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CONTENTS

BOOK PUBLISHING .................................................. J. Bertram Lippincott 1
THE PROFESSION OF ACCOUNTANCY .................................. J. E. Sterrett 16
BUSINESS AND SCIENCE ............................................. James T. Young 28
JOURNALISM ................................................................. George W. Ochs 38
COLLEGE MEN IN BUSINESS ........................................... H. J. Hapgood 58
THE LIFE INSURANCE PROFESSION .................................... L. G. Fouse 70
THE STUDY OF INSURANCE IN AMERICAN UNIVERSITIES ........... S. Huebner 82
EDUCATION FOR BUSINESS ........................................... Harlow S. Person 101
HIGHER EDUCATION FOR BUSINESS PURSUITS AND MANUFACTURING,
John H. Converse 115
THE DESIRABILITY OF A COLLEGE EDUCATION FOR RAILROAD WORK,
A. J. Conover 124
RAILWAY PROFESSIONAL EDUCATION, ITS OBJECTS AND LIMITATIONS
................................................................. W. M. Acworth 130
PUBLICITY AND REFORM IN BUSINESS .............................. Henry Clews 143
TAXATION IN AMERICAN CITIES—A symposium ..................... 155
BOOK DEPARTMENT .................................................. 173

(For Contents of Departments, see next page)

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CONTENTS OF DEPARTMENTS

MUNICIPAL NOTES
Conducted by L. S. ROWE

Municipal Taxation—Buffalo, Cincinnati, New Orleans, Detroit, Grand Rapids, Milwaukee, Washington, D. C., Seattle, Duluth, Holland.

BOOK DEPARTMENT
Conducted by CARL KELSEY

Notes, pp. 173-181.

REVIEWS

COLQUHOUN—The Africander Land (p. 181)................HENRIETTA S. SMITH
COMMONS—Trade Unionism and Labor Problems (p. 182)........G. B. MANGOLD
HAINES, Restrictive Railway Legislation; NOYES, American Railroad
Rates; MEYER, Government Regulation of Railway Rates;
RIPLEY, The Trunk Line Rate System; McLEAN, The English
Railway and Canal Commission of 1888 (p. 183)........E. R. JOHNSON
HUNT AND POOLE, Ed.—The Political History of England, Vols. i, ii, iii
(p. 189) ........................................EDWARD P. CHEYNEY
JOHNSON—Money and Currency (p. 192)....................CHARLES A. CONANT
SMITH AND SIBLEY—International Law as Interpreted During the
Russo-Japanese War (p. 194)..............................JAMES W. GARNER
SPARFO—The Bitter Cry of the Children (p. 196)........WILLIAM H. ALLEN

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BOOK PUBLISHING

By J. Bertram Lippincott,
Of the J. B. Lippincott Company, Philadelphia.

In the book publishing business, as in all other commercial pursuits, there have appeared men who, with very little education, have become leaders and have amassed considerable fortunes, men who never saw the inside of a college, and who had little schooling. Such men are so gifted that, whatever falls to their lot, they are bound to succeed. What effect a finished education would have had on them and their career is a problem which may be left to conjecture. It is safe to say that men who have risen without an education are by far the exception. And most of them will confess that they would be thankful if they had received the education of their more fortunate associates.

There is no "commercial profession" where a finished education is more useful than that of publishing. The very nature of the business, which is practically that of preserving and disseminating knowledge and entertainment, is fascinating to a degree. To feel that an imprint on an important book will pass under the eyes of generations, after monuments have become neglected, is a satisfaction which the publisher of a good book may properly enjoy in prospective. Indeed, the very name and nature of the profession suggest culture, and without an appreciation of the higher ideals of life the publisher lacks an important, if not essential, quality to success.

The publishing business is divided into special branches, distinguished broadly by the nature of the books which they individually include. Thus we have medical publishers, technical or scientific publishers, publishers of belles lettres and fiction, and publishers of periodicals. The firm or individual issuing books belonging to all or several of these various classes is known as a general publisher. The choice of a particular department of publishing is de-
ependent upon the inclination or training of the individual. And so likewise each branch of publishing demands a special education or experience in keeping with its character.

But as a basis for successful publishing, in any or all of its branches, a common school education or its equivalent is a sine qua non. After that, the temperament and tastes of the individual probably are the most influential factors in determining a choice. If he has the clearly defined desire to confine his work to the law, to medicine, or to architecture, and seems to possess the physical and mental qualifications which fit him for dealing with any one of these, it is worse than useless to attempt to turn him aside from his desire. Such a young man is hardly likely to be successful in commercial pursuits; both his inclination and his mental equipment influence him to regard business as nothing more than a means to an end. On the other hand, the boy who possesses what might be termed a commercial temperament and who combines with this a taste for literature is, other things being equal, decidedly the best subject from which to develop a successful publisher. A purely literary temperament may fit him to become a writer, but, of itself, is not sufficient to equip him to be a publisher. Business acumen must be in his make-up, or he will ultimately fail.

At the close of his school life a boy should be in a position to select for himself, or to have selected for him by some one who thoroughly understands him, the special course of preparation which will fit him for the occupation he intends to follow, and, if he wishes to be a publisher, to advise him wisely with regard to that business.

Let us suppose that his intention is to become a medical publisher. In this case his first step, after leaving school, should be to enter a medical college of good standing. At first thought, this suggestion may seem altogether out of place. The young man may perhaps ask, "Why do I need to learn how to treat sick people when my plan is to publish books for those who already know more about this sort of thing than I could ever expect to learn?" "Exactly so," his adviser will reply. "But you must know how medical subjects are presented to students in order that you may be able to recognize what is needed in the way of a book intended to meet the requirements of medical students, professors and practitioners. Consequently, you must at first put yourself in
the position of the student and professor, and so understand their point of view. Furthermore, by this means you form acquaintances with those of authority in medical circles. This results in connections which, in your business career, should prove to be of great value, both by giving you special opportunities to procure the books you wish to publish, and also by enabling you, at times, to secure information or advice which will be needed."

The medical book business is a rather peculiar one in that it requires men especially trained for its management, and a man once trained to its methods may hardly be expected to be a success in the handling of other lines of books.

It might be thought that, to fit one to become a publisher of technical or scientific books, a special preparatory course of study in technical schools was likewise necessary; but this is not the case. The medical publisher concerns himself directly with one clearly defined class of books. The technical or scientific publisher, on the other hand, has to do with subjects so numerous and diversified in character as to make anything more than a general intelligent understanding of them and of their likely appeal, an impracticability. A publisher of technical or scientific works is not expected to know, nor would it be possible for him to speak authoritatively from first hand knowledge of, the exact value of each and every one of the books which he publishes. He must rely for his decisions on these points — so far as the manuscripts offered him or solicited for publication are concerned — upon the judgment of those whom he knows to have a special understanding of the particular subject in hand. It is not meant to imply that a scientific training is not of usefulness to the technical publisher. It is of decided value because of the habit of mind and the point of view which it establishes. But it cannot be considered essential.

After the student has acquired sufficient knowledge from institutions which deal with the higher education, his next step is to come to an understanding of how that education may best be applied to the business which he is about to undertake. We will suppose that he already has entered upon the publishing business, and that he has in prospect, or perhaps already on his shelves, a few good books which it is his business to sell. How shall he do this?

The first thought is by advertising. What form should this take? At college he knows that the books generally employed by
the students have been those "adopted," as it is called, by the professors. This adoption is one of the first things which he desires to secure for his medical books. And for that purpose he must obtain the services of competent agents or train them in methods which will result in presenting the books properly to the most likely purchasers. Also these agents must be handled by a man who understands the systematizing of an agency's work, and the careful recording of all facts and figures relating to it. For this purpose a very complete equipment is necessary; and it is not long before our publisher, considering the questions already raised, and the many little details involved by them, realizes that there are tremendous difficulties confronting the man who attempts to compete with the wealthy and established publishing houses.

The situation outlined, however, is offered rather as an illustration of the necessity for thorough preparation on the student's part than as a disturbing picture of conditions. The fact is that an experience of some length in the service of a large publishing house is essential to success. In this way and in this way only may be acquired that knowledge of the application of education to business which will later enable the ambitious publisher to make the best use of his opportunities and of his capital — whether it be in dollars and cents or in brains.

The school of experience is the only positive and safe school from which to graduate into the ranks of independent publishers. For only in that school can be gained acquaintance with practical problems of the business — problems which vary so considerably in their nature and bearings as to make impossible their presentation in the college or technical school. It is the unforeseen which usually demoralizes the beginner. Experience teaches him to prepare for such things ahead of time. And the unforeseen is a factor of daily experience, it is not touched upon in books or lectures.

On the other hand, as the graduate of a college or professional school, the young man who is being trained in a publishing house finds himself equipped to do many things which his less educated rival cannot do so readily. The college trained man already has a fairly broad and intelligent understanding of the best literature; he can talk rationally of the contents of books and their merits; he can approach the writers of books with that air of understanding which contributes to making them feel that he is one of them. Altogether
he has a good start, and, with equal capacity and energy, his chances for success are very much better than those of his less educated competitor.

The "general" publishing business involves such a variety of problems, that any special education in one department of learning is rather more apt to be disadvantageous than otherwise to the man who contemplates taking up this business. Furthermore — and this is true of all branches of publishing — youth is tremendously helpful. The young man's mind is open and eager, his ambitions make it easy for him to perform duties in the publishing house which, as an older man he might resent. The business requires physical energy and alertness of mind; furthermore as a young man the beginner in the publishing house more readily acquiesces in the all-important rule "Learn to obey in order that you may learn to command." There is little favoritism in the publishing business. Ability figures too largely in the final result to permit of overlooking it.

