people as against the transcontinental railroads. No argument to prove in what way the transcontinental railroads are interested, no argument in support of the assertion but that bare statement reiterated and wrung in in all its changes in the hope that somebody will be stampeded by it. It is a question between a few favored shippers and the people of the United States. To all intents and purposes, so far as 95 per cent of all the shipping that will go through the canal is concerned, there is absolutely no such thing as competition between the steamships through the canal and the railways across the continent. There can not be any competition. How can there be a competition between the railway traffic at $12 to $25 a ton and traffic through the canal at $8 or $9 at the most? The only competition there will be and can be for the bulk of the business is the competition between the steamships themselves.

The building of this canal, the expenditure of our millions, has given the Pacific coast an opportunity such as never came to a community in all the tides of time; but, not satisfied with this, they want to load upon the people of the United States generally the cost of taking their ships through the canal. The Panama Canal is a glorious monument to American genius, to American industry, and it will be beneficial to all the country in a way. It is our pride and our glory, both those of us who dwell in the interior as well as those who dwell on the seacoasts, but the benefits in the main will come to those who dwell upon the two coasts and in the vicinity of them, and heaven knows they are getting quite enough out of this canal, without calling upon the people of the country generally to pay the cost of its operation. Carried to its logical conclusion, the argument of the gentleman from California [Mr. KNOWLAND] would amount to this, that if the Government were to condemn and secure ownership of a piece of railway somewhere the shipper who might use that piece of railway for his particular traffic should have the right to run over it without cost. Built with public money, why should not the public have the benefit of it, or the particular part of the public that he represents?

The argument is made that this is part of our coast line. It is in no sense a part of our coast line. The argument is made that, being a part of our coast line, in the sense that traffic from one coast to the other passes through it, therefore it ought to be free, as all our waterways are free. Our waterways are free, and the country generally receives a benefit of the remission of all charges.

But here is a great work far from our coast line, the great benefit of which, however, will accrue to those who have the monopoly of coastwise trade. As a matter of fact, it would be perfectly just to charge shipping from the Atlantic to the Pacific and from the Pacific to the Atlantic coast of the United States

a higher rate of duty than any other shipping. And if we did, it would not cost any American citizen, except the man who owns the ships, a dollar.

Gentlemen have argued in favor of these lower rates on the theory that the American people were going to get the benefit of the remission of tolls, but they have not given us a single argument to prove that contention—not one—and any man who has given the matter any study at all knows perfectly well that the shipper never will know the difference between a toll of $1.25 a ton and no toll at all.

Mr. CLINE. Or the consumer, either?

Mr. MONDELL. I thank the gentleman. The shipper at the one end and the consumer at the other will never know the difference. I know there are a few large shippers in addition to the owners of steamships who desire to enjoy this graft—a few large shippers of automobiles, and such things—who think they will get some sort of benefit from free tolls. They never were more mistaken in their lives. Does anybody imagine that an automobile shipped from Detroit will be landed in San Francisco any cheaper because of the remission of $1.25 a ton toll through the canal? And if that were true, does anybody imagine that the man who bought the automobile would ever know from the price he pays whether it went through the canal or went across by the railway?

Mr. NYE. If, strictly speaking, the cost is paid either by the consumer or shipper, or both, naturally and logically should not the commerce itself pay the cost of the improvement for the benefit of commerce?

Mr. MONDELL. That is very largely true. Or, putting it another way, have not the American people done quite enough for the commerce between the Atlantic and the Pacific seaports when they have shortened the distance 8,000 miles, shortened the time 26 days, and shortened the rate by one-half or two-thirds? And should not the people interested at both ends—both the shippers and the consumers and the steamship people—be satisfied with that splendid gift from the American people and not ask them for all time to come to furnish them a free passage through the canal? [Applause.]

There has been a great deal of declamation in regard to this. Why, one gentleman said, "Why do we spend four hundred millions of our money and get no benefit?" I blush for an American citizen who feels that way. Have we not done a good deal for the commerce of the country when we have shortened the distance as we have, shortened the time as we have, and reduced the cost as we have? And how much more do these gentlemen want the people of the United States to do to benefit their particular section and to benefit particularly a few steamship owners in their locality? For, in the long run, they are the only men who will be benefited.

The gentleman says few, if any, steamship men came before the committee and demanded a remission of tolls. Why, certainly not. No intelligent steamship man would have the nerve to come before that committee and stand the cross-examination he would have to stand there in the attempt to make his case. [Applause.]

The CHAIRMAN. The time of the gentleman from Wyoming has expired.

Mr. ADAMSON. Mr. Chairman, if the gentleman from Louisiana [Mr. BROUSSARD] has no other speaker yet, or the gentleman from California [Mr. KNOWLAND] has no speaker, I will yield the balance of the time this evening to the gentleman from Missouri [Mr. HAMLIN], a member of the committee. [Applause.]

The CHAIRMAN. The gentleman from Missouri [Mr. HAMLIN] is recognized for 58 minutes.

Mr. HAMLIN. Mr. Chairman, I will assure the committee that I do not think I will tire it by taking too much time to-night. This is a great question, and I would like to be able to discuss it at some length, but the ground has been covered so thoroughly that it would seem there is not much left for me to say.

I have been here for several years, and I do not hesitate to say that I never heard any debate that has displayed as much real ability as has this debate yesterday and to-day. I feel that it is due the chairman of the committee which reported this bill [Mr. ADAMSON] to say that he started this discussion off by making one of the few great speeches that I have heard on this floor. [Applause.] And certainly the ranking Republican Member on the committee [Mr. STEVENS of Minnesota] did not fall one whit behind him. [Applause.] Neither does the gentleman from Wisconsin [Mr. ESCH], another member of the committee, who spoke to us this morning, suffer any by comparison. [Applause.] And I might go on down the line and say the same thing of the other gentlemen who have spoken on this question and not be accused of throwing bouquets at anybody. I believe that everyone will agree with me that this has indeed been a great debate.

The ground has been thoroughly covered, and I confess my inability to measure up to the standard that has been set, but I do not want this occasion to pass without saying a few things in relation to this great question.

We are about completing what ought to be and doubtless will be regarded as the eighth wonder of the world. I had read a great deal about the Panama Canal, and I had seen pictures of it and talked with parties who had visited the Isthmus. I thought I had a very good conception of that wonderful undertaking. But last winter I went with the committee down to the Isthmus and very carefully inspected that wonderful piece of work, and it was so much greater than I had anticipated or thought that it almost staggered my comprehension. Rivers and mountains have been defied. A great ridge has been thrown from hill to hill across the Chagres River—they call it the great Gatun Dam. Locks have been provided whereby great ships may be hoisted 85 feet in the air and sent 35 miles on an artificial lake and then dropped to the ocean level and sent on their way across the Pacific Ocean—an accomplishment which is a monument to American engineering. France failed in the undertaking. Eminent foreign engineers said it was impossible to construct a lock canal. It remained for American genius, for a man born on American soil, to go down there and overcome those difficulties and give mankind the greatest piece of work the world has ever seen. [Applause.]

And your committee in attempting to bring about legislation for the control and management of this canal has been prompted by no other purpose than to introduce and present to this House legislation such as we think ought to be adopted in order to properly operate, control, and protect this great canal.

It is not necessary for me to attempt to discuss any portions of this bill except section 5. All the other sections seem to be practically agreed upon. It is true that my colleague from Missouri [Mr. BORLAND], who spoke to the committee to-night, did raise some questions about giving preferential tolls to ships other than those engaged in the coastwise trade, but he was outside of the contention made by the Members who have filed a minority report, and I presume that the committee is not giving any serious thought to his contention. The opposition, or rather the nucleus for the opposition, is made up of those Members who signed the minority report. That report is signed by my friend from California [Mr. KNOWLAND], and by the gentleman from Michigan [Mr. DOREMUS], the gentlemen from New York [Mr. CALDER and Mr. GOLDFOGLE], and the gentleman from Louisiana [Mr. BROUSSARD].

Of course these gentlemen are in favor of free tolls for our coastwise vessels from principle, but it is an interesting coincident that they each reside in the section of country near where the coastwise vessels are active.

My friend from Michigan [Mr. DOREMUS] can, without leaving the soil of his native State, paddle his feet in the limpid waters of either Lake Michigan, Lake Huron, or Lake Erie. My friends from New York City [Messrs. CALDER and GOLDFOGLE] can, without leaving their dooryards, look out on "Liberty enlightening the world." My friend from Louisiana [Mr. BROUSSARD] hails from a State the southern boundary of which ebbs and flows with the tide on the Gulf of Mexico. And my friend from California [Mr. KNOWLAND] knows the alligators and crocodiles in the Pacific Ocean by name.

