

provincial department store and flouring mill. Not that the ordinary investor refuses absolutely to bite at a mere prospectus. The history of mining promotion offers abundant evidence of the investor's willingness to plunge into the unknown. But the free investment fund is somewhat narrowly limited. It rarely exceeds the absorbing power of capital offerings that have established a reputation for security. The unprivileged masses buy as a rule Steel Corporation shares that represent capital already in the industry. In so doing they release funds in the hands of the original holders and perhaps prepare the way for vast new undertakings. But the general rule holds none the less: a rapidly expanding enterprise is provided with capital out of the vast profits it earns.

Now, are we willing to duplicate these conditions in the railway industry? Do we want to set the huge prizes that private enterprise demands in return for its fullest efficiency? Do we want the railways to collect from us, in rates and fares, the capital required for building and equipment, on which we shall be expected to pay interest and dividends in perpetuity? Incidentally, do we want to return to the industrial and political disorders of a frenzied epoch of railway development? Offer huge prizes, and men will not only work for them; they will fight for them. Under a régime of "fair profits" the railway managers set bounds to their competitive zeal. They are brothers, like Magyar and German faced by common foes. If the oppression of the Interstate Commerce Commission were lifted, it would become worth while for one railway company to seek to aggrandize itself at the expense of other companies. And unless the character of profiteering has greatly changed, railway strategy would avail itself of whatever means, industrial or political, might fall to its hands.

Nevertheless, we must have capital for railway development. If there were no alternative it might be wise to yield to the demands of the railway advocates and permit such profits as may be necessary to break the capital strike. But there is an alternative. The United States government, our financiers are agreed, can raise forty billions, if it must, for the prosecution of the war. In all probability it will not need to raise half this sum for the war; the other half it could devote to the purchase and reëquipment of the railways. No fifteen or twenty per cent profit will be required to attract all the capital needed if the government acts as intermediary. Five per cent, or at most six, would provide capital as liberally as the highest prospect of profit under private ownership.

What of future railway expansion? Is the government to continue issuing new bonds, piling up

the national debt mountain high? National debt offset by equivalent productive assets may rise to any height without impoverishing us. But if we choose there is no reason why the government-owned roads should not provide themselves with new capital out of profits, or even sink the original debt from the same source. We shall in effect be taxed to pay such profits, but we shall get our money back in the shape of nationally owned productive property. The private railway companies want to tax us to provide new capital to be owned not by us, but by themselves.

There will be no profits, say the doctrinal opponents of public undertakings. If government operation is more wasteful than private operation—something that is asserted more often than it is proved—will not the increased costs of operation eat up all that is saved through borrowing capital at a lower rate? At present only one dollar out of every five earned by the railways goes to capital as profits. The rest is spent for labor and materials. If the government pays better wages and buys less skilfully—something at any rate conceivable—may not most of that fifth dollar be absorbed? Yes. But let us bear in mind that the railways are not now content with that fifth dollar. They want more, much more; otherwise they cannot end the capital strike and give us the equipment we need.

Government ownership may not give us rates so low as those we now have. Neither will private ownership continue to give us such rates and meet adequately our increasing need for transportation facilities. What we have to choose between is not government ownership and private ownership narrowly regulated and restricted to modest profits. The practical choice lies between government ownership and private ownership largely released from regulation, freely permitted to work and fight for great prizes. And the choice will not be a very difficult one for the American people to make. It is the choice between progress and reaction.

## The Government and Organized Labor

**B**Y its timid and temporizing attitude toward the trade unions, the government is rapidly placing Mr. Gompers as the head of the labor committee of the Advisory Commission on National Defense in an impossible position before the rank and file of the organized labor movement. No representative body of trade-union executives in any of the belligerent countries was so prompt to throw the weight of their influence to the side of the government on the declaration of war as Mr. Gompers

and the Executive Council of the American Federation of Labor. Weeks before the President asked Congress to take formal action against Germany, Mr. Gompers called a conference of the executive heads of the principal trade unions and by his skill as a parliamentarian induced them to pledge themselves unanimously to the service of the country. Many of the men who attended this conference had been passionately opposed to America's entrance into the war; some of them were on record as believing in the general strike as a justifiable means of thwarting the prosecution of hostilities. Mr. Gompers was able to persuade them that the President had done everything in his power to keep the country out of war, and that by her revocation of her submarine pledge, Germany was threatening the existence of democracy not only in America, but in the world. The resolution adopted by the conference dispelled some of the gravest anxieties of the administration and the country.