There is still another reason why the man ambitious to become a publisher should first of all have experience as an employee in an established house, and have this experience while he is yet young. The administrative faculty is, in a considerable degree, a gift which is not shared by all men. But it can be cultivated, and something which will serve tolerably well in its place may be acquired by close observation of those who do possess it, and by applying the results of this observation with common sense. In a large house a vast deal of administrative ability is required. While each department is presided over by a head, there are still constant issues involved by the work of each of these departments which must come for decision before the general head of the business. Again, there must be constant watch on the part of this head over the operations of the concern. The young man who is employed in a publishing house sees and hears every day what is the result of applied executive capacity and of the organization of which that capacity is the product. Consequently, whether or not he has an aptitude for the management of affairs, he must, as time goes on, store up a certain fund of information which stands him in good need. And not the least of the lessons which he so learns is that a knowledge of human nature — of the capacity, qualities, and temperament of men — is of the first importance in arranging the personnel of an establish-
ment which to do its best must run as does a fine piece of machinery, every part of it doing its duty continuously, quietly, and without friction. Such knowledge enables the publisher to advise his salesmen and intelligently weigh the opinions of those who read his manuscripts for him. In the case of the salesman it enables him to decide upon the particular classes of people who may be reached most profitably by the publications of the house. In the case of the readers of manuscripts it enables him to gauge the qualities of a manuscript and determine whether it is likely to interest the readers for whom it is intended.

Probably the most difficult problem confronting the publisher to-day is the selection of a novel which shall prove "popular." Fiction is the most widely known form of writing at the present time. More people attempt to write stories than anything else; and more people read them. It might almost be said that at least one in every two of the educated people born in the last one hundred years at one time or another has tried his or her hand at what is known as imaginative writing. Masses of such productions never even get as far as the publisher, and remain in their authors' desks. Tons of novels are returned yearly by publishers to their writers as being unavailable for publication. The magazines alone publish an immense amount of fiction; and almost as much if not more appears in the form of books. Consequently, the competition on the part of authors to get into print is acute, and a publisher has to employ every resource of his experience and judgment, as well as exercise extreme caution in deciding just which of the contributions offered to him he can publish to advantage.

Perhaps in the choice of a novel, the factor which may be counted on most surely is the curiosity common to us all. If a book succeeds in its early pages in piquing this curiosity and keeps it alive until near the close it is pretty sure to find a great many readers. Given such a story in which the actors are presented so that we sympathize with them or yield them our respect; in which our emotions are touched, and so constructed that it moves to a logical end, through incidents which have their own individual interest — given such a story, the publisher may put it upon the market with fair assurance of success. The great defect of some novels which have a really good idea at their foundation is what is called "padding" — that is to say, the extension of events beyond all reasonable
length, and the amplification of descriptions and conversations to
the point where the reader loses interest through sheer monotony.

Exactly how a publisher arrives at his decision with regard to
the availability of a manuscript is not easy to say in so many terms.
A variety of reasons, differing with almost every book, enter into
his judgment; but, in general, he has to consider,—the individual
and comparative opinions of those who have read the manuscript,
and to weigh these against his own views. Also he must ask him-
self to which sex the novel would be likely to appeal most strongly;
in what part of the country it probably would have its largest sale,
and how much of a sale a conservative estimate would predict for
it. And when all this has been gone over he must again review
his experience in the light of that unpleasant but undeniable fact
that another previous book which perhaps seemed to him practically
certain of a big sale was, commercially regarded, a complete fail-
ure. And what is still more discouraging, he must reflect that, for
the failure of that particular book, he very probably is able to give
no definite and sufficient reason even now. For one cause or an-
other the public refused to talk about it, and, for all his advertis-
ing and the energetic efforts of his salesmen, it did not sell.

The whole question of popularizing novels seems to demand
something more than literary judgment and business instinct. It
might almost be said to involve complex psychic factors. At least
the success of some books points to nothing more or less than this.

The selection of standard works as they are called,—that is to
say, books of reference, history, biographies, is quite another mat-
ter. The results achieved in these lines are dependent first of all
upon the inherent merits of the work itself, and these in turn are
referable in large part to the plan of the work and to the qualities
of the man who is charged with preparing it. He is generally a
specialist, and the publisher gives him considerable latitude in carry-
ing out the plan of the book. The publisher's particular problems
in each case are worked out along the lines of common sense regu-
lated by the scheme of the work determined upon in advance. And
this last in turn is drawn up with the idea of meeting the wants of
the particular class of people for which the work is intended.

Histories and biographies are treated very similarly so far as
their writing and the relation of publisher to author are con-
cerned. And the method by which they are sold is also very much
like that adopted in other books of serious interest. But the whole problem of selling is one calling for the most discriminating judgment, and the widest experience. The selling plan varies in detail at least with almost every separate book, if we except fiction. The novel invariably is placed upon the market through the medium of book stores and by the regular salesmen of the publisher. Books of belles lettres and science are sold in that way too; but they are also occasionally sold by what is known as “subscription.” The first mentioned method is called “selling to the trade,” and the books so treated are called “trade books,” as distinguished from “subscription books” which are sold exclusively by agents directly to the customer and so do not come into the hands of the retail bookseller at all.

The publisher has to decide in advance which will be the more profitable way for him to put his book upon the market, and his choice depends, not only upon the character of the book itself, but also upon the readers to whom he expects to sell it. If he believes that it should appeal especially to mechanics and others of those who are dependent upon their daily wages and to farmers who have a limited income, he remembers that books are a luxury to these people and that to induce them to purchase requires personal application, a full explanation by word of mouth of the merits of the book, and the persuasive tactics of a trained book agent. And here is where the book agent finds his fertile field. Cheap encyclopedias, Bibles, works on the farm, and on popular science, popular illustrated histories, or cheap editions of standard works of fiction may be presented to these customers with very good chances of success. But perhaps the easiest seller to such people is the life of a man who is in the nation’s eye at the time. Such a book, if printed on cheap paper, profusely illustrated and showily bound, can be sold in large quantities, provided the price be low enough. But this branch of the subscription book business has peculiarities of its own, and the publisher who undertakes it usually has all that he can attend to without other publication business. No special academic education is required for success in this line. The ability to train agents for their tasks and to lay out their routes and otherwise govern their movements and doings are the requisites in a publisher of this kind.

The higher grades of subscription books which appeal to edu-
Book Publishing

Problem

cated classes of readers require very different treatment. The subscription agent presenting these has to be better dressed and, in speech, manner and mental qualities, be not far inferior to those to whom he intends to present himself. He must know what the books he is selling are about and be able to answer questions in regard to their contents and their writer intelligently and promptly. In other words, in this branch of the trade, the tactics of the showman count for less, and education for far more.

Selling books by subscription is a more costly way than selling through the trade if the immediate expenses only be considered. The agent has to be paid a commission larger than is the discount usually allowed to the retail trade. Consequently, the net returns to the publisher are smaller on each copy of a subscription book than on each copy of a book sold to the trade. Purchasers, too, will sometimes return their books before they have paid for them, and after the agent has received his commission for selling them. This, of course, involves a direct loss to the publisher, and the books frequently come back in bad condition. Freight charges and the cost of collecting accounts also tend to cut down the publisher's profit. So, in order to provide against these heavy charges, the price of subscription books is often greater than that charged for other books which cost just as much to manufacture.

One of the most popular ways of selling subscription books is on what is known as the instalment plan, by which the subscriber is allowed to pay for the work he agrees to take in a number of installments. Sometimes these payments extend over two years, and extensive and very careful bookkeeping is required to cover the hundreds of small accounts. In this plan there is also a considerable loss of interest on receipts, while there always exists the danger of the subscriber being unable, or refusing, to keep up with his or her payments to the end, thereby involving the services of collectors. In my opinion, the instalment subscription business is an improper method of conducting what is otherwise a legitimate and profitable way of selling books.

Books sold by subscription are copiously advertised along special lines. This is done both in periodicals which enter the home, and by a process of circularization, which is more extensive than in any other branch of the book business. This advertising is not primarily intended to secure subscribers directly but to give material
to the publisher which he may turn over to his agents who then visit the writer and show him or her the book itself. Every sale so effected by the agent is credited to his account, and a commission allowed him on the sale. It must be remembered that this advertising deals only with books which cannot be procured in the bookstores, and on which, therefore, the agent is able to get the full publisher's price.

Most books, as has already been observed, are sold through the trade. The bookseller deals with the retail customer almost on his own terms. The salesmen employed by the publisher for this purpose are differently trained from those who carry on the subscription business. They have to do, not with men who do not know what they want and whose knowledge of books in many cases is limited; but with men equally well trained with themselves, and who know fairly definitely what they want and how many books they wish to buy. Books sold to the trade are advertised in a systematic manner in those mediums which are supposed to be read most widely by people interested in books. Most publishers follow convention in their advertising, confining themselves in general to a display of the title of the book advertised, and the name of the author, and publisher, together with such extracts from reviews upon the book or other opinions of its merits as they think will encourage purchase. The amount of advertising done is determined chiefly by what the publisher estimates as the possible sale for the book, and of how quickly and profitably it will respond to this sort of promotion. Some few publishers, however, particularly of recent years, have adopted quite a different policy and their advertising in the daily newspapers follows fairly closely the model set by promoters of patent medicines, and department stores.

Besides this sort of advertising there is another which, strictly speaking, is not advertising at all. This is done through the review columns which very many of the large daily papers, and some of the periodicals, have established as regular departments.