The gentleman from Michigan [Mr. DOREMUS] opened up the debate for those representing the minority report, being put forward as their spokesman, and I am willing to state that they made no mistake in selecting him as their advocate, for he did himself proud.

But I think he unconsciously—because I do not believe he meant consciously to do it—was hardly fair in his statement, for he sought to put the majority members of the committee in a position which they are not entitled to occupy. You will read between the lines an intimation, at least, that the majority of the committee had a little too much consideration, perhaps, in reaching their conclusions for the transcontinental railroads in this country, and I am quite sure that the gentleman knows, and every gentleman on the committee knows, that there was nobody that stood more firmly against railroads owning steamships that would prevent competition through the canal than the men who are standing for the majority report at this time in this House. [Applause.]

I want to call attention just in connection with that to one statement that he made, and in doing that I will jump a little bit ahead of what I intended to say in the regular order. I quote from the gentleman from Michigan [Mr. DOREMUS]. He said:

> I am opposed to allowing the Wall Street parasites to dictate the policy of Congress.

I believe that is true, but why are you standing here pleading for free tolls for coastwise ships? Wall Street wants free tolls for the coastwise trade. They finance these coastwise ships, and it is Wall Street that wants free tolls as much as the owners of these ships. Are you not playing right into the hands of Wall Street?

I am not in favor of permitting Wall Street to dictate to Congress how it shall shape its legislation. I do not charge for one moment that the gentlemen signing the minority report were influenced by Wall Street, but I only call attention to the fact that the evidence was adduced before the committee that Wall Street did finance the building of these ships, and the contention of the gentlemen who are in favor of free tolls, if it amounts to anything, is that they want free tolls in order to encourage the building of more ships, and in that contention they are in entire accord with Wall Street.

Mr. KNOWLAND. Will the gentleman yield right there?

Mr. HAMLIN. I will.

Mr. KNOWLAND. It is the intention of the minority, at least of "the gentleman from California," to keep out the Wall Street ships controlled by railroad interests.

Mr. HAMLIN. And in that the gentleman from California and myself entirely agree; but I say these ships are financed by Wall Street, and Wall Street wants free tolls, and so do you. I am not charging that gentlemen were prompted by any wishes of Wall Street, but in this instance they find themselves in accord with Wall Street. In the last analysis you want more ships, do you not, in the coastwise trade? The evidence before the committee is that they are financed in Wall Street, and you can get them financed more easily by enacting the legislation that they want; and, in addition to other things, they especially want free tolls.

Mr. KNOWLAND. That is only as far as the Pacific Mail was concerned.

Mr. HAMLIN. Oh, it applies to all ships built in this country.

Now, Mr. Chairman, I want to call attention to one thing that seems to have been overlooked in this debate, and that is this fact: We have been proceeding in this argument apparently upon the theory that the Government owns the Panama Canal. In one sense that is true. In another sense it is not at all true. Do not mistake my meaning. It has been said upon this floor publicly and privately that because the Government of the United States owns this canal it has a right to discriminate in favor of American ships and ought not to charge tolls to its coastwise vessels. That is not absolutely true. I concede that if we were to build a canal from Chicago down to the Mississippi River, which we are contemplating, and I hope we shall build some day, that being wholly within United States territory, wholly within our control, the concern of no other nation upon the face of the earth, we would have a right to discriminate in favor of our own ships or the ships of any other nation, and I have no doubt we would not charge any tolls to American ships throught that canal.

But by what right are we on the Isthmus of Panama? We are outside of the territory of the United States. We have gone into a project at a place that we would have had no right to go if the other nations had objected; and knowing that fact, we first obtained the consent of certain nations by solemn treaty permitting us to go and build there a canal. And while we speak of owning it, and in a general way we do own it as far as controlling it is concerned, it is my judgment that if we should to-morrow conclude that this canal proposition was an absolute failure, and should pull up stakes and leave it, and go away and abandon it, we would then have no more right there than if we had never gone upon the Isthmus. If we owned it in the sense that you own your farm or your house and lot, it would be ours whether we abandoned it or whether we did not. But we do not so own the Canal Zone.

Mr. RAKER. On what theory does the gentleman reason in that way?

Mr. HAMLIN. On the theory that we have no rights there except such as we have acquired by treaty. The gentleman must understand that if we were to abandon that project and go away from there we would lose all our rights down there. It would certainly revert to the Republic of Panama. We could not sell and transfer our sovereignty to that Canal Zone now without the consent of the Republic of Panama.

Mr. STEVENS of Minnesota. Are there not provisions in both treaties that substantially carry out the contention of the gentleman from Missouri? I refer to section 4 of the Hay-Pauncefote treaty and section 1 of the Panama treaty.

Mr. HAMLIN. There is no question about it, and I want this committee not to fail to get that idea into their heads. Then I think we can see why it is that we are not able to discriminate in favor of American ships in Panama, as we could do if that canal was built within the limits of the United States.

Let us see what our rights down there are. Some gentlemen say, as my friend from California in substance said the other day, that even if we have this kind of a treaty, it is a foolish treaty, and in substance that we ought not to observe it, that we ought to ignore it. I say that all the reasons in the world, moral and otherwise, bind us to that treaty, because the only right under heaven that we have down there is by virtue of that treaty. In that sense we own the canal, and in no other sense in the world do we own it.

Another thing: I believe that the treaties in this case are binding upon us. I am not going to tire you by going all over that again.

I just want to call your attention to one or two things in this treaty. Here is the proclamation following one of the treaties:

> It is agreed that the canal may be constructed under the auspices of the Government of the United States, either directly at its own cost, or by gift or loan of money to individuals or corporations, or through subscription or purchase of stock or shares, and that, subject to the provisions of the present treaty, the said Government shall have and enjoy all the rights incident to such construction as well as the exclusive rights of providing for the regulation and management of the canal.

Now, if we had bought that land, and had a fee-simple title to it, we would not need to get a treaty from any other nation in order to build that canal. We could do with it just as we pleased. But we never got that, and we do not have it to-day. You must not get it into your minds that we absolutely own that zone 10 miles in width across the Isthmus.

Now, listen to the conditions:

> The United States adopts, as the basis of the neutralization of such ship canal, the following rules substantially as embodied in the convention of Constantinople, signed the 28th October, 1888, for the free navigation of the Suez Canal; that is to say—

And it points out specifically that—

> The canal shall be free and open to the vessels of commerce and of war of all nations observing these rules, on terms of entire equality, so that there shall be no discrimination against any such nation, or its citizens or subjects, in respect of the conditions or charges of traffic or otherwise.

Now, do you tell me that under the conditions I have mentioned we did not agree that we would not show any discriminatory rates in favor of our own ships? But a gentleman said to me to-night, "Suppose we owned a railroad, do you tell me that we would not have a perfect right to transport property on that railroad free and not charge for freight, and yet charge other shippers freight rates for shipping their stuff?" That is just exactly where the mistake is made in this proposition. We can put Government ships through the canal without the payment of tolls, but we have no right to put John Smith's or Bill Jones's ship through there simply because he happens to be an American citizen. [Applause.]

Mr. RAKER. Will the gentleman yield for a question?

Mr. HAMLIN. Yes.

Mr. RAKER. The lines found on page 2, commencing at line 21, are as follows:

> The President is authorized to acquire by treaty with the Republic of Panama any additional land or land under water not already granted, or which was excepted from the grant, that he may deem necessary for the operation, maintenance, sanitation, or protection of the Panama Canal, and may, in like manner, exchange any land or land under water not deemed necessary for such purposes for other land or land under water which may be deemed necessary for such purposes, which additional land or land under water so acquired shall become part of the Canal Zone.

If the Government, under the provisions of this bill, should abandon the title to all of the lands within the Canal Zone not now owned or claimed in private ownership, does the gentleman contend that we would not be in a position to dispose of the land and property as we saw fit, even if the canal was not built or was not used?

Mr. HAMLIN. These gentlemen have this mistaken idea, that we may acquire additional lands by treaty or exchange by treaty, but when we acquired the zone 10 miles wide across the Isthmus by treaty there were private individuals who had some claims against the Panama Government. Of course, these people could not be robbed of their rights; somebody must pay them or they would be robbed of their property.

Now, in making provisions for depopulating the zone, we believe it is necessary for the Government of the United States to own all the land, and then if my friend from Indiana has a home down there the Government can not dispossess him without paying him something for his improvements and his rights, whatever they may be there; but that does not give us any greater rights than we got out of the treaty.

Mr. SABATH. If a man owned a title to the land, it would not give us any greater right than we got by treaty.

Mr. HAMLIN. No; we hold the strip of land in perpetuity by virtue of the treaty, and if we acquired every foot of land,

so far as private ownership is concerned, and then abandoned the project, or moved away, it would go back to the Panama Government.