When the Advisory Commission of the Council of National Defense was organized, Mr. Gompers was made chairman of the Committee on Labor. Believing that the national emergency demanded both the obliteration of past rancors that might interfere with the heightened mobilization of industry and the development of a liberal spirit of coöperation between employers and workers, Mr. Gompers gave equal representation on his committee to employers and trade unionists. He invited to its membership the President of the National Civic Federation, the General Manager of the Pennsylvania Railroad, and, as a clinching demonstration of his conciliatory purpose, a representative of the National Association of Manufacturers, the bitterest opponent of organized labor in the country. In organizing his principal sub-committees he followed the same liberal policy. Employers were given equal representation with labor on the Committee on Mediation and Conciliation, the Committee on Wages and Hours, and the Committee on Women in Industry. To the limit of his powers, he sought to lay the foundation of a nation-wide industrial truce.

He naturally assumed that a similar spirit would guide the business men who were placed at the head of five of the six other committees of the Advisory Commission as well as by the physician who was made chairman of the Committee on Medicine and General Sanitation. He assumed that the government would recognize the right of organized labor to be represented on the various special boards created to mobilize industry and speed up production. But nothing of the sort happened. The Committee on Supplies and its sub-committees on cotton goods, on woollen manufactures, on shoes and leather are made up exclusively of manufac-

turers and business men. Contracts are let with great regard for economy and speed of production, but without any consultation with representatives of the workers as to the probable effect of economy and speed upon them. The Committee on Transportation and Communication is likewise without labor representation. The sub-committees on shipping, on steel and steel products, on nickel and mica and lumber and copper and lead and every other commodity for which the government has entered the market are made up exclusively of bankers and merchants and manufacturers. The same is true of the General Munitions Board, which has received special governmental recognition. By this one-sided arrangement it is made to appear that Mr. Gompers has patriotically pledged himself to restrain the workers from agitating for the conditions of a decent life without securing any guarantees for the protection of labor in return.

Heightened color is given to this appearance of things, which does Mr. Gompers great injustice, by the attitude of the various committees and the departments of government to the complaints of the trade-union men and to their attempts to secure fair coöperative arrangements for the adjustment of grievances. The Executive Board of the Metal Trades Department of the Federation of Labor offered to enter into an arbitration agreement with the Navy Department for the prompt and democratic adjustment of any disputes that might threaten to interfere with the work of the department. Their communication was not even acknowledged. Seventy-five miners who had been employed in certain southern mines were discharged for the sole reason that they were members of the United Mine Workers' Union. The matter was brought to the attention of the chairman of the Committee on Coal Production, with the request that he should make an effort to bring about a fair settlement. With a shrug of the shoulder, the chairman regretted that there was nothing he could do inasmuch as "Those mines do not belong to me." It was at about this time that President White of the United Mine Workers protested that unless his organization was given adequate representation on the Coal Production Committee they would feel compelled to withdraw from the industrial truce. His protest was heeded, but without establishing a precedent for other organized industries. Last week Mr. Gompers and the Executive Council of the American Federation addressed a letter to the Council of National Defense in which they demanded "direct representation by workers, coequal with all other interests, upon all agencies, boards, committees and commissions entrusted with war work." If America was England this demand would receive serious consideration. There

the government has entered into an open collective agreement with the trade unions, the unions are officially "recognized," and they expect representation on all war work affecting the standard of labor as a matter of course. But the English labor movement has its own political party; it has its own representatives in Parliament; it has become an integral part of the industrial and political structure of the nation. It remains to be seen whether the business men of America and the administration at Washington will so deal with labor as to compel the organized labor movement to resort to independent political action to protect its proper dignity and its just interests.

But Mr. Gompers and his associates on the Executive Council of the American Federation of Labor must have learned by this time that mere representation of the workers on the various boards and committees of the Advisory Commission will be insufficient either to protect the interests of the workers or to make the experience and machinery of their organizations effective as instruments for the speeding up of production and the prevention of strikes. The time has come when the government should lay aside its equivocal attitude toward organized labor and openly give preference in the placing of contracts to industries where the men are organized and especially to those in which collective agreements exist. The effect of such a policy would be to restore the injured prestige of Mr. Gompers and his Committee on Labor and to put fresh faith and enthusiasm into the millions of organized workers who are the backbone of American industry. Moreover, it would immediately put at the government's disposal a machinery for the prompt adjustment of grievances such as years of trial and experience are generally required to develop.

Take the situation in the men's clothing industry. The government has gone into the market for tens of thousands of uniforms. The contracts for these uniforms are let through the quartermaster's department in Philadelphia. For some unknown reason, the quartermaster's department has followed the practice of placing most of these contracts with unorganized factories where the cheapest labor is employed and with factories so ill equipped to do the work that their owners have resorted to sub-contracting which in turn has spilled over into the tenements. Since the beginning of the war there has been a conspicuous recrudescence of the old sweat-shop conditions which the best manufacturers and the unions have struggled for years to abolish. The quartermaster's department has taken the position that the government is not concerned whether or not union labor is employed. Most of the clothing on government account is manufactured in New

York, Philadelphia and Baltimore, and it happens that in these cities approximately 85 per cent of the industry operates under protocol agreements which provide not only for the maintenance of decent labor standards in the establishment of which the manufacturers, the workers and representatives of the outside public have had a voice, but which also provide a highly developed and effective machinery for the modification of standards in times of emergency and the adjustment of industrial disputes. With few exceptions, the factories which have remained outside the scope of collective agreements operate under sub-standard conditions of wages and hours, give the workers no voice in the control of the shop and provide no machinery for the correction of grievances. Yet it is such factories that appear to be getting most of the government contracts to-day with the result that unrest and resentment is rapidly spreading throughout the industry.