School book publishing is a business of its own, though conducted in some cases as a department of the general publishing business. School books include readers, spellers, arithmetics, geographies, physiologies, etc. The sale of such books depends largely upon the various school boards. Their selection usually results in a very large order generally calling for prompt delivery at a com-
Book Publishing

paratively low price, and, consequently, an order of this kind is exceedingly gratifying and profitable to the publisher. The time and methods characterizing these "adoptions" — as the selections of the school board are called — differ in various states. The publisher usually delegates the actual solicitation to agents trained particularly for that sort of business. The members of the Board are usually interviewed. Some times "adoptions" result in sales of hundreds of thousands of a single work, though this also may extend over a period of from three to five years. Consequently the rivalry among the agents, as among the publishers, is keen and well worth the great expense attendant upon a campaign for adoption. It may be mentioned that as a provision of such adoptions, however, it is frequently necessary for the publisher of the successful book to take up and dispose of, on his own account, the copies of the book which his work has displaced. Moreover, during what is called the first term of its adoption the new book must be furnished by the publisher at a price lower than the figure which will be paid to him for it later on. This is called the introductory price. As guarantee of his good faith and ability to fill the order placed by the school board the publisher in every instance has to file a surety bond.

In one sense at least, because of its various complications, the school book business demands more intelligence, watchfulness and energy than any other branch of publishing. The books, too, must be well manufactured, both as to materials and artistic results, for they come under the closest of criticism and test, and every flaw, real or imaginary, is made the most of by competitors in the trade.

Poetry is the most disturbing form of literature presented to the general publisher's attention. Popular appreciation of poetry seems to be almost dead. This statement refers of course to the poetry written to-day; for an everlasting taste exists for the standard works of poetry, as is evinced by large annual sales of the numberless editions of these works. A few, a very few, of our living poets write what the publisher can issue with a fair hope of commercial profit; and one or two of them are yearly the authors of books which have what might almost be called a big sale. The books of poetry which succeed appeal to the emotional side of human nature, or deal with the pathos and humor of simple life; and, on the other hand, those poets who write of the profound or
the mystical seem not to be understood, or, at least, are not widely read. Such commercial success as has been achieved in this field seems rather the result of adventitious circumstances than the fruit of logical and sober judgment on the publisher's part.

In dealing with authors the publisher has only his own estimate of the manuscript and of the probabilities of its sale upon which to base his calculations of the price he should pay the author for the work. And this fact of course prohibits the fixing of any standard of compensation which might be applied to all cases. Moreover, the plan upon which any publication is to be issued has a great deal to do with the consideration to the author.

In those cases where the publisher prefers to own all rights in the printed form of the manuscript, and where the author is willing to allow this arrangement, a lump sum, agreed upon between the parties, is paid to the author, and his rights to the manuscript and to the books made from it from that time on cease, except of course the right to have his name placed upon the title page. Where a book has a very large sale such an arrangement is of course profitable to the publishers and less profitable to the author, since no continuous payments resulting from increasing sales accrue to the author. But quite another arrangement is usually followed. Payment is generally made to the author by the publisher upon what is known as the "royalty basis." That is to say, a certain percentage of the retail or wholesale price of the printed book is agreed upon, and, for each copy sold, the publisher credits the author's account with the amount due him. This may be ten, twelve and a half, fifteen, or, in very rare instances, twenty per cent.

Still another arrangement is that of a division of profits between the author and publisher. This is most often, perhaps, applied to publishing agreements on technical books; and by it, when all the expenses attaching to the manufacture and publication of the work have been met by returns from sales of that work, the net credits thereafter accruing are divided equally, a fixed charge agreed upon by both parties in advance being made for the manufacture of each copy of the book.

A fourth plan, which in reality is but a modification of the second arrangement, is that by which a royalty is paid to the author only after the expenses have been met,—these expenses being
reckoned and accounted for on the same plan as that employed in the half profit arrangement.

Authors occasionally have their books published for them at their own expense, in which case the publisher makes an estimate of the cost of producing and publishing the work and the author pays to him the amount involved, in such sums as are agreed upon. In this case the author generally retains the copyright and other interests in the book. It need hardly be said that where books are published at the author's expense it is almost always because the publishers cannot believe that they would be a profitable venture for him to undertake at his own risk. On the other hand, where what is known as "advance royalty" is paid by the publisher, it is because he (the publisher) thinks the book in question a very good commercial venture, and consequently is quite willing to advance to the author a stipulated sum, this sum to be deducted from the first royalties accruing to the author on account of the book. The payment of "advance royalty" has become more common of recent years owing to the competition among publishers for the work of a comparatively few very popular novelists; yet it remains a risk which many publishers regard as neither business-like, logical, nor reasonable under the very uncertain conditions attending the sales of novels.

The written agreements between authors and publishers with relation to the publication of books generally refer to the entire period during which a copyright and renewals upon any one work may be secured from Washington. After the expiration of this period any work becomes common property, and the publisher's exclusive interest in it from a legal point ceases. Consequently, any other publisher, after that time, may print the book without regard to the previous right of author and original publisher. To meet this competition the original publisher frequently has to bring out the book upon which copyright has expired in cheaper form, and, therefore, at a lower price.

The successful publication of periodicals is a problem toward the solving of which whole fortunes have been contributed frequently without profitable results. Some few publishers have been exceedingly accurate in their judgment of what the public wants, and their periodicals are consequently a commercial success almost from the start. The failures, however, outnumber the successes
one hundred to one. On the other hand, the few successes have been profitable not only because of the receipts they bring in directly, but also as advertising mediums for the house which published them; and it may be said that probably every publisher's ambition includes the issue of a periodical of large circulation and influential character.

The securing of such circulation is the very crux of the difficulty, but to explain exactly how a circulation is obtained would be impossible. Certain things are always done such as the wide advertising of the periodical, the distribution of sample copies wherever it is thought that they may interest readers who will later on become purchasers and a vigorous and widespread circularization by letters and prospectuses. But, aside from such general methods and securing the co-operation of the large distributing agencies, whatever is accomplished in the way of circulation results from the cleverness and energy of the circulation manager and from the ability and resources of the editor.

The profit to the magazine publisher in no case arises, however, from subscriptions to it or from its sales upon the newsstands. The price usually asked for a copy of a magazine would not more than pay for the white paper, the labor, and the ink which enter into its making, to say nothing of the cost of the contributions it contains and the salaries paid its editors. It is from the advertising pages of the magazines that the publisher counts to make his profit. The business to-day indeed is at a point where only the most entertaining and informing of periodicals of the largest circulation can expect long to survive the struggle and continue to be commercially successful.

The advertising department has grown in importance at an astonishing pace. Advertising itself has attained to the dignity of an art. In fact advertising is the special subject of study in many schools throughout the country, and advertising men form a large profession, many members drawing high salaries. In book and magazine advertising that psychological understanding of what will arrest attention and encourage the reader to go through an advertisement is almost if not quite as important as in the advertising of medicine, groceries, or the wares of a department store. But less license in the matter of the wording and display of type is permitted in publishers' advertising than in other kinds because of
the greater dignity of books and bookmaking. This feeling may be more or less the result of tradition, nonetheless it persists; and the most widely respected publishing houses to-day in their advertising seldom go further than to make the most of the reputation of the author, the opinions of critics, and the special points of interest in the book advertised. Nor does advertising depend for its success upon the size of the advertisement. A five-line advertisement in agate type in a daily paper, if worded exactly as it should be, will accomplish more than a hundred lines carelessly phrased, or improperly presented in type.

Yet, when all is said and done, no amount of advertising, however clever, will push a poor book beyond a certain point. There must be in the work itself that which sustains the claim of the advertising and satisfies the reader’s interest. If not, the publication will sell only until it is “found out.” In other words, honesty and sincerity must characterize every move made in the promotion of a book from the advance work of the salesman to the phrasing of the advertising. Moreover, even when the publisher has done all this he can have no certainty of the results. There is probably nothing more necessary to the selling of any sort of goods to-day than liberal and clever advertising; there is no part of the publisher’s business in which a larger amount of faith is needed. In very few instances is he able to tell what good, if any, a particular advertisement has accomplished — except, of course, in the advertising of those books which are not sold by the trade and orders for which consequently come directly to him from the reader of the advertisement. He can only go ahead, advertise to the best of his judgment and ability, and, if a profit results, continue his advertising as long as the general sales of the book seem to respond to that particular form of promotion. Advertising might well be called “bread upon the waters, but bread upon waters whose currents are almost uncharted.” And not infrequently the item which wipes out whatever profit the publisher otherwise would have made upon a book as the results of sales is — the advertising.
THE PROFESSION OF ACCOUNTANCY

By J. E. Sterrett, C. P. A.,
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Business is the most obvious if not the most potent force in modern civilization. It is the province of business to produce wealth or, more accurately speaking, to make latent resources available as wealth to mankind. Gold, silver, iron, coal, the fertile soil—all these exist, but until touched by the transforming hand of business they are of little or no service.

Business, to the individual, means private gain; but ultimately it must serve a larger purpose. Railroads are built and operated for profit—not for philanthropy. Yet how much they contribute to the comfort and convenience of the community! The telegraph and telephone in the public eye are purely business enterprises; but in the contemplation of their function we seldom think of the stockholder and his dividends. We view them rather as great public utilities without which our modern life would be sadly crippled—or impossible. A manufacturer or a merchant expects to reap a personal reward for his enterprise and efforts, but if his factory or his store does not do more than enrich him, in short, if it does not add to the wealth of the community it will not long survive. A community without wealth may be, theoretically, very attractive but progress and the fulfillment of the purposes for which the human race was created will begin only when that community takes its first steps in the accumulation of wealth.

The world has been remarkably slow in its appreciation of the broad and ennobling aspects of business. Trade was too long frowned upon as sordid and unworthy, and even now what may be termed the business professions have to struggle for elbow-room.

Recent years have witnessed a remarkable increase in the wealth of the world. It is quite safe to say that this addition during the past fifty years has been greater than that of the first fifteen hun-
dred of our present era. One of the direct results of this immense accumulation is the changed methods by which it is managed. The control of vast interests demands exceptional ability. Hence, the tendency has been strongly toward large corporations where huge sums, whose ownership is scattered among many, are under the management of the few.

Books or written accounts have been recognized from time immemorial as an essential element of business — the clay tablet of antiquity bearing striking testimony to the care with which ancient peoples recorded their transactions. When business was conducted in a small way and mostly by individuals on their own behalf the accounts relative thereto were correspondingly simple; but with the transition to a more complex form of organization and method of administration, the accounts have ceased to be a mere record, valuable as history or as an aid to memory. They have become the chief means of control.

Management rests no longer with the individual owner. It has passed to those who, by reason of special talents, act in a representative capacity. Their ability and fidelity are judged by the accounts. The real owners — the stockholders — oftentimes never see their property, and their basis of judgment is the balance sheet and accounts presented to them from time to time. The representatives of the owners — the directors and officers — cannot be personally familiar with any but the general aspects of a large business, so that they in turn conduct the enterprise in hand through employees and agents whose usefulness is determined in many, if not in most instances, by the statements prepared from the accounts. The accounts are, or should be, to the business organization what the nerves are to the human body — the effective means of control.

It therefore becomes a matter of the first importance in the administration of any large enterprise that it adopt a system of accounts that will accurately and promptly reveal every manifestation of the current upon which the business is embarked. The management must steer the course according to the chart. Many a fine business finds itself hopelessly upon the rocks because, in fancied security, a course was set contrary to the significant facts or real indications which should have been ascertained and would have been known had not the accounts, at some point, failed to indicate the course of safety.
While this is especially applicable to affairs of magnitude there remain, and doubtless there always will be, many enterprises doing a small business, and unless these observe the same economic laws they will either be forced aside or swallowed up by their stronger competitors. Growth, and expansion come only in this way. Proper accounting is as essential in a small business as in a large one. Methods that are less complex meet the needs of the former but the general principle involved is the same.

The accounts, then, of modern business concerns are an element vital to success. They may bear little resemblance to the labored entries of simple sales and purchases, of cash received and cash paid out, which constituted the main features of the business records of a few decades ago. Time was, when a notched stick split in two, one piece in the hands of the creditor and the other in possession of the debtor, was sufficient record of a business transaction, but a great railroad system or a department store was then an impossibility — impossible even had it been contemplated.

The growth of business, both in its proportions and in its complexity and ramifications, has created a demand for men specially qualified and trained to deal with business problems from the viewpoint of the accounts. The answer to this demand is the public accountant. Let us look for a moment first at his history, next at some of the things he aims to do, and then at his equipment for a complex and highly responsible service.

On the other side of the Atlantic, particularly in Scotland, the public accountant has had a fairly well defined position for about a century. In England the public accountants during the past fifty years have formed a large and influential body, and enjoy a standing comparable to members of the legal profession. In this country the public accountant is a more recent development, having had but little prominence or influence until twenty years ago or less; but during the past five or ten years his progress in numbers and importance in the business community has been very rapid. Even yet, however, people who should be better informed, look upon the public accountant as an "expert" or sort of master-bookkeeper.

The work of a public accountant may be roughly divided into two classes — first, the devising and installing of systems of accounts,
and second, the audit and examination of accounts. The first is constructive or synthetic, the second analytical.

The accounting system of a business should be carefully designed to meet the requirements of that particular business. It must also be accurately adjusted to the general and incidental needs of each situation, having, moreover, regard not only to the usual objective requirements of the class of business in question, but also, at least to some extent, to the personal idiosyncrasies of those in charge of the enterprise. This line of work is interesting and its results are of permanent value to the client.

To be successful a public accountant must be able to grasp quickly the essential features, the statics and dynamics, the risks and possibilities, of any business, and to comprehend and apply the principles and forms of accounts best suited to the case in hand. This involves not only a knowledge of the forms and methods used in recording transactions — and this is a constantly growing science upon which he must keep fully informed — but also calls for the ability to fit men to measures in such a way as to secure satisfactory results, even though at times the materials are somewhat refractory. Much tact and patience are required to perfect an organization that will reduce, say a manufacturing establishment that has been running for years in a rut, to new order and adequate control, and to do it without disrupting the staff to such an extent as to make the game not worth the candle. This means insight, discrimination, and not least, an agreeable address. It must be remembered that accounting is no longer a thing confined to the privacy of the office, but it reaches out in intimate relation to the most remote sections of the organization.

A change in accounting methods may provoke a strike of unskilled laborers, and the work of a public accountant in revising the accounting system of a client often shows the necessity of replacing many officers and employees who are no longer able to conceal their lack of fitness for the position occupied. There is need here for a quiet courage and a persuasive common sense. A more pleasant feature of the accountant’s work is that it almost always brings to light other employees who are capable of development, but who, under the old order, were handicapped, repressed, or perhaps quite undiscovered.

Upon the analytical side the public accountant’s activities have
a wide range. But it should be noted, in passing, that while, theo-
retically, the two main divisions of this work are quite separate, in
practice they are closely associated—the constructive being but an
outgrowth of and oftentimes supplemental to the analytical. Again,
it frequently occurs that for the same client they go hand in hand
for years, for a good accounting system, like machinery or other
equipment, needs to be kept up to date.

The analytical work of a public accountant embraces such en-
gagements as making investigations upon behalf of a prospective
purchaser, for a proposed consolidation of two or more concerns, to
determine questions of cost or profits under specific contracts, or to
establish interests between partners. In other cases it may be to
secure evidence to prove the guilt or innocence of a person or per-
sons’ suspected or accused of the misapplication or abstraction of
funds. In fact, in every business relation involving questions of
funds or property, or the interpretation of contracts relating there-
to, the public accountant may be called in to discover the facts and
to point out their relation as cause or effect. In so doing he must
be impartial—his attitude being that of a fearless judge, who must
never become the advocate with a case to prove.

In addition to the various forms of investigation for special
purposes, some of which have been mentioned, a large measure of
the public accountant’s attention is engrossed with audits and ex-
aminations for which he has been engaged to the end that owners
and management alike may have the benefit of his critical super-
vision of fiscal operations.

As already noted, it is quite impossible for the owners of a large
business to be personally familiar with its operations, and yet it is
imperative that they should be assured of the truthfulness of the
information furnished them. In like manner, those in executive au-
thority must delegate their functions to subordinates, with an assur-
ance that these be not placed under unnecessary temptation and act
with fidelity and intelligence to the trust imposed.

Public opinion is fast forcing corporations that offer their shares
and other securities for sale upon the exchanges to publish at
least annually, some account setting forth the position of the com-
pany, and the results of its operations for the preceding fiscal
period. At first these publications were made grudgingly and con-
tained the minimum of information. More recently, corporate man-
agements have recognized that it makes for stability to be fair with
the investing public, and there is a manifest disposition to have pub-
lished accounts more full and complete. Still more recently, some
of the more progressive corporations have taken a further step in
advance, and have published with the balance sheet and accounts a
certificate of a public accountant, to the effect that the accounts sub-
mitted have been audited by him and are not only in accord with the
books of the company, but are substantially a true and correct pre-
sentation of the company’s affairs.

Safeguards that are reasonably effective now prevent such
shameless over-issues of securities as characterized the financial his-
tory of this country thirty years ago, but the enormous assets and
liabilities of the large corporations of to-day offer an opportunity for
dishonest or unscrupulous officers and directors to so manipulate
the accounts as to leave the investor in the dark or absolutely to
mislead him as to the condition of his property. This juggling of
figures, coupled with stock jobbing operations that do not bear
close inspection, constitutes one of the worst evils in the financial
world.

Some attempt has been made to remedy this evil by legislation.
For a long time this has been the lazy man’s short cut — pass a law,
create a department or bureau, appoint a chief with a train of assist-
ants and examiners, and, like travellers in a sleeping car, everybody
can go confidently to sleep. This procedure accomplishes two things.
A modest income is provided for a list of government officials and
employees, and what is of greater moment, the financial community
is lulled into a sense of fancied security very far removed from the
reality. It could not be otherwise than that this governmental in-
spection should occasionally do some good, but unquestionably the
confiding faith in its effectiveness, upon the part of management and
investors alike, has been the root of a manifold greater harm than
all the good that has been accomplished.

At a time when agitation is rife in this country for an extension
of Federal supervision and inspection the fact may as well be faced
that governmental inspection of accounts is, and in the very nature
of the case must be, a failure. A bank may suffer from dishonest
officials or clerks, may be stripped almost to its furniture, and when
forced to close its doors the story is, with unvarying regularity, that
the official examiner time after time has come and gone. A year ago
it was a favorite form of advertisement for certain insurance companies in New York City to recount the number of states and governments that made frequent and rigid (so called) inspection of their affairs — and yet could the world have been treated to a greater *exposé* of the wretched inefficiency of this system of official inspection!

Bureaucracy and official red tape, which are inseparable from popular government with its divided responsibility and indirect means of control, can never regulate the accounting of a great business corporation with its compact, centralized organization. This is history as well as common sense.

A simpler and much more effective means of insuring fair and accurate statements of condition from corporations will be secured when public opinion demands that such statements, whether issued by directors for public information or by promoters as a means of securing subscriptions to proposed stock or bond issues, shall be accompanied by the certificate of a reputable public accountant. As stated above, some of the larger corporations in this country do publish such a certificate, while hundreds of others have such audits made for the satisfaction of the management. That corporations which are now inspected by government officials would not be averse to a general public demand for a certificate of audit by a responsible accountant, is evidenced by the public announcement of at least one of the “big three” insurance companies that such a certificate will be hereafter a permanent feature of its published reports.

Further indication of an awakening to a realization of the insufficiency of official inspection is found in the fact that in one of the largest cities of the country fully one-half of the banks and trust companies are now examined by public accountants employed and paid by the directors, who are also compelled to pay an additional fee for governmental inspection. The same practice is being widely adopted by banks in all the leading cities, and it is safe to predict that within ten years the audit by a public accountant and the publication of his certificate will be virtually a universal practice among well managed banking institutions.

The public conscience has recently been awakened to an extent that many things, previously overlooked as being a necessary yielding to conditions too entrenched to be overcome, can no longer be so treated. But much of the good that may be secured from this ethi-
The Profession of Accountancy

cal revival will be lost if the public throws upon a governmental department a responsibility that should rest directly upon its own shoulders.

As an outgrowth of his business experience the public accountant has, it might be said, almost fallen into another relation to his clients—that of a business counsellor. To be successful a public accountant must be much more than merely a man of figures. He must get back of the figures to the conditions which they represent so that he can properly interpret them. He needs to know a great many things, and some of them he should know thoroughly. Aside from his preliminary education and knowledge of accounts he should be equipped with a knowledge of finance and the rules, customs, and general laws relating thereto, a reasonably comprehensive knowledge of the processes in at least the leading lines of manufacture, and an understanding of the uses, sources of supply, and means of acquiring raw materials. He should be familiar with the methods and customs pertaining to the distribution of goods, the operations of credit in its various relations, the most approved forms of business organization, and, while he is not a lawyer and should scrupulously avoid trenching upon the functions of the lawyer the public accountant should nevertheless possess a wide acquaintance with legal principles and their application to business affairs.

The field into which the public accountant has recently found his way is one in which he comes into a close and delightful relation to his client, and in it he is afforded an opportunity for the exercise of his best talents. Already in possession of the inside history of his client's business, and viewing the situation from an unbiased standpoint, supported in his conclusions by his knowledge of many other businesses, and with his reputation and standing in the community dependent upon the exercise of his best judgment, coupled with unswerving loyalty to his trust, the public accountant is worthy of the confidence of the client who consults him upon the problems of policy and administration confronting the organization for which he is responsible.

It seems almost certain that in the future development of accountancy the field of business adviser will form an important part. If this prophecy is fulfilled it will benefit the business community as a whole in that a well defined want will be supplied, and it will be of enormous advantage to the accountancy profession through the in-
crease of responsibility it will bear and its enhanced appreciation in the eyes of the business community.

The legal position of accountancy was not defined anywhere in the United States until 1896, just ten years ago at this writing, when in New York State the first "certified public accountant" or, more briefly, "C. P. A.," law was enacted. Similar laws have since been passed in Pennsylvania, Maryland, New Jersey, Illinois, and a number of other States, and have now become general. While differing in details these laws prescribe the means by which a practitioner may obtain legal recognition through examinations set by State authority. The certificate granted to those passing the examination protects the use of the title "certified public accountant" and the letters "C. P. A.," and imposes certain penalties for breach of faith or for unprofessional conduct. The C. P. A. laws do not yet, however, prohibit others from practicing as public accountants. In States where such laws are in force and a definite, even though minimum, standard is thus set up, public opinion is crystallizing in favor of the accountant who meets the legal requirements, while it looks with some doubt upon the man who practices without a certificate.

These laws are generally recognized as only first steps which, with the growth of business and the increase of the accountant's responsibilities, must be followed by further enactments tending to raise the standard of proficiency and fixing more definitely the measure of legal obligations necessary for the protection of the public. Such laws can only determine the degree of attainment below which an accountant may not engage in practice, but the profession generally recognizes the fact that the moral responsibility resting upon its members is and must remain always in advance of those requirements set forth in the letter of the law.

To creditably discharge the functions of a public accountant a person must possess native ability of at least a fair order and acquire attainments that rightly entitle him to claim rank as a professional man. His position is increasingly one of responsibility, dignity, and influence in the community. As yet, however, and this must be viewed as a temporary condition only, entrance to the profession is not by standards of training that are either very high or well defined, and it is more profitable to consider the subject of requirements of preliminary education and training from the standpoint
of the individual who wishes to be efficient and successful in practice.

To the young man about to decide upon a life career certain questions must be answered by each calling that presents itself for his consideration. Assuming that ease and the speedy acquisition of wealth are not the prime objects the young man has in mind, these questions are likely to be along the line of inquiry as to the permanency of results, breadth of personal development to be attained, and public appreciation to be enjoyed. Again, assuming that accountancy has made satisfactory replies to all these questions, the next interrogation of the young man will have reference to the best means of equipping himself for a career as a public accountant.

There is no royal road in accountancy, and he who would build high must first content himself by digging deep and wide his foundations. We have already seen that the public accountant is now called upon to discharge duties at once precise in details and comprehensive in scope, often requiring moral courage as well as mental discernment; and that in all probability the future will make much greater demands. To meet these he should have a thorough training in mathematics, including some degree of facility in the methods of statistical display. He must be able to present the results of his investigations in a written report and oftentimes must discuss matters of importance in meetings of various sorts, as well as appear in the exacting role of a witness in court. To meet these requirements he should command a ready, clear and forceful, if not graceful, use of the mother tongue. These are fundamental in accountancy. In fact, an education intended to fit a man for business life in any field should devote more attention to these subjects than is generally done by either schools or colleges. It is amazing to see how few business men, relatively, can write a concise, unequivocal, yet graceful letter.

After these branches should next be placed economics, not necessarily a full course of political economy as generally taught, but rather economics in closer relation to the every-day facts of business. Next should come an acquaintance with a foreign language, German, Spanish or French, one or all. The history of commerce should also receive considerable attention that the student may better understand the setting in which he finds the world of commerce
to-day. These are some of the studies on which special emphasis should be laid.

The question is sometimes asked, Should a young man who contemplates accountancy as his life work complete a college course, or is an academic or high school education or its equivalent sufficient?

Opinions differ among business men as to the value of a college training. Certain it is that the curriculum in the average college contains studies that are, at least disproportionate if not absolutely of minimum business value. Even as mental discipline, they are of no greater importance than other studies which have the advantage of dealing with subjects directly and constructively related to modern life. Until recently such subjects were conspicuously absent from the curriculum. Educators are beginning to realize the necessity for a closer contact between institutions of learning and the everyday life of the community. Commercial education, out of the obvious necessity of the case, has forced its way to the front and is giving new direction to the trend of educational methods which have been fixed for so long as to be held as almost sacred. The same is true of manual training. Indeed the whole matter of educational values is in its new birth, and accountancy must not be left out of the count.

Most American universities have now made some provision for the teaching of business subjects, and many that have not done so are earnestly considering the matter. The University of Pennsylvania and the New York University have taken advanced ground, and are now offering courses of study which, while liberal and comprehensive, are quite practical. In both these institutions accountancy and branches relating thereto receive marked attention.

In almost every field of effort, the number of men who have been successful without the advantages (and disadvantages) of a college training, would seem to prove that such a training is not essential. This much may be freely granted, but it is to be remembered that these successes were achieved in spite of, and not because of, this deficiency. The exceptional man will surmount difficulties, but that is no reason why the average young man should wilfully and unnecessarily encounter them.

The duties of a public accountant call for the exercise of a wide range of powers by a mind trained in, or at least in appreciative
The Profession of Accountancy

touch with, many technical subjects; but, most of all, qualified to deal with complicated and delicate problems in a broadly judicial spirit. To accomplish this a young man requires discipline and training, and while he may succeed with only a common school or a high school education he is none the less handicapped by the lack of a more thorough training. On the other hand, the college graduate must not complacently overestimate himself by assuming that because he has been through college, he is therefore trained to competency.

If it is at all practicable a man desiring to enter the young profession of accountancy should add to his high school work a three or four years’ course in a college or a university, devoting special attention to business subjects. He should next aim to spend at least three years as an assistant in the office of a public accountant. This training in practical work is a necessary supplement to class room instruction for all professions, and must be insisted upon in accountancy as much as in law and in medicine. The decline of the old preceptor-and-student system is a misfortune and accountancy should revive and insist on it as an essential coadjutor of the college. It is in this way that the young practitioner can best acquire a knowledge of human nature and most of all of the intimate and confidential nature of his relation to his client. It is in this way too he can best begin to adjust himself to a true professional attitude. This attitude is one that demands a full appreciation of the confidences that must of necessity exist between a professional man and his client. The obligation of secrecy in accountancy is as important and must be as clearly recognized as in the other professions. Many students would be unlikely to realize how absolutely vital this is until trained by experience.

Accountancy has now been recognized as a profession by legal enactment in at least seven States, and by leading educational institutions in the courses of study they are offering. As a profession it offers to young men a life work of dignity and wide usefulness, with financial rewards comparable to other and older professions. On the other hand, it demands of those who would wear its laurels, not only ability, tact, and common sense, but also courageous devotion to absolute truth, honor and justice. There is no profession in which high moral character is more essentially coupled with mental gifts and acquirements together with a capacity for vigilance and hard labor.
BUSINESS AND SCIENCE

BY JAMES T. YOUNG,
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The eagerness with which American business men hasten to avail themselves of the newest scientific inventions and discoveries has produced two interesting results: first, the development of an extensive system of by-product industries; second, the creation of a sharper difference between the upper and lower grades of employment. Both of these changes have affected the field of University education. The perfection of industrial chemistry has brought with it the by-product, and the by-product has revolutionized manufacturing industry. This is the age of "allied" and "auxiliary" businesses in both industry and commerce. The growth of by-products has caused a demand for two different classes of men, technical experts or specialists and executive and commercial managers or "developers." The popular belief is that this is the era of specialization, but the field of the narrow business specialist is at present neither very profitable nor extensive. The technical expert who is employed to solve a limited class of problems is not the man who determines policies or guides enterprises. He may or may not be well paid, but he does not furnish the highest nor the most appreciated service to the undertaking. The indispensable man is he who can use the services of the specialist to develop new fields and open new opportunities for the business.

The common fallacy is to suppose that each corporation makes a specialty of one business,—that the more narrowly and closely each specializes, the better and more salable its product,—and the more intently each individual officer limits and concentrates his efforts within a given scope, the greater his success and his value to the corporation. "Let the shoemaker stick to his last" is the generally accepted view. It corresponds to a theoretical world in
which each step forward in economic progress is achieved by the formation of some new concern which concentrates its huge wealth upon the production of a single article. A system of education built upon this theoretical world as a basis would be subject to practical earthquakes. For the meat-packers sell soap; the gas company makes roofing pitch; the asphalt business includes the management of a winter hotel and the oil interests sell bank credits. The success of the department store is a standing protest against the theory of specialization. Each store supplants numerous special shops; its various departments do not succeed by devoting their attention to individual wares, but by developing or suggesting many new wants. The jewelry department profits from its residence under the same roof with the bookstore; and the sale of notions is reinforced by the café. Why should a firm spend large sums in advertising to attract customers to its establishment, but compel them to leave the building for luncheon? Why should a "shopper" leave the building at all? Hence the restaurant, the concert, the lecture on some interesting topic, the exhibition of paintings and war relics, the sleight of hand entertainment, and even the miniature circus performance in the department store. A specialized shop cannot compete because it is founded on a principle which is no longer applicable.

The production of oil has led to an especially interesting series of auxiliary enterprises. Crude and refined oil, petroleum jelly, gas, gasoline and light oils, fine and heavy lubricating oils, wax, paraffine, chewing gum, oil cake, barrels, tin cans, bags and wooden boxes are all manufactured in the various departments and plants of the industry. In addition, it has proved profitable to own and operate banks, steamship lines and various other commercial undertakings. The asphalt interests own or operate asphalt beds, paving companies, vitrified brick plants, paving-tool and implement factories, mines, trolleys, telephones and resort hotels.

In gas manufacture, tar, briquettes, light and heavy oils, dyes, creosote and coke are resultant by-products leading to the development of new markets and new departments of the business. The most successful meat-packing concerns have been directed by men who were able to develop extensive "allied" industries. Besides the usual dressed fresh, canned, dried and smoked meats, the packing interests manufacture soups, meat extracts, sausages, lard, toilet-,
laundry- and wool-soap, gelatine, pepsin, glue, fertilizer, etc., and operate printing establishments, can, box and paint factories, extensive refrigerator car lines, and meat, fruit and vegetable refrigerating plants. In addition to the manufacturing side of the business, a wholesale organization has been built up which distributes some of the products throughout practically the entire domestic market.

Another instance of the faultiness of the impression that business success is won primarily by specialization may be seen in the field of railway management. The railway is commonly supposed to be the most highly specialized undertaking in the United States; yet it is one which requires a great breadth of view and the highest ability to develop widely varying resources. Many railway companies devote the most careful attention to the settlement of new business enterprises along their lines of traffic; they collect and distribute information concerning the cost of land, taxation, labor markets, freight rates, etc. As an example, let us take the efforts of such a line as the Erie to develop new business in the wonderfully fertile industrial field between New York and Chicago. This district comprises parts of the states of New York, New Jersey, Pennsylvania, Ohio, Indiana and Illinois. The railway must convince manufacturers of the unusual advantages presented by this territory as a location for plants. To do this, the company through its industrial department has all the territory which is traversed by its lines districted in relation to resources, markets, hard and soft coal, gas, fuel and other advantages for manufacturing, etc., it advises the manufacturers as to suitable locations and furnishes full information concerning local conditions.

These familiar instances show that while specialization is necessary to develop the chemical, engineering or technical side of industry and commerce, an entirely different kind of effort is required on the commercial and executive sides. Many a business which is popularly thought to rest upon the basis of specialization is, on the contrary, being developed as a series of interdependent and allied industries.

It is amid these new conditions that the man of broader viewpoint and superior mental training finds his most favorable opportunity. The expansion of the horizon creates a demand for new types of men. Those who are not prepared for the changed condi-
Business and Science

Assumptions are by no means useless, but they are not available for the executive and creative work of the larger field. In the executive and commercial departments of each individual undertaking the degree to which narrow specialization is necessary frequently grows less as we mount in the order of official rank. The mechanical day-worker has only the most limited field of activity; the book-keeper, salesman and clerical helper are only slightly superior in breadth of scope, but with the superintendents and managers a different kind of activity is required. The problem confronting these latter officials is how to devise, establish and maintain new opportunities for the expansion of the business and the reduction of costs. The specialist is as incapable of doing this as the manager would be of doing the specialist’s work. From this changed condition of modern industry it follows that the young man who is looking forward to a business career should decide whether he wishes to take up a technical specialty or to engage in the executive or commercial side of the enterprise. If the former, then his preparation should be directed along the lines of his specialty in chemistry, electrical, civil or mechanical engineering. If his work is of an executive or commercial character, he should be prepared for these important fields with as much care and thoroughness as for that of the technical department.

This last thought suggests the second change which is taking place in all forms of American industry and commerce,—the growth of a sharper distinction between the upper and lower grades of employment. The “industrial revolution” so-called is usually placed at the close of the 18th century, when a series of inventions in spinning and weaving and the development of steam-power industry impelled the laborer of the time either upward or downward in the economic scale. He was obliged to conquer for himself the position of an independent employer or to fall into the large and growing class of dependent employees. These inventions ultimately gave rise to a separate labor class, and developed the labor problem as we know it. But in reality this was only the beginning of a series of revolutions which have taken place with each new group of inventions in individual industries and establishments, and have not only widened the gap between employer and employee, but have created sharp lines of distinction between different grades of the employed class. The chief of these distinctions is that between
administrative or executive positions and other kinds of employ-
ment. Such a difference is recognized in countless ways,—in re-
muneration, social standing, personal views, hostility of organized
labor, etc. The entire attitude of mind and point of view of the
business executive are different from those of other employees; he
must have an outlook over an entire department of the business.
Those who through special ability and opportunity secure a foothold
in the upper grades of employment are enabled to advance to the
higher and even the highest executive positions, whilst those who
fail to obtain this initial advantage, only span the gulf which sep-
arates them from the others by some unusual combination of effort
and circumstance.

Furthermore, the difference between these two grades of em-
ployment is intensified by the already described specialization in the
lowest rounds of business service. Such specialization not only
prevents employees from learning all sides of an undertaking, but
too frequently unfits them for the management of a whole depart-
ment or enterprise by confining and limiting their sphere of action
during the period of life when a broader habit of mind can be
formed.

The young man who now enters industrial life with even ex-
ceptional ability therefore often finds his development seriously re-
tarded by the inertia of routine in the lower positions and by the
growing tendency to make a distinction between executive and other
work. The employer cannot be expected to turn his establishment
into an educational institution for teaching the broad and funda-
mental principles of his business. Yet these principles must be
learned by the men who are to be the future managers and directing
heads of the various departments in the concern. Banking does not
consist of the operation of an adding machine or the running of a
ledger. Merchandising is not the keeping of a stock list; railway
management is not the carrying of a surveyor's rod, nor does manu-
facturing consist solely of mechanical drawing. Yet such is the
character of the routine work which young men are very properly
required to perform upon entering industrial or commercial life.

It is from these conditions that the need arises for some agency
which will lift the beginner in business from the position of a
routine automaton to that of an alert and intelligent though subordi-
nate factor in the business organization and render him capable of
seizing opportunities for greater usefulness and promotion. Such an agency is offered by the University.

The beginner who has a proper University training may run the adding machine or perform the other routine duties with no greater success at first than the man who has not made a preliminary study of his field, but the relation of his routine duties to the entire business is better understood by the former, and these duties represent to his mind an intelligible and coherent part of a great business enterprise. In short, higher education for business should prevent the mass of necessary routine from obscuring the business principles which are being applied. The man who runs the adding machine, if he is to become eventually an acceptable candidate for promotion to higher positions in the bank, should familiarize himself not only with the checks which he is handling but also with the clearing house system, with bank deposits, the principal legislation affecting banks and trust companies, bank loans, circulation, etc.

Every beginner, no matter how great his education, must serve an apprenticeship in the lower rounds of business, but those who have no knowledge of business principles before entering upon the apprenticeship are apt either to gain a costly experience at the expense of the undertaking or to be relegated permanently to routine work. In the words of an official of one of the largest railways in the West, “No doubt a great deal of the shortsighted railway construction and expensive errors in maintenance and operation have been due to the lack of proper and systematic training; in other words, railway officers have been educated at the cost of the property.”

Hitherto the application of science to business has been confined to the mechanical or technical sides of manufacture and commerce. Men’s minds have been turned almost exclusively to the invention of machines and processes, the perfection of plant and other purely physical features of production. In these fields of effort the great triumphs of modern science over material obstacles have been won. But an equally great opportunity for the application of scientific principles exists on the side of business methods and management. The national and even international scope of industry to-day requires a far greater degree of perfection and accuracy in management than was formerly necessary or possible under the old system. The existence of this opportunity suggests a fundamental question:
Are there industrial, commercial and financial sciences—or scientific principles—capable of being applied to these branches of human effort? It will be admitted that the relation of the University to the business world depends upon the answer to this question. If such business sciences do exist and are capable of being taught in our institutions of learning, then the sphere of our great Universities is far broader than has heretofore been conceived. If such sciences do not exist, the rôle of the College or University is restricted, so far as business is concerned, to a simple general course. The possibility of teaching such sciences is therefore of cardinal importance in the development of a corps of trained men for the direction and management of large industrial enterprises.

When the manufacturer establishes a department of accounts, tries to trace his exact costs of production, makes contracts for purchase or sale, reorganizes a department of his plant, borrows money, considers market conditions and seeks favorable transportation rates, he confronts a series of problems which, in spite of the prevailing opinion, are not exempt from the usual laws of cause and effect, but are governed by certain influences and tendencies which may be studied, arranged and classified. His decisions on all these points are not made by some mysterious or erratic process of divination, but are governed by fundamental rules and maxims. The manufacturer may even observe these principles unconsciously, either from habit or because he has never voluntarily and formally codified them. But such rules and principles do exist and are followed, none the less. The work of each manufacturer in solving his own problems is repeated countless times by others. With slightly different circumstances of time and place and magnitude, some calculations must be made repeatedly in all parts of the country where such business exists. But is the experience so gained worth nothing to others? Is a correct decision on all these points the result of a mere whim of chance, and must each succeeding generation begin entirely anew the great scientific process of industrial organization and management, inheriting and bequeathing nothing toward the perfection of our economic system? Certainly the very statement of these questions affords their answer. The business man works out and follows definite, well-established principles. That they may be examined and ascertained is no longer a matter of question. The principles of transportation, credit, finance, business law, account-
ing, industrial management, insurance, etc., have all been arranged in systematic logical order and taught with precision.

Another instance, from the field of accountancy: the Accounting Department of a great undertaking is the intelligence bureau of the industrial army. It gives what is often the only reliable information which the proprietor can secure about his affairs. The difference between success and failure is often a difference between good and bad accounting, between accurate and inaccurate knowledge of the costs of production in different branches of the undertaking. One of the chief practical difficulties in the way of securing accurate returns is the problem of depreciation of plant. How much should be charged off for depreciation? Numerous instances are familiar to accountants in which the failure to rate this amount properly has led to a complete misunderstanding of the financial conditions of the enterprise. The danger is much greater in industries in which the machinery, tools, etc., form a large or a variable proportion of the capital outlay. The three methods generally employed are:

1st, to charge off an arbitrary amount each year.
2nd, to reckon annually a fixed proportion of the cost price.
3rd, to charge a certain percentage of the diminishing value of the machinery in such a way that, as the item of repairs rises, the depreciation charge decreases.

The relative value of these three methods can only be ascertained by a careful examination of the principles which govern their application under widely varying conditions. These principles, having been definitely ascertained from the experience of accountants, can be scientifically discussed in a University class-room and brought into proper relation with other important parts of the subject. The student who expects to enter either the manufacturing industry or the profession of accountancy or who, as a banker, may be asked to loan money on the basis of the valuation of a manufacturing plant, should certainly familiarize himself with the principles to be applied in the solution of such a problem.

The periodical bank statement with its items of reserves, loans and deposits has for the business community a significance which can be brought out clearly in the class-room. The relation which this statement bears to the amount of money available for loans for industrial and commercial purposes is such as to make it a valuable
indication of the changes and fluctuations of credit. In the field of transportation the various rail and water systems of the country should be studied by those who wish to enter either the railway business or any branch of industry which may involve an extensive movement of freight. Not only must the lines of transportation be studied, but also the economic geography of the various districts of the country with their products and economic facilities. A manufacturer with large railway interests, in writing of the importance of railway geography and shipping routes, says, "I have frequently noticed a lamentable want of knowledge, upon the part of young men in offices, of the simplest matters of the kind; comparatively few young men entering business really possess the most superficial knowledge of the railroad systems of their own states. The Transportation Department of any business is yearly becoming more important and is conducted upon a more scientific basis than formerly, so that it would seem a fitting course to be handled by an educational institution."

Such should be the character of the training of one who is to be employed in the administrative or executive work of a business enterprise. In all the fields of study mentioned and in many others, scientific treatises on the principles applicable to each branch of industry and commerce are appearing; the business reports, accounts, records and other material are being collected and systematized, and the methods of instruction perfected. Business science is no longer the dream of an enthusiast but an accomplished fact, and its results are now being rapidly brought to the service of the leaders of industry and commerce.

Finally the development and application of business sciences and their inclusion in the University curriculum have placed us in a position to cope with one of the great problems of modern American business, viz., the shortening of the period of active business life. With the concentration of business capital, the application of new inventions and the consequent demand for new types of men, there has come a new tendency to entrust to younger men the executive work of large industrial and commercial plants. The first few notable instances of this change were regarded as purely fortuitous, but the same thing has recurred in nearly all the large industries of the country until it is now seen to mark an essential and important change in conditions. The new system has obvious disadvantages.
Business and Science

It creates an unsteadiness or uncertainty of employment in the higher rounds of commercial life, and limits the practical usefulness of those who have passed beyond a certain age. We may even doubt if the change is a permanent one.

Its causes have been variously ascribed to the general inability of men who have developed under one industrial system to conform rapidly and successfully to a new set of conditions, or to the gradual nervous and physical breakdown of men in executive work, incident to the growth in magnitude of business enterprises, or to the ancient and amusing, but harmless, delusion that "competition in all walks of life is growing fiercer than ever before" and that only the younger men can stand this new strain.

But whatever its causes and disadvantages, the new age limit must be reckoned with as an important feature of our industrial system. If the period of active work in executive positions is to be shortened, those who enter such work have imperative reasons for starting out with a more thorough mastery of the business sciences which are applicable to the undertaking. The shorter the period of activity, the more complete must be the preliminary training and equipment. Here again it must be insisted that no amount of practical experience can be substituted for such a scientific preparation. The rise of business sciences in our great Universities means precisely that the fruits of years of business growth and experimentation in the widely varying undertakings of an industry are collected, compiled and codified. Therefore if such sciences are taught as they should be taught, the student has at his command a review of facts and principles such as it would take him decades to acquire in the routine work of a business house. Heretofore it has been the belief of many business men that their sons "cannot afford the time" to take a College course. The advent of the University in the field of commercial, industrial and financial science means that a young man cannot afford the time to learn business in any other way.
JOURNALISM

BY GEORGE W. OCHS,
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The relation that Journalism bears to the other professions has entirely changed in recent years. Journalism has become a very potential, if not a chief, factor in the world's affairs. The advance of civilization may be measured by the dissemination of learning; it received its chief impulse from the art of printing—hence it may be affirmed truthfully that civilization entered upon its latest phase only when printing had attained its latest development, an important manifestation of which is the growth of Journalism. The press within a half century has become the chief medium of enlightenment; it has awakened the masses to full perception of their powers, and has established the fact that an alert and aroused public opinion is irresistible, the mightiest force evolved by modern civilization.

The role of Journalism in the drama of the world's development has entirely changed the character of the profession, transforming it into a complex vocation, which opens avenues for careers of diversified character. When we speak of a Journalist's training to-day it might mean the preparation for any one of the dozen or more branches of the profession, each one of which offers a rich harvest of brilliant trophies to the ambitious, capable student. It shall be the purpose of this paper to refer to these; also to explain briefly the duties they impose, whereby one can deduce the training and education that are essential.

Present Era of Growth

Journalism entered upon its present era of growth about a half century ago. Newspapers, prior to the discovery of the telegraph and the railroad, were insignificant and unimportant. Journalism in the early half of the nineteenth century saw its best expression in the weeklies and monthlies, which circulated to a very limited ex-
tent and were confined chiefly to polemics and political debates. It was not until the early thirties that the daily newspapers began to print any semblance of news. Even then, and for nearly twenty years thereafter, news constituted their least important feature. Sixty or seventy years ago the newspaper printing press was a crude, cumbersome, awkward implement operated by hand, scarcely capable of producing one thousand impressions a day, while white paper was selling at 30 and 40 cents per pound, manufactured by antiquated processes from rags. Type was set by hand; in fact, typesetting had made little progress from the days of Caxton to the dawn of the twentieth century, when the wonderful Mergenthaler linotype or typesetting machine was invented. Compare the Washington Press, which was in vogue sixty years ago, having a capacity of 1,000 little quarto sheets per day, to the octuple printing machine with a capacity of 40,000 sixteen-page papers per hour, pasted, folded and counted, and some conception is conveyed of the progress made within the memory of men yet in active life.

Reduction in the cost of paper has been an important factor; instead of costing 25 to 35 cents per pound, as was the case seventy years ago, it is now manufactured from spruce wood and delivered on spindles in the press room at a cost averaging 2 cents per pound. Sixty-four pages of the average newspaper size weigh a pound; the average metropolitan newspaper contains 16 pages — hence, in each copy there is one-fourth of a pound of white news print paper, costing one-half cent. The one-cent newspaper is sold to wholesale dealers at about 50 cents per hundred, practically the actual cost of the raw paper which it contains — hence, it is readily understood that the profits from newspapers of this class are not derived from circulation receipts. On the contrary, the total circulation income of the one-cent newspaper very rarely equals the cost of the white paper, plus the transportation charges.

The advent of the one-cent newspaper, however, produced a revolution in Journalism. An enormous distribution resulted and a complete transformation in mechanical appliances followed; chief of these were (1) the development of the rotary press to its present state of high efficiency, (2) the improvements in stereotyping, with the attendant multiplication of plates by quick processes, (3) the typesetting machine — three notable mechanical triumphs of the last quarter century. The enlarged clientele stimulated activity, devel-
oped enterprise, brought the newspaper to all classes; it gave the press the impulse by which it leaped to its present position of commanding importance and prodigious influence. It was raised to a plane where now it may stimulate the ambition of the most aspiring, opening avenues for achievement, which are excelled by no other profession.

**Newspaper Statistics**

There are about 25,000 newspapers published in the United States, of which about 2,500 are issued daily. The amount of capital invested is enormous, the expenses of a metropolitan daily more often exceeding than falling below $1,000,000 per year. The expenses of several daily American newspapers exceed $10,000 per day, $4,000,000 per year; two or three exceed $6,000,000 per year. According to the United States census for 1900, 107,000 persons are employed on the American newspapers and about 1,000,000 are supported directly and indirectly by the newspaper industry; the receipts of the newspaper publishers are given at $175,000,000 for the year 1900, $95,000,000 of which came from advertising and $80,000,000 from subscriptions. The total number of copies of newspapers and other periodicals issued each year in this country exceeds 8,000,000,000 or over 100 copies for each man, woman and child. At the beginning of 1800 there was one newspaper for every 26,450 inhabitants; to-day there is one for every 3,500. These statistics convey some idea of the amazing extent to which newspaper making has grown in this country.

Before discussing the proper education for a journalist, it is necessary to dwell to some extent upon the organization of a newspaper as at present constituted and to enlarge upon the methods by which it is produced. As the ramifications of the twentieth century newspaper are better understood, the variety and versatility of talent required in its production will be more easily comprehended and can be more intelligently analyzed.

The organization of the newspaper consists of various departments, each one of which offers possibilities as a vocation. These may for convenience be divided as follows — Business Departments, consisting of the usual auditing branches; the Circulation, Advertising, Mechanical, News, and Editorial.
Journalism

The Business Management

The large investments and enormous operations of a metropolitan newspaper make its business management of prime importance. It is organized as a banking institution with cashiers, auditors, bookkeepers, clerks, collectors, besides an elaborate organization of checking clerks, whereby intricate records are kept of every line of advertising that appears each day, together with comparative tables of all the lines of advertising in classification in all the other newspapers, both morning and afternoon, that are regarded as competitors. Careful records are kept of all news print paper received; it is reweighed and a close account is made of the consumption, the production per pound, the waste and the tare. Records are kept of the ink, its quality; the oil, waste, fuel, the renewal of machinery, betterments, repairs and all the infinitesimal details which enter into the operation of a large plant. The publication of a newspaper, with its stupendous presses, electrical and steam plant, stereotyping outfit, linotype batteries and zinc etching paraphernalia, requires complex and intricate machinery, demanding the highest mechanical skill and the most delicate and painstaking care.

Mechanical

The investment of capital in a newspaper enterprise is enormous. A large newspaper requires from 30 to 50 linotype machines, each costing from $3,000 to $3,500; one American newspaper has installed as many as 70 machines. Each machine does the work of six typesetters. Each machine composes in a period of eight hours from 40,000 to 50,000 ems of type. Men of the highest skill are required for the presses, each of which represents an outlay of from $25,000 to $50,000. The pressman must not only have a machinist's experience and skill, but in addition must possess expert knowledge of the delicate operations of the complicated perfecting web press. The linotype machine is almost human in the assembling of matrices into lines in response to the operator's touch on a keyboard similar to a typewriter, casting at the same time a line of the assembled matrices into a line or slug of type, and by the same motion redistributing into its proper channel each separate matrix. This, as may well be conceived, requires an intricate machine, the care of which offers a career in mechanics.
Stereotyping

It should be remembered that a newspaper is not printed from the type. The type, after it is arranged in a form to represent one page of the newspaper, is reproduced on a sheet of papier-mâché. This is dried, and from this mould is cast a convex plate on which is reproduced the facsimile of the type surface; this plate is fitted upon the cylinders of the press and from its surface the printing is executed. The conversion of the dried paper into the convex plates is called stereotyping. This is now done by machinery of a very complicated nature, whereby the time consumed in producing a plate is only one-tenth of what was formerly required. Here again there is need for skill and dexterity, as well as a knowledge of machinery and mechanics. Zinc etching is carried on to a large extent in some offices, where there are profuse illustrations, and in all to some extent. By this process a subject is photographed on a zinc plate which is covered with a chemically prepared surface; this is then immersed in a bath of acid, which eats out the metal where it is exposed, thus reproducing the lines of the photograph. The machinery for perfecting the plates to produce the marvellous results seen in the illustrated papers requires the highest skill as well as careful training and delicate taste.

The steam and electrical plants, added to the special mechanical departments enumerated above, all of which are essential parts of the modern newspaper, comprise an elaborate and extensive equipment where scores of operatives of highest skill are employed, who have many opportunities of winning fame and fortune for superior workmanship or mechanical achievement.

Circulation

The Circulation Department is an important organization, requiring, as it does, supervision of the city distribution, and mail subscriptions; dealings with the wholesale agents and care of the multiplicity of country agents, whose number will reach into the thousands. In most of the large cities the local distribution is entrusted to wholesale agents, but at Philadelphia the old-fashioned carrier system has endured. There are there about 275 carriers, who have apportioned the city into districts or routes. Each carrier owns his own route, provides his own distributors and collects from
each individual subscriber. These routes constitute a considerable asset, having recently sold as high as $4,000 each. They are traded in, bought and sold, bequeathed and acquired like any other tangible asset. The practice of canvassing for subscribers with premium offers has become very extensive. Some newspapers offer all varieties of merchandise as premiums, and hundreds of thousands of dollars are invested in this way. All newspapers do not engage in premium canvassing and by some it is sternly discountenanced as unethical, but very large circulations as a rule, with few notable exceptions, have been quickly acquired through this method. One newspaper added in one year 75,000 circulation by giving to new subscribers for 50 cents, payable in instalments of six cents per week, a Bible which cost $1.75. The London Times is reported to have realized a profit of over $750,000 by the sale of an encyclopædia in connection with the newspaper. The work in the Circulation Department, where premiums are offered, gives numerous opportunities for original thought and creative talent, and to be successful requires a knowledge of human nature and keen business instinct.

Advertising

The Advertising Department in itself is a profession and offers attractive careers, which can be better understood when it is remembered that the total amount expended in this country in 1900 for advertising equalled one-eighth of our total foreign imports, including grain, cotton, machinery, and exceeded half our total exports in 1862.

In recent years the recognition of advertising as a separate vocation or a specialized profession has resulted in the organization of schools for advertising in every large city in the country. Newspapers devoted to advertising have sprung up by the score; advertising agents have multiplied with the most amazing fecundity, and a literature has been produced devoted to this one especial branch. Some of the American colleges have chairs of advertising, and nearly every commercial school and college in the country has important branches devoted to the subject. Every newspaper has associated with it men who are skilled in this art. Here again that touchstone requisite in every branch of journalism — the knowledge of human nature, — is the secret of success.

Art advertising is the æsthetic phase which involves the deli-
cate transformation of a subject into artistic expression; the talents which inspire the painter and guide the sculptor, are here employed, but there must be something besides: that indescribable, occult faculty of arresting the eye of the reader through some happy phrase, some skilful arrangement of display, or some lucid explanation of facts; something that will convey with instantaneous definiteness and conviction the idea that is sought to be expressed. Herein lies the art, the science and the expertness, which can be partly acquired by practice and precept, but its highest manifestation comes mainly by natural instinct.

Editorial Departments

The Editorial departments may be divided into three branches — the Editorial, the News and the Local. The three, though distinct in their respective duties, are so closely allied in their common purpose and in their achievement that the equipment which yields the best results in one is a sine qua non in the two others. An editor who fails to understand the value of news, who lacks the faculty of distinguishing between what is suitable for publication from the standpoint of popular interest, is sadly deficient in the elemental requirements of his profession, while the News Editor or the Local Reporter who cannot discriminate between the nicely balanced points of a news story, extracting its real meaning, interpreting the real relation it bears to events that have preceded or its influence upon what may follow — in other words, who has not the knowledge, the comprehension and the breadth of intellect to deduce the real import of a current event, which, in the last analysis, is the chief editorial faculty — is in the wrong place and will be very speedily displaced.

Let us first consider how a newspaper is produced and we will then be better prepared to discuss the relations which the various editorial departments bear to one another.

The publisher represents the proprietorship and has the supervision of all the various departments which have been referred to above. The heads of each confer with him at various intervals during the day; it devolves upon him to secure men of capacity and to supervise the efficiency of each. The responsibility for the tone of the publication, its general character and the direction of its business activities rest upon him; its general policy on public questions is
in his control, but seldom expressed without the advice and concurrence of the editorial council.

The Council consists of the Publisher, the Editor-in-Chief, the Managing Editor, the City Editor, the chief Editorial writers and often includes the Telegraph Editor, the State Editor, the Night Editor and the Night City Editor, the two latter functionaries being confined to morning newspapers only — though the latter four usually meet at a later council along with the Managing Editor and the City Editor.

The Editor-in-Chief, or the Editor, as he is usually designated, is the writer of the leading editorials; he largely influences the policy of the paper, though on chief issues this is decided after consultation at the council table. Next to him comes the Managing Editor, who is responsible for the assembling and presentation of the news, and has general direction of the operation of the Telegraph and Local Departments; he often also contributes editorials, yet his chief function is the direction and general supervision of the news. The editorial writers each contribute one or more editorials, aggregating in all 1,000 or 1,500 words each day, but they have besides various duties apportioned to them outside of editorial writing, such as supervision of certain exchanges, direction of book reviewers, editing correspondence, etc. Each editorial writer is supposed to have a special aptitude or training in certain branches; one usually treats economic questions, another foreign politics, a third sociology, a fourth industrial subjects, a fifth scientific questions, and so on, but each editor must have diversified attainments to be able to properly discuss any subject that may be assigned to him in an emergency.

The exchange editor is an important functionary; his duty is to carefully scan all the exchanges — every newspaper receives several hundred daily — to collate from their columns matters deemed worthy of reproduction or that suggest subjects which may be treated from a local standpoint. He must be alert, keen, and able instantly to perceive the applicability of what is printed in other newspapers to the clientele he serves.

*The Associated Press*

The organization and development of the great news gathering institution known as the Associated Press revolutionized the