Mr. CLINE. We got the land under the treaty for a certain purpose and the limitation was set out in the grant.

Mr. HAMLIN. Certainly; and I am glad the gentleman called my attention to it. We got the land for a certain purpose, and that was a public purpose. We did not build the canal for the United States alone; we built it for the world, and the world has got an interest in it, in a way. There is no question about it, and we could not handle it as we could a canal wholly within the jurisdiction of the territory of the United States.

Here is the proposition in a nutshell, on our right to collect tolls or not collect tolls on coastwise trade: It seems to me that your representative who opened up the debate for you on this proposition, who fired the big gun—and I make no invidious comparison—gave your whole case away in answer to a question by the gentleman from Minnesota the other day. I refer to the gentleman from Michigan [Mr. DOREMUS]. On the right to collect tolls, Mr. STEVENS of Minnesota asked him this question:

Mr. STEVENS of Minnesota. Section 3 of the general bridge act provides that any company desiring to use a railroad bridge, built under the railroad-bridge act, shall pay for it, the same as is provided by the law under which the Panama Canal was built; that is, we authorize a railroad that builds a bridge to charge for the use of it in interstate commerce.

Mr. DOREMUS. Yes.

Mr. STEVENS of Minnesota. So that this Congress does authorize charges, levies tolls, and imposes taxes in interstate commerce, does it not?

Mr. DOREMUS. Yes. The gentleman is entirely right. The mistake he makes is in confusing a proposition of that kind with the Panama Canal, which is a Government-owned proposition, and the tax proposed to be imposed is a Government-imposed tax. If they had proceeded under the old Clayton-Bulwer treaty and permitted an American company or private individuals to build the canal, of course everybody would have had to pay tolls for the use of the canal. But this is an entirely different proposition. The canal is not being built by a private corporation. The Government simply permits a private corporation to charge a reasonable toll for the use of the improvement.

Is that the proposition you stand for—that if we had permitted, as we could have done, the building of this canal by a private corporation that then you would not be here asking the Government to compel that private company to give to your ship-owned companies these tolls, but because it was the people of the United States who built the canal you are ready to make a raid upon the Treasury and say that we must give up these tolls, that it is an outrage, an infamous outrage, to impose upon the traffic a toll charge of a dollar or a dollar and a quarter a ton? If it were some private corporation and you were dead sure that it would go into the pockets of some private concern, you concede the right of that concern to charge toll through that canal. You forget the interest of the poor consumer, for whom you have shed crocodile tears here the last two days for fear that the Government will charge toll there that may ultimately be paid to the consumer; but if it shall be paid to the private corporation, you do not contend it ought not to be charged.

Mr. KNOWLAND. Mr. Chairman, will the gentleman yield?

Mr. HAMLIN. Certainly.

Mr. KNOWLAND. I presume the gentleman is very much in favor of the project of a deep waterway from the Lakes to the Gulf?

Mr. HAMLIN. I think I should be glad to see that built.

Mr. KNOWLAND. If that is constructed, we will have the right there to impose a toll, which a private corporation probably would do. Is the gentleman in favor, if that waterway is completed, of imposing a toll? It does not benefit the people on the coast.

Mr. HAMLIN. Mr. Chairman, when we get to that proposition, if the gentleman from Missouri [Mr. HAMLIN] is then in Congress, he will try to deal with it as it seemeth best to him. At present I am dealing with the Panama Canal, a project 2,000 miles from our shores. If it is right to impose this burden on transportation, as you characterize it, if a private corporation had built the canal, why is it not right to charge it when the people of the United States built it?

Mr. ADAMSON. Mr. Chairman, if the gentleman will permit the interruption, I think it will fit mighty pretty right there to suggest that section 8 of the Clayton-Bulwer treaty, under which the private company would have been authorized to construct the canal, is preserved and eternalized in the preamble to the Hay-Pauncefote treaty under which the canal has been constructed.

Mr. HAMLIN. Yes; that is true; but I was arguing the ethics of the thing, or trying to. We can not concede the right to charge tolls provided those tolls go to a private corporation, but claim if they go into the Federal Treasury then they ought not to be paid. The people of this country have contributed $400,000,000 toward the building of that canal drawn from every section of the country. Have they not a right to compel the ship companies who get the benefit of the canal to contribute toward the cost of operation and maintenance of the canal? Who is it going to benefit when you come right down to the question of dollars and cents? It will not benefit the people living in the interior sections of the country. It is ridiculous for gentlemen to talk about the steamship companies, if they can save $1 a ton toll through the canal, giving the benefit of that dollar to the people throughout the interior of the country on their freight from the seaboard to their homes. Once it has gotten into the pockets of the ship company they are not going to part with it and contribute that toward the freight rates into the interior of the country. The railroads, the moment the goods get to shore, will charge all that the traffic will bear and all that the Interstate Commerce Commission will permit them to charge for hauling this freight into the interior. So that there is no reason to tell me that we people living in the interior of the country are to be benefited in dollars and cents by giving the coastwise trade free tolls.

Mr. KNOWLAND. Mr. Chairman, I presume the gentleman voted for free sugar?

Mr. HAMLIN. I did.

Mr. KNOWLAND. Does the gentleman believe that the difference between the present tariff on sugar and free sugar will go into the pockets of the consumer or into the pockets of the Sugar Trust?

Mr. HAMLIN. I hope and expect that it will go into the pockets of the consumer.

Mr. KNOWLAND. What is the difference between the two propositions?

Mr. HAMLIN. There is all the difference in the world. You put this $1 a ton toll in the pocket of the Shipping Trust. There is nothing to make them turn it loose. Importers of sugar will compel the Sugar Trust to reduce the price.

Mr. LOBECK. Mr. Chairman, if the rate on wheat is lowered 5 cents a hundred from Missouri River points to New York, it means 3 cents a bushel to the producer, does it not?

Mr. HAMLIN. I have not figured it out. Your figures may be correct.

Mr. LOBECK. When you lower the freight somebody gets the benefit.

Mr. HAMLIN. There is no question about that.

Mr. LOBECK. When I can sell something as a merchant at my door for 5 per cent less than ordinarily, and I sell it for 5 per cent less, I make just as much money on a smaller investment in the business.

Mr. HAMLIN. There is no question about that.

Mr. LOBECK. Whenever you reduce the freight rate somebody is going to benefit, and indirectly the consumer gets it.

Mr. HAMLIN. Does the gentleman think that the remission of the toll of $1 a ton through the Panama Canal will enable him to get goods in Omaha by the railroads from New York any cheaper than he gets them now?

Mr. LOBECK. If I can buy for $1 a ton less in the port of New York on account of reduction in the freight, I can lay that down at $1 a ton less in the city of Omaha. [Applause.]

Mr. HAMLIN. The gentleman can not do that; that is the trouble. The railroads will charge you all they are allowed to charge without regard to the water rate.

Mr. LOBECK. I want to submit it will not increase the freight rate from New York to Omaha, and if my New York importer can sell me at $1 less I will lay it down at Omaha at $1 less.

Mr. HAMLIN. The gentleman is not foolish enough to believe he would make $1 difference in the goods he is buying?

Mr. LOBECK. If the man in San Francisco sells delivered in New York City for $1 a ton less by reason of $1 less charge he will sell for $1 less in New York, and I buy his merchandise to the Missouri River for $1 less. My freight rate will not be decreased to the Missouri River.

Mr. HAMLIN. But the San Francisco merchant does not get the benefit of this $1 toll. It is the Shipping Trust.

Mr. SABATH. What reason has the gentleman to believe the rate will be lowered $1 a ton to the Omaha merchant?

Mr. LOBECK. I said if they reduce the freight rate $1 a ton I would buy it for $1 a ton less.

Mr. SABATH. You have had experience with railroad lines and steamship lines——

Mr. LOBECK. Not steamship lines.

Mr. SABATH. With railroads, and whenever the conditions are so whereby it is possible for them to reduce a rate 15 per cent or 20 per cent, do they do it? I say, do they do it?

The CHAIRMAN. Does the gentleman from Missouri yield further?

Mr. HAMLIN. Yes; I will yield.

Mr. LOBECK. If they do not reduce I do not get any reduction, but if the reduction is made my customer or I get the benefit.

Mr. HAMLIN. The gentleman, it seems to me, is laboring under a misapprehension.

Mr. LOBECK. Possibly.

Mr. HAMLIN. The gentleman tries to make a personal application to himself. The gentleman would not likely buy any goods, living in Omaha, as he does, that came from the Panama Canal; therefore personally he or his section of the country would get no benefit. But let me call the gentleman's attention to this fact: Now, we are told in the hearings that the average freight rate across the continent by the railroads is $25.76 per ton. Now, the evidence is that by water it would be about $6 per ton. Does the gentleman believe——

Mr. KNOWLAND. More than that.

Mr. HAMLIN. Well, say $8 per ton.

Mr. KNOWLAND. Ten dollars.

Mr. HAMLIN. Well, say $10 per ton. Does the gentleman believe that if there were no tolls charged that that rate would be any less than $10?

Mr. KNOWLAND. Just that much lower.

Mr. HAMLIN. We might as well get down to common sense. If the railroads are charging $25.76 a ton now, they can not meet the rate of $8 or $10 per ton, can they?

Mr. LOBECK. The railroads of this country have met it.

Mr. HAMLIN. No. Here is your chief apostle on free tolls, Mr. Humphrey, who answered this question:

Question. The actual cost of moving goods by water from the Atlantic seacoast to the Pacific coast when the canal is completed will be far below the actual cost of moving freight by rail.

Mr. HUMPHREY. I think that is right; nobody can dispute that.

If that is true, does the gentleman think the railroads can meet that rate?

Mr. LOBECK. The railroads across the continent have met the rate——

Mr. HAMLIN. But your own expert says they can not meet it. Does the gentleman believe the steamship companies are going to be generous enough simply because they get free tolls to reduce their tolls another dollar a ton?

Mr. LOBECK. The man on the Pacific coast is going to sell New York delivery so the New York man can deliver.

Mr. HAMLIN. Oh, no.

Mr. LOBECK. He has done it heretofore. They all buy merchandise from Europe and sell me delivery at New York.

Mr. HAMLIN. We are not buying from Europe. Let us approach this question in a little broader way.

Mr. LOBECK. You have argued here by lowering tariff rates we would have more importations.

Mr. HAMLIN. Let us discuss this subject from a little broader standpoint.

Mr. LOBECK. All right.

Mr. HAMLIN. Now, say we do not charge any toll; who gets the benefit?

Mr. LOBECK. That lowers the freight rate, will it not?

Mr. HAMLIN. Who gets the benefit, taking your view of it?

Mr. LOBECK. Finally, the consumer.

Mr. HAMLIN. The consumer of those particular goods; the goods which go through the canal?

Mr. LOBECK. Whatever it is.

Mr. HAMLIN. Certainly. That would be only a very small percentage of the 90,000,000 of the people of this country getting any benefit, would it not?

Mr. LOBECK. Oh, I do not know about that.

Mr. HAMLIN. But there would not be enough traffic coming through that canal to supply the one-hundredth part of the people of this country.

Then take your own argument that those particular consumers did receive some infinitesimally small benefit, what are you going to do with the other eighty-and-odd millions of people of this country who are taxed every year to contribute money to pay the running expenses and the interest on the money we have expended in building the canal who get no benefits by reason of free tolls?

Mr. LOBECK. Now, I want to answer that. Kansas City has asked that the Missouri River be improved so that you can have water transportation from the Mississippi River up to Kansas City, at the cost of $20,000,000. Why? Because they will have competition with the railroad by water, so that the producer west of the Missouri River, and you people in Missouri, and all along, north and south, will get a lower rate, which will mean 3 cents a bushel on all the grain produced, and for every shipment from the East and West the rate will be lower. That is why you have asked Congress to improve the Missouri River. Yes, and the people along the Missouri River expect to get some benefits from it.

Mr. HAMLIN. And that is exactly what we are giving the people of the United States in the building of this canal, namely, lower freight rates across the entire country. And yet you are not satisfied with that. As the chairman suggested to-night, after you have built the well you want to charge us for the water you put into it.

Mr. LOBECK. You are asking to spend——

Mr. HAMLIN. We did not build the Missouri River. God Almighty built that.

Mr. LOBECK. You are asking to spend twenty millions of the people's money——

Mr. HAMLIN. And we spend money on harbors and docks, for the use of which we do not charge anything. These rivers are free as the air.

Mr. LOBECK. But you do it for the general good.

Mr. HAMLIN. Yes; but I can not let the gentleman take all of my time. I want to be generous, but I can not let him take all the time allotted to me.

Mr. LOBECK. Excuse me. I just wanted to get some information.

Mr. HAMLIN. I do not believe that the little sum of $1 per ton, which means only about 50 cents an actual ton, because it is to be a net registered ton—and the fact is that most of these ships will carry about twice as many tons as the net registered ton that the ship shows, and so the actual rate will be about 50 cents a ton for coming through the canal—I do not believe that this small charge will make any appreciable difference in the price to the consumer.

Mr. LOBECK. Whatever it is, it is a reduction.

Mr. HAMLIN. It is so infinitesimally small that the consumer could put in his eye all he could save out of that. He would never notice it; but in the aggregate it would mean something to the people of the United States to help them pay the expenses of the running of this canal.

Now, another proposition advanced by the free-toll people is that we want to encourage the building of more ships. Of course some of our people own ships, and whether we charge them toll or do not they will provide to carry whatever traffic is to be carried; but no man is going to be foolish enough, I apprehend, to contend that a dollar or 50 cents a ton that they might save in the tollage in the canal will induce them to build any more ships to ply between the Atlantic and Pacific coasts. He must have other reasons and motives for building it, and not the saving of 50 cents or a dollar a ton.

I will put it on broader ground. This canal is being built by the American people to-day at large expense, and they have a right to make a charge for shipment through that canal to recoup some of the expense that they are put to in maintaining that canal and operating it. We have protected the coastwise shipping by law. They have an absolute monopoly of the coastwise traffic, and, as Mr. Dearborn, the president of the American-Hawaiian Line, who impressed me as being a man very fair and frank, said:

If you will only keep your coastwise laws and do not repeal those, we do not care anything about the toll. We can pay the tolls. It is a small matter, and we are willing to pay it, and we can do it and then compete with any rates the transcontinental railroads can make in this country.

That is true. I have not a particle of doubt about it.

Mr. RAKER. Will the gentleman yield on that question?

Mr. HAMLIN. Yes.

Mr. RAKER. You mean by "monopoly of the coastwise trade" that the American vessels, floating the American flag, have the monopoly?

Mr. HAMLIN. I mean vessels engaged in the coastwise trade.

Mr. SABATH. No other vessels are permitted.

Mr. RAKER. I understand. I appreciate that. He says that there is a monopoly of the coastwise trade.

Mr. HAMLIN. By the coastwise vessels.

Mr. RAKER. That means that as many as may desire may go into that business?

Mr. HAMLIN. I mean that vessels of other nations can not enter into the coastwise trade. Now, then, we have given them that monopoly, and if we treat each one of those fellows fairly and equally, where is the complaint? Let us be perfectly frank about that. To illustrate, you three gentlemen are engaged in the coastwise trade. None of these other gentlemen over here can compete with you, because they are excluded by law.

Mr. RAKER. Yes, sir.

Mr. HAMLIN. And you have got an absolute monopoly. Of course, others could come in and engage in the coastwise trade, but an outsider can not do so, hence they have the absolute monopoly. You all agree to that.

Now, then, where is the calamity to you if we charged a dollar a ton on every ship? There is no discrimination; there is no harm done; it is entirely equal; no favoritism shown. Then the only excuse under heaven for giving your people, the owners of these coastwise ships, the advantage of a dollar a ton tollage is to encourage you to build more ships, and that is ridiculous. Of course, that would not be an incentive to you, because it is not big enough, but it is simply a stepping-stone toward a ship subsidy, in fact it is a ship subsidy in the worse form—a thing I am absolutely opposed to, and that is all there is to it.

Mr. LOBECK. Mr. Chairman, I do not find any fault with the idea that all vessels should be treated alike, but I am astounded by the argument that the lowering of freights does not benefit either the producer or the consumer.

Mr. HAMLIN. Oh, the gentleman has listened absolutely in vain to me if he thinks that I have stated any such thing.

Mr. LOBECK. It has been the argument heard here to that effect.

Mr. HAMLIN. I do not argue that at all, but I say that if the consumer gets the benefit of this dollar toll, or if he has got to pay that dollar toll—and concede that he does—it is so infinitesimally small that he could not realize it one way or the other, and then, on the other hand, it would be only a very small fraction of the American people who——

Mr. LOBECK. It is 5 cents a hundred.

Mr. HAMLIN. Well, it is only those who happen to consume the goods that are hauled through the canal who would be affected by it. But if you do not charge any tolls, the expenses of operating and maintaining the canal go on down there just the same. You have got to pay the interest on the bonds. How, then, are you going to get your money? Are you going to take it from every man, woman, and child in the United States, or are you going to make the shipowners pay it? You are willing to stand here and advocate the placing of a burden on every man, woman, and child in the United States, but you say please do not put 5 cents extra on somebody living along the Pacific coast that happens to consume the goods that are hauled through that canal.

I do not stand for that doctrine. I believe that my people deserve some consideration. My people, who will not be benefited a particle by reason of the coastwise trade, should not be taxed to pay the operating expenses of the canal. I am glad we have got the canal. We are proud of it. It will reflect glory on this Government for all time to come. But when you come down to this measly question of tolls, after we have given you a monopoly and shortened the distance 8,000 miles from coast to coast, then you come here begging and whining and asking us to give you free tolls through the canal.

Mr. SABATH. Mr. Chairman, will the gentleman yield?

Mr. HAMLIN. Yes.

Mr. SABATH. It seems to me that there is a gentleman here who is under the impression that the freight rates, due to the Panama Canal, will be increased. Now, for the information of the gentleman from Nebraska [Mr. LOBECK], will the gentleman kindly inform us again what the saving on freight will be between, we will say, San Francisco and New York on each ton?

Mr. LOBECK. You could illustrate by the saving accomplished over the method of hauling by ox teams in the West and by the railroads to-day.

Mr. SABATH. No; what the rate will be when the Panama Canal will be completed?

Mr. LOBECK. That is why you are building the canal, to lower the rates to St. Louis and the neighborhood where the gentleman lives.

Mr. HAMLIN. That is exactly what they are going to do. Here is testimony that the rate through the canal, for instance, on lumber, will not exceed $6 a ton, and yet it is $25.76 by rail; and it is now conceded——

Mr. LOBECK. It used to cost just as much to haul corn from central Illinois up to Chicago as it now does from there to the seacoast.

Mr. HAMLIN. But as we give you benefit and as we give you comfort and as we give you conveniences, you want us to give you more; and after a while you will be like the old man to whom they offered to give some corn. He said, "Is it shelled?" They said, "No." Then he said, "Drive on." [Laughter.]

Mr. LOBECK. I mean that the producer shall get every cent that he can for what he is going to sell.

Mr. ADAMSON. I am glad to hear the gentleman from Nebraska announce a sound sentiment when he says one object in digging the canal is to reduce freight rates. I had inferred from the argument of those who were assaulting the Treasury that it was to fill up the pockets of the Ship Trust. I want to ask the gentleman in that connection if it is right, because we have built this canal to shorten distance and reduce freight rates, that we be compelled to pay a bounty of $4,000 or $5,000 a ship out of the Treasury of the United States and give it to the Ship Trust, would it not be right to give to the passengers who go through the canal the price of their passage instead of making them pay?

Mr. HAMLIN. Certainly it would, on the same principle; and I have no doubt if my friend from Nebraska [Mr. LOBECK] should go through there he would want us to pay his passage.

Mr. ADAMSON. Suppose we should give American citizens their passage free and should charge foreign passengers, what would you say to that? Would that be equal conditions and charges?

Mr. LOBECK. I have not said I was either for or against free tolls; but I have been listening to the argument made here that when freights are reduced, whether in the shape of a reduction of tolls or anything else, it does not benefit some one. The gentleman from Wyoming [Mr. MONDELL] made that statement this evening, and he knows better, because he has shipped goods out into his country by ox team when there was no railroad.

Mr. HAMLIN. If it will reduce freight rates $6, $7, $8, or $9 a ton, will it not benefit transcontinental freight rates all over the country?

Mr. LOBECK. That is what I have been trying to get into the gentleman's head.

Mr. HAMLIN. I have always conceded that, and I tell you we are giving you that. How much more do you want?

Mr. LOBECK. Everything the Lord will give us.

Mr. ADAMSON. That is true.

Mr. HAMLIN. I believe that is so; but we on the committee have some regard for the Federal Treasury and for the balance of the people of this country.

Mr. LOBECK. I believe that.

Mr. HAMLIN. Now, let us get back to a little common sense.

Mr. LOBECK. All right.

Mr. HAMLIN. This bill provides that the tolls shall not be more than $1.25 a ton and shall not be less than the actual cost of the operation and maintenance of the canal, in the option of the President. That is based on the idea that it will cost somewhere in the neighborhood of a dollar a ton to put a ship through that canal. If the shipping company does not pay that cost, the people must pay it. A ship can not be put through that canal without cost. Who pays it? If you do not charge a toll, who will pay the cost of putting that ship through?

Mr. KNOWLAND. The same person who pays for the improvement of rivers and harbors.

Mr. HAMLIN. It is taking it out of the pockets of the American people, and on whom you have no mercy at all. As long as you can make the American people pay you will stand up here and ask to have money put into the pockets of some private ship company and taken out of the pockets of your fellow citizens. I could not go home and look my people in the face without blushing if I admitted that I stood up here and said, "Let us take a dollar a ton out of the pockets of the American people for putting privately owned ships through the canal in order to give the money to some privately owned ship company."

Mr. LOBECK. But the gentleman could go home with a smile on his face when he got a good appropriation for the Missouri River.

Mr. HAMLIN. Of course, I am always glad to get appropriations for the Missouri River, for it benefits all the people along that great river, and not some private monopoly. I am willing to get an appropriation to improve your rivers and harbors, too; but I could not go home with a smile on my face if I stood up here and said I wanted to charge to the American people what it cost to put a ship through the Panama Canal and put that money in the pocket of the Shipping Trust. I say let the company owning the ship pay the tolls. I am willing that this canal should be built at the expense of the American people; but when you have expended $400,000,000 to marry the Pacific and Atlantic Oceans and shorten the distance 8,000 miles from coast to coast, in God's name what more do you want? Do you want us to buy the coal to run your ships?

Mr. KNOWLAND. Your southern markets get the benefit of it.

Mr. RAKER. You say we built the canal to marry the Atlantic to the Pacific. Was it not stated by the chairman of the committee [Mr. ADAMSON], and has it not been one of the main contentions in the arguments for this bill, that the prime, principal, and important consideration was for the Army and the Navy?

Mr. HAMLIN. Oh, no.

Mr. RAKER. And that the question of commerce was not considered of primary importance?

Mr. HAMLIN. I do not think he made a statement of that kind. I did not so understand him at all.

Mr. RAKER. Is it your contention that one of the prime objects of building this canal is for the benefit of commerce?

Mr. HAMLIN. That was the prime object, undoubtedly.

Mr. ADAMSON. I did not hear all of that colloquy. I understand the gentleman from California [Mr. RAKER] accuses me of something in this connection.

Mr. HAMLIN. Yes.

Mr. RAKER. No; I did not accuse the gentleman of anything, but as I understood his statement when he started out, it was that one of the principal things, or one of the main things, rather, that the canal was conceived and built for the purposes of the Army and the Navy.

Mr. ADAMSON. I took 4 hours and 15 minutes to run a kindergarten here and reiterated my position about a dozen times. I will refer the gentleman to the RECORD and he will find that I made no such statement as that.

Mr. HAMLIN. The gentleman from Georgia did not make any such statement; the gentleman from California must have misunderstood him.

Mr. SABATH. There are some gentlemen who do not want to understand.

Mr. HAMLIN. Now, Mr. Chairman, I have occupied more time than I intended. I am thoroughly convinced, looking at the question from every standpoint, and at every phase of it, that every interest will be taken care of; that it is equitable and just to let whatever traffic goes through the canal pay equal toll, and that will not, we are afraid, in the next few years any more than pay the cost of operation, if it does that.

We have built a wonderful canal and if you have not seen it you ought to. We are proud of it, and we are going to maintain it, but I do not believe that the American people ought to continue to be taxed every year for the benefit of the few people who happen to operate ships through the canal. [Applause.]

In conclusion I will say: How any gentleman who claims to be opposed to ship subsidy, and especially my Democratic brethren, can be in favor of giving this advantage to our coastwise vessels, I can not understand.

In our last national platform, on this subject we said:

> We believe in the upbuilding of the American merchant marine without new or additional burdens upon the people and without bounties from the Public Treasury.

It will actually cost about $1 a net registered ton to put the vessels through the canal. If you do not make these shipowners pay it, you will have to take the money out of the Public Treasury to pay it. It is safe to say that the average vessel going through the canal will be about 7,000 net registered tons. This will mean, if you give the vessels free tolls, that it will cost the people $7,000 every time we put one of these vessels through the canal. Will that not be "an additional burden upon the people"?

You can not get away from this proposition that somebody must pay for putting these ships through the canal. Will you make the Shipping Trust, who will get the benefit of the canal, pay it, or will you put their vessels through at the expense of all the people?

I am opposed to ship subsidy in any form and shall vote to make the owners of these ships pay the tolls through the canal. [Applause.]

Mr. ADAMSON. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and Mr. HAMILTON of West Virginia having taken the chair as Speaker pro tempore, Mr. LLOYD, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 21969, to provide for operation of the Panama Canal and had come to no resolution thereon.

LEAVE TO EXTEND REMARKS.

Mr. ADAMSON. Mr. Speaker, I ask unanimous consent that all gentlemen who have spoken up to this time on the bill be permitted to extend their remarks in the RECORD.

The SPEAKER pro tempore. The gentleman from Georgia asks unanimous consent that all Members who have spoken on the bill may extend remarks in the RECORD—for five days?

Mr. ADAMSON. No, Mr. Speaker; I do not ask for leave to print, but simply for those who have spoken to extend remarks in the RECORD.

The SPEAKER pro tempore. Is there objection? [After a pause.] The Chair hears none.

ADJOURNMENT.

Mr. ADAMSON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 10 o'clock and 57 minutes p. m.) the House adjourned until to-morrow, Saturday, May 18, 1912, at 11 o'clock a. m.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. HARRISON of New York, from the Committee on Ways and Means, to which was referred the bill (H. R. 21963) to make Fort Covington, N. Y., a subport of entry, reported the same without amendment, accompanied by a report (No. 730), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. HAMMOND, from the Committee on Ways and Means, to which was referred the bill (S. 4572) to designate Walhalla, Neche, and St. John, in the State of North Dakota, subports of entry, and to extend the privileges of the first section of the act of Congress approved June 10, 1880, to said subports, reported the same without amendment, accompanied by a report (No. 735), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. GREGG of Texas, from the Committee on Naval Affairs, to which was referred the bill (H. R. 24225) to amend an act entitled "An act to reorganize and increase the efficiency of the personnel of the Navy and Marine Corps of the United States," approved March 3, 1899, reported the same with amendment, accompanied by a report (No. 732), which said bill and report were referred to the House Calendar.

Mr. ALEXANDER, from the Committee on the Merchant Marine and Fisheries, to which was referred the bill (S. 3815) to amend an act entitled "An act to require apparatus and operators for radio communication on certain ocean steamers," approved June 24, 1910, reported the same with amendment, accompanied by a report (No. 734), which said bill and report were referred to the House Calendar.

Mr. PRAY, from the Committee on the Public Lands, to which was referred the bill (S. 5817) granting to the county of Hill, in the State of Montana, the jail building and fixtures now upon the abandoned Fort Assinniboine Military Reservation, in the State of Montana, reported the same without amendment, accompanied by a report (No. 736), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, private bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the Committee of the Whole House, as follows:

Mr. RUSSELL, from the Committee on Invalid Pensions, to which was referred sundry bills, reported in lieu thereof the bill (H. R. 24626) granting pensions and increase of pensions to certain soldiers and sailors of the Civil War, and certain widows and dependent children of soldiers and sailors of said war, accompanied by a report (No. 731), which said bill and report were referred to the Private Calendar.

Mr. HAMMOND, from the Committee on Ways and Means, to which was referred the bill (H. R. 2359) to refund certain tonnage taxes and light dues, reported the same without amendment, accompanied by a report (No. 733), which said bill and report were referred to the Private Calendar.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. HOBSON: A bill (H. R. 24623) providing that certain civilian professors at the United States Naval Academy shall be commissioned as professors of mathematics with the rank of lieutenant commander; to the Committee on Naval Affairs.

By Mr. GARRETT: A bill (H. R. 24624) to amend an act entitled "An act to codify, revise, and amend the penal laws of the United States," approved March 4, 1909; to the Committee on the Judiciary.

By Mr. CARTER: A bill (H. R. 24625) authorizing the Secretary of the Interior to lease and amend existing leases of coal and asphalt deposits on the segregated mineral-land area in the

Choctaw and Chickasaw Nations, State of Oklahoma, and for other purposes; to the Committee on Indian Affairs.

By Mr. RUSSELL: A bill (H. R. 24627) appropriating money for the protection of levees and improvement of the channel of the Mississippi River between Cape Girardeau, Mo., and Donaldsonville, La., by revetment of caving banks; to the Committee on Rivers and Harbors.

By Mr. CARTER: A bill (H. R. 24663) to reimburse taxes of which the State of Oklahoma was deprived by the recent Supreme Court decision entitled "G. W. Choate et al. *v.* M. E. Trapp"; to the Committee on Claims.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. RUSSELL: A bill (H. R. 24626) granting pensions and increase of pensions to certain soldiers and sailors of the Civil War and certain widows and dependent children of soldiers and sailors of said war; to the Committee of the Whole House.

By Mr. ANTHONY: A bill (H. R. 24628) granting an increase of pension to William R. Gladman; to the Committee on Invalid Pensions.

By Mr. BARTLETT: A bill (H. R. 24629) granting a pension to James Spear; to the Committee on Pensions.

By Mr. BELL of Georgia: A bill (H. R. 24630) granting a pension to William H. Simmons; to the Committee on Pensions.

By Mr. BOWMAN: A bill (H. R. 24631) granting a pension to Joseph L. Titman; to the Committee on Invalid Pensions.

By Mr. CARY: A bill (H. R. 24632) granting a pension to Charles S. Allen; to the Committee on Pensions.

Also, a bill (H. R. 24633) granting a pension to John P. Murphy; to the Committee on Pensions.

By Mr. CLAYTON: A bill (H. R. 24634) to remove the charge of desertion from the military record of Samuel J. Maund; to the Committee on Military Affairs.

By Mr. CLINE: A bill (H. R. 24635) granting an increase of pension to William Holmes; to the Committee on Invalid Pensions.

Also, a bill (H. R. 24636) granting a pension to Sarah Rogers; to the Committee on Invalid Pensions.

Also, a bill (H. R. 24637) granting an increase of pension to Lewis Rowe; to the Committee on Invalid Pensions.

Also, a bill (H. R. 24638) granting an increase of pension to Levi D. Fry; to the Committee on Invalid Pensions.

Also, a bill (H. R. 24639) granting an increase of pension to Alfred Blake; to the Committee on Invalid Pensions.

Also, a bill (H. R. 24640) granting an increase of pension to James Kees; to the Committee on Invalid Pensions.

Also, a bill (H. R. 24641) granting an increase of pension to Robert Lock; to the Committee on Invalid Pensions.

Also, a bill (H. R. 24642) granting an increase of pension to Caroline Miller; to the Committee on Pensions.

By Mr. COX of Indiana: A bill (H. R. 24643) granting an increase of pension to Thomas J. Parsons; to the Committee on Invalid Pensions.

Also, a bill (H. R. 24644) granting an increase of pension to Jacob Schmidt; to the Committee on Invalid Pensions.

By Mr. CULLOP: A bill (H. R. 24645) for the relief of James E. Speake; to the Committee on Military Affairs.

By Mr. DAVENPORT: A bill (H. R. 24646) granting a pension to John W. Smith; to the Committee on Pensions.

Also, a bill (H. R. 24647) granting an increase of pension to John W. Baldwin; to the Committee on Invalid Pensions.

By Mr. DICKINSON: A bill (H. R. 24648) for the relief of the estate of St. Clair Ogg; to the Committee on War Claims.

By Mr. HAWLEY: A bill (H. R. 24649) granting an increase of pension to John Steiger; to the Committee on Invalid Pensions.

Also, a bill (H. R. 24650) granting an increase of pension to Daniel C. Derby; to the Committee on Invalid Pensions.

By Mr. HUGHES of New Jersey: A bill (H. R. 24651) granting a pension to James Hanna; to the Committee on Pensions.

By Mr. LINDBERGH: A bill (H. R. 24652) granting an increase of pension to Axel E. Anderson; to the Committee on Pensions.

By Mr. McKENZIE: A bill (H. R. 24653) granting an increase of pension to William H. Kremer; to the Committee on Invalid Pensions.

By Mr. PARRAN: A bill (H. R. 24654) for the relief of Charles E. Brown, alias Winthrop Hersey; to the Committee on Military Affairs.

By Mr. PAYNE: A bill (H. R. 24655) for the relief of Henry Stewart, surgeon, United States Navy, retired; to the Committee on Naval Affairs.

By Mr. POWERS: A bill (H. R. 24656) for the relief of John M. Bryant; to the Committee on War Claims.

By Mr. SHERLEY: A bill (H. R. 24657) for the relief of William E. Horton, major, United States Army; to the Committee on War Claims.

Also, a bill (H. R. 24658) for the relief of the estate of R. G. Potter, deceased; to the Committee on War Claims.

Also, a bill (H. R. 24659) granting a pension to Harry W. Stehle; to the Committee on Pensions.

By Mr. TALCOTT of New York: A bill (H. R. 24660) granting an increase of pension to Matthias M. Canning; to the Committee on Invalid Pensions.

By Mr. TAYLOR of Colorado: A bill (H. R. 24661) for the relief of James Parsons; to the Committee on Military Affairs.

Also, a bill (H. R. 24662) granting a pension to Francisca Ortega; to the Committee on Invalid Pensions.

By Mr. ADAIR: A bill (H. R. 24664) granting an increase of pension to Jonathan Davis; to the Committee on Invalid Pensions.

By Mr. NEELEY: A bill (H. R. 24665) granting an increase of pension to John S. Martin; to the Committee on Invalid Pensions.

Also, a bill (H. R. 24666) granting a pension to Stephen M. Wood; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. AYRES: Petition of the National Jewelers' Board of Trade of New York City, N. Y., against passage of the Oldfield bill, proposing change in the patent laws; to the Committee on Patents.

Also, memorials of the Junior Order of American Mechanics of the State of New York, favoring passage of the Dillingham bill, and of Harlem Lodge, B'rith Abraham, of New York, against passage of the Dillingham and Burnett bills, restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. BARTHOLDT: Petition of Local No. 30 of the United Brotherhood of Leather Workers on Horse Goods, of St. Louis, Mo., protesting against the use of stop-watch system on Government employees; to the Committee on Labor.

Also, petitions of the United Hebrew Trade of New York, Jewish Charitable and Educational Union, St. Louis, Mo., and United Jewish Charitable and Educational Association of St. Louis, Mo., protesting against the passage of House bill 22527, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

Also, petition of Col. Menman Post, No. 496, Grand Army of the Republic, State of Missouri, favoring passage of House bill 14070, for relief of veterans whose hearing is defective; to the Committee on Invalid Pensions.

Also, petition of citizens of the State of Missouri, favoring passage of House bill 22339 and Senate bill 6172, against workmen being timed with a stop-watch while at work; to the Committee on the Judiciary.

By Mr. BARTLETT: Resolutions of Brotherhood of Railroad Trainmen, favoring passage of the Dillingham bill restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. BATES: Petition of citizens of Erie County, Pa., and vicinity, favoring passage of the Berger old-age pension bill for deserving men and women over 65 years of age; to the Committee on Pensions.

Also, petition of E. H. Utley, Pittsburgh, Pa., favoring passage of the Page agricultural bill; to the Committee on Agriculture.

Also, petition of F. C. Southworth, Meadville Theological School, Meadville, Pa., favoring passage of the Hughes-Borah bill for creation of commission on industrial relations; to the Committee on Rules.

Also, petition of the Humane Society of North Warren, Pa., favoring passage of the Hamilton bill (H. R. 17222); to the Committee in Interstate and Foreign Commerce.

Also, petition of Paul Leewitz, Erie, Pa., favoring House bill 22766, prohibiting use of trading coupons; to the Committee on Ways and Means.

Also, petition of W. J. Sell, Erie, Pa., and Isaac Mondereau, of Meadville, Pa., against passage of the Oldfield bill, proposing to change patent laws; to the Committee on Patents.

Also, petition of editors of the Watchmen of the World, Erie, Pa., praying for better post-office rates on publications of fraternal orders; to the Committee on the Post Office and Post Roads.

By Mr. BOWMAN: Petition of Tenth Biennial Convention of the Brotherhood of Railroad Trainmen, Harrisburg, Pa.; Daughters of Liberty, West Hazleton, Pa.; and American Purity Federation, favoring passage of House bill 22527, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

Also, petition of the National Jewelers' Board of Trade, New York, protesting against any change in the present patent laws that might affect maintenance of prices; to the Committee on Patents.

Also, petition of Chinese Consolidated Benevolent Association, of San Francisco, Cal., and Italo-American Alliance of the United States of America, of Philadelphia, Pa., against passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. CALDER: Petition of the Tenth Biennial Convention of the Brotherhood of Railroad Trainmen, Harrisburg, Pa.; and Junior Order United American Mechanics, New York, both favoring passage of House bill 22527, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

Also, petition of the New York Board of Trade and Transportation, of New York City, N. Y., against passage of House bill 16844, requiring manufacturers to place their own name upon manufactured articles; to the Committee on Interstate and Foreign Commerce.

By Mr. CAMPBELL: Resolutions of the Brotherhood of Railroad Trainmen, favoring passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. CLINE: Statement and affidavit of William Holmes, a resident of the National Soldiers' Home of Tennessee, a private in Company A, Eleventh Indiana Battery, Light Artillery Volunteers, in the Civil War; to the Committee on Invalid Pensions.

Also, general affidavit of Sarah Rogers, of Dekalb County, State of Indiana, widow of Charles L. Rogers, late of Company A, One hundredth Regiment Indiana Volunteer Infantry; to the Committee on Invalid Pensions.

Also, papers to accompany House bill 14204, for increase in pension of William Watson, of Garrett, Ind., a private in the Fifth Ohio Cavalry during the Civil War; to the Committee on Invalid Pensions.

Also, resolutions of the Polish-American Society of South Bend, Ind., against passage of Senate bill 3175 and House bill 22527, providing literacy test, etc., for immigrants; to the Committee on Immigration and Naturalization.

By Mr. COX of Indiana: Resolutions of the Polish-American societies of South Bend, Ind., against passage of the Dillingham and other bills providing literacy test, etc., for immigrants; to the Committee on Immigration and Naturalization.

By Mr. CRAGO: Resolutions of the Farmers' Union and Brotherhood of Railroad Trainmen of Harrisburg, Pa., and Junior Order United American Mechanics of New York City, N. Y., favoring passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. MICHAEL E. DRISCOLL: Resolutions of Young Men's Hebrew Association of Syracuse, N. Y., against passage of the Dillingham and Burnett bills, restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. ESCH: Petition of tenth biennial convention of the Brotherhood of Railroad Trainmen, Harrisburg, Pa., favoring passage of House bill 22527, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

By Mr. EVANS: Resolution of the Italo-American Alliance of the United States of America, of Philadelphia, Pa., against passage of the Dillingham bill, and of the Brotherhood of Railroad Trainmen, favoring passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

Also, petition of the Municipal Council of Chicago, Department of Illinois, United Spanish War Veterans, Chicago, Ill., favoring passage of House bill 17470, known as the Crago bill, providing for pensions for widows and minor children of Spanish War veterans; to the Committee on Pensions.

By Mr. FULLER: Petition of the Chinese Consolidated Benevolent Association of San Francisco, Cal., against passage of the Dillingham bill, providing for literacy test for immigrants, etc., and Brotherhood of Railroad Trainmen, favoring passage of the Dillingham immigration bill; to the Committee on Immigration and Naturalization.

Also, petition of the First Baptist Church of Rockford, Ill., favoring the passage of the Kenyon-Sheppard interstate liquor bill; to the Committee on the Judiciary.

Also, petition of Charles T. Coleman, of Canton, Ill., and W. J. Knaggs, of Bay City, Mich., favoring passage of House bill 1339, to grant increase of pensions to certain soldiers of the Civil War who lost an arm or leg; to the Committee on Invalid Pensions.

Also, petition of the National Jewelers' Board of Trade, New York City, N. Y., against any change in present patent laws that may affect price maintenance; to the Committee on Patents.

By Mr. GALLAGHER: Resolutions of Roumania of Chicago Lodge No. 170, Independent Order B'rith Abraham, and First Russian Branch of the Socialist Party and others, of Chicago, Ill., against passage of the Dillingham bill, providing literacy test, etc., for immigrants, and the Root amendment for deportation of aliens, etc., and Junior Order United American Mechanics of New York City, N. Y., favoring passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

Also, petition of Cook County Cabinet, of Chicago, Ill., favoring investigation of conditions on excursion steamers on the inland seas; to the Committee on the Merchant Marine and Fisheries.

By Mr. GLASS: Petition of the Farmers' Union of America, Shawnee, Okla., and the tenth biennial convention of the Brotherhood of Railroad Trainmen, Harrisburg, Pa., favoring passage of House bill 22527, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

By Mr. GREGG of Pennsylvania: Resolutions of the Brotherhood of Railroad Trainmen, in convention at Harrisburg, Pa., favoring passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

Also, resolution by the House of Representatives of the United States, relative to information in possession of the Secretary of Commerce and Labor concerning the miners' strike in the bituminous coal field in Westmoreland County, Pa., in 1910 and 1911; to the Committee on Labor.

By Mr. GRIEST: Resolution of American Purity Federation, favoring passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

Also, resolution of the National Cigar Leaf Tobacco Association, favoring House bill 21958, to exempt from internal-revenue taxation certain cigars allowed workmen in cigar factories; to the Committee on Ways and Means.

By Mr. HANNA: Petition of R. C. A. Taylor, Hillsboro, N. Dak., and C. H. Hofstrand, Brinsmade, N. Dak., favoring passage of House bill 16843 for increasing the efficiency of the Army veterinary service; to the Committee on Military Affairs.

Also, petitions of citizens of Napoleon, N. Dak., favoring enactment of the Sulzer parcel-post bill; to the Committee on the Post Office and Post Roads.

Also, petition of Portland Farmers' Elevator Co., Portland, N. Dak., and citizens of Munich, N. Dak., protesting against the passage of the Lever antifuture trading bill; to the Committee on Agriculture.

Also, petition of manufacturers of and dealers in ginger ale, soda waters, and sweetened beverages of Bismarck, Grand Forks, Fargo, Minot, Wahpeton, and Jamestown, N. Dak., favoring total elimination of the tariff on raw and refined sugars; to the Committee on Ways and Means.

By Mr. HENRY of Connecticut: Petition of the Daughters of Liberty, of Southington, Conn., favoring passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. HUGHES of New Jersey: Petition of citizens and voters of Philadelphia, Pa., and American Purity Federation, favoring passage of the Dillingham bill (S. 3175) containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

Also, petition of the Italo-American Alliance of the United States of America, Philadelphia, Pa., protesting against passage of House bill 22527 containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

By Mr. KINDRED: Resolution of Star of Israel Lodge, No. 101, Independent Order B'rith Abraham, New York City, N. Y., against passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. KONOP: Petition of Frank Wendrick and others, protesting against the anti-Taylor system bill (H. R. 22339); to the Committee on the Judiciary.

Also, petition of George Walter Brewing Co. and others, protesting against passage of bills for prohibition in the District of Columbia; to the Committee on the District of Columbia.

By Mr. LINDSAY: Petition of the New York State Vegetable Growers' Association, of Ithaca, N. Y., favoring passage of a practical and efficient parcel-post measure; to the Committee on the Post Office and Post Roads.

Also, petition of the Long Island Game Protective Association, of New York City, N. Y., favoring passage of the McLean-Weeks bill (S. 6497), for protection of migratory birds; to the Committee on Agriculture.

Also, petition of Abraham Lincoln Council, No. 14, of the Junior Order United American Mechanics, Brooklyn, N. Y., favoring passage of House bill 22527, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

Also, petition of John Durar & Sons (Ltd.), New York, N. Y., protesting against the passage of the Works bill; to the Committee on the District of Columbia.

Also, petitions of the Italo-American Alliance of the United States of America, Philadelphia, Pa., and Nash Cohen Lodge, No. 19, Independent Order Ahawas Israel, Brooklyn, N. Y., protesting against passage of House bill 22527, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

Also, petitions of Francis A. Gaskill, Vale, N. J., and D. A. Falconer, Lexington, Ky., both favoring passage of House bill 1339, for increasing pension of veterans who lost an arm or a leg in the Civil War; to the Committee on Invalid Pensions.

By Mr. MATTHEWS: Petitions of American Purity Federation and Patriotic Order Sons of America, favoring passage of Senate bill 3175, restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. MOORE of Pennsylvania: Resolutions of Junior Order United American Mechanics of Maryland and Junior Order United American Mechanics of New York State, favoring passage of the Dillingham bill, and Palestina Lodge, No. 237, Independent Order B'rith Abraham, of Philadelphia, Pa., and the Italo-American Alliance of the United States of America, against passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

Also, resolutions of National Jewelers' Board of Trade, of New York City, against certain proposed patent legislation; to the Committee on Patents.

By Mr. MOTT: Resolutions of American Purity Federation and Farmers' Union, favoring passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

Also, petition of National Jewelers' Board of Trade, of New York City, against passage of any bills changing patent law which will deny the right to parties to control retail price of their product; to the Committee on Patents.

Also, petition of Junior Order United American Mechanics, favoring passage of House bill 22527, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

By Mr. O'SHAUNESSY: Petition of National Jewelers' Board of Trade, New York, protesting against any change in the present patent laws that might affect price maintenance; to the Committee on Patents.

Also, resolution of Young Men's Hebrew Association of Providence, R. I., against passage of the Dillingham bill and Burnett bill, providing literacy test for immigrants; to the Committee on Immigration and Naturalization.

Also, petition of Max Ferder Lodge, No. 171, Independent Order B'rith Sholom, Pawtucket, R. I.; New England Lodge, No. 292, Independent Order B'rith Abraham, Woonsocket, R. I.; and Providence City Lodge, No. 143, United States Grand Lodge Independent Order B'rith Abraham, Providence, R. I., all protesting against passage of House bill 22527, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

By Mr. PAYNE: Petition of Solomon Podworsky, of Auburn, N. Y., favoring passage of Senate bill 6103 and House bill 22766, prohibiting use of trading coupons; to the Committee on Ways and Means.

By Mr. REILLY: Resolution of citizens of Philadelphia, Pa., favoring passage of the Dillingham bill restricting immigration; to the Committee on Immigration and Naturalization.

Also, resolutions of the Farmers' Union, favoring passage of the Dillingham bill restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. REDFIELD: Petition of A. Goldfaden Lodge, No. 505, Independent Order B'rith Abraham, New York City, N. Y., against passage of the Dillingham bill restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. SABATH: Petition of citizens of Chicago, relative to the sectarian-garb case; to the Committee on Indian Affairs.

Also, petition of the National Union, Chicago, Ill., relative to conditions on passenger boats at sea; to the Committee on the Merchant Marine and Fisheries.

Also, petition of Square Deal Lodge, No. 752, Brotherhood of Railroad Trainmen, asking postponement of action on the employers' liability and workmen's compensation act; to the Committee on the Judiciary.

By Mr. SMITH of New York: Petition of citizens of Buffalo, N. Y., favoring passage of House bill 22527, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

By Mr. SULZER: Petition of M. Breitlant Lodge, No. 99, Independent Order B'rith Abraham, New York, N. Y.; Charles Feigenbaum Lodge, No. 72, Independent Order Ahawas Israel, New York, N. Y.; and Italo-American Alliance of the United States of America, Philadelphia, Pa., protesting against passage of House bill 22725, containing literacy test for immigrants; to the Committee on Immigration and Naturalization.

Also, petition of the Long Island Game Protective Association, New York, favoring passage of McLean-Weeks bill (S. 6497), for Federal protection of migratory birds; to the Committee on Agriculture.

By Mr. TALCOTT of New York: Petition of Mutual Benefit Association, New York, favoring passage of House bill 23241, relative to conditions in the United States customs; to the Committee on Ways and Means.

Also, resolution of the retail merchants of Boonville, Oneida County, N. Y., against fixing of prices by manufacturers; to the Committee on the Judiciary.

Also, resolution of the Farmers' Union, favoring passage of Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

By Mr. WILSON of New York: Petition of the Farmers' Union, favoring passage of the Dillingham bill, restricting immigration; to the Committee on Immigration and Naturalization.

Also, petition of the New York State Vegetable Growers' Association, of Ithaca, N. Y., favoring passage of practical and efficient parcel-post law; to the Committee on the Post Office and Post Roads.

Also, petition of Pride of Brooklyn Lodge, No. 40, United States Grand Lodge, Order B'rith Abraham, of Brooklyn, N. Y., against passage of the Dillingham bill and Burnett bill, providing literacy test, etc., for immigrants; to the Committee on Immigration and Naturalization.

Also, petition of the Long Island Game Protective Association, of New York City, N. Y., favoring passage of the McLean-Weeks bill (S. 6497), providing for protection of migratory birds; to the Committee on Agriculture.

Also, petition of the Italo-American Alliance of the United States of America at Philadelphia, Pa., against passage of the Dillingham and other bills, providing literacy test, etc., for immigrants; to the Committee on Immigration and Naturalization.

HOUSE OF REPRESENTATIVES.

SATURDAY, *May 18, 1912.*

The House met at 11 a. m.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

O Lord our God and our Father, fit us for the new duties of the new day by bringing us in rapport with Thee, that forgetting self in an earnest and patriotic desire to do great things for a great people, these Thy servants may demonstrate the wisdom of popular government through its chosen Representatives in the Congress now assembled. For Thine is the kingdom and the power and the glory forever. Amen.

The Journal of the proceedings of yesterday was read and approved.

REGULATING THE LOANING OF MONEY.

Mr. JOHNSON of Kentucky. Mr. Speaker, I ask unanimous consent that the House nonconcur in the Senate amendments to the bill H. R. 8768, and ask for a conference.

The SPEAKER. The Clerk will report the title to the bill.

The Clerk read as follows:

To regulate the business of loaning money on security of any kind by persons, firms, and corporations other than national banks, licensed bankers, trust companies, savings banks, building and loan associations, and real-estate brokers in the District of Columbia.

The SPEAKER. The gentleman from Kentucky ask unanimous consent that the House nonconcur in the Senate amendments, and ask for a conference. Is there objection?

There was no objection.

The SPEAKER appointed as conferees on the part of the House Mr. JOHNSON of Kentucky, Mr. ADAIR, and Mr. DYER.