Would not the government be following a wiser course if it called into consultation the representatives of the manufacturers' association and the union which control 85 per cent of the industry, made preferential arrangements with them for the execution of government work and made them jointly responsible for the maintenance of uninterrupted production? Why should not the same thing be done in all other industries operating under collective agreements? And where unions exist but are "not recognized," why should not the government lend its influence to the creation of collective agreements in the interest of industrial peace and efficiency? Until something of this sort has been done, the recognition which has been accorded to organized labor by the appointment of Mr. Gompers to the Advisory Commission will remain an empty compliment, a thing of no substance or practical effect.

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## Unity at Washington?

TO say that the administration is grinding on the rocks is surely palpably far from true; but those who say (and who say it often because they wish it and plan it) are now every day fortified with fresh arguments, such as the protracted and really quite aimless delay in arriving at a national policy with regard to the highly immediate question of the price of steel, and such as the recent congressional elections in the first district of New Hampshire and in the sixth district of Indiana—elections in which the Republican candidates were returned to the House of Representatives with doubled and trebled Republican majorities and in which disaffected persons like Mr. Hearst are slinkingly but effectively laboring to persuade their followers to see a repudiation of Mr. Wilson and of the Allies and of the war. In such circumstances, with the enemy always at our gates in the persons of his friends, it may be useful to observe certain broad reasons for public confidence, or for lack of public confidence, suggested by the administration's general conduct of war affairs at Washington.

The spirit of that general conduct, as distinguished from its mechanism, has deserved public confidence convincingly and even touchingly. It speaks with an eloquent tongue in those petty details of daily routine which necessarily are beneath the notice of the Division of Public Information. A young man closes his desk in New York, resigns his salary, repairs to Washington, appears at the War Department and offers himself for service in the medical corps in France as an orderly. The officers who interview him find that he has been occupying an important administrative position in an important business house. They immediately, of their own motion, suggest that he take an officer's commission and attach himself to them in their central administrative task of organizing our medical corps for its tremendously enlarged and difficult service both at home and abroad. Incidents of a contrary type are numerous. Incidents of this type are ten times more numerous. The veils of red tape have been rent and the temple of the bureaucracy has been laid open to the tread of unclean outsiders in a manner almost miraculous and with a hospitality utterly impossible except under the spell of a great devotion.

The final proof of the existence of this purpose and of this devotion is seen in the continuance of the relations established between, on the one hand, the General Munitions Board and the Aircraft Production Board of the Council of National De-

fense and, on the other, General Crozier's ordnance section and general aviation section in the War Department. Commercial civilian advice in the persons of Mr. Scott and of Mr. Coffin, bureaucratic military execution in the persons of General Crozier and of General Squier, and political civilian ultimate control in the persons of Mr. Baker and of Mr. Wilson are here bidden to lie down together in the same fold anomalously and preposterously. That it continues to be done with a high degree of friendliness and with a very considerable degree of effectiveness is an event to confound the cynics of yesterday. It would have blown away long ago in storms of its own spontaneous internal generation if it had not been sustained by a spirit unknown to us before the war. In evidencing such a spirit, a spirit ample, open, receptive, reciprocal, the administration, throughout its departments, is in process of becoming a genuinely national administration in all those matters of daily routine in which the politician and the bureaucrat and the outside expert must unite to give us a sound and swift handling of the detailed business of warfare.

It is when we turn from its spirit to its mechanism and from the details of its mechanism to the large structure of it that we begin to see the reasons why the administration deserves, and is getting, less public confidence than formerly.

This war is a war to which certain elements in our population are hostile and to which certain other elements yield an only formal support, coerced perhaps permanently but perhaps only temporarily by a formal sentiment of patriotism or by a formal loyalty to the government. We are, at bottom, a divided country. In any divided country, in time of war to-day, one of two things, as a rule, happens. If it is an autocratic country, the government jails and otherwise suppresses the malcontents. In Austria-Hungary the government, being the most fiendish of all civilized governments, has executed the malcontents by thousands and has confiscated their property in order to torture their dependents and intimidate their accomplices. In a democratic country, as in Great Britain and France, which are much less divided, after all, than the United States, the government attempts to combine within itself, by personal representation, all important elements favoring the war in order to present a front as solid and as extended as possible to the various minorities which, for reasons conscientious or for reasons factious or for reasons venal, are opposing the war and are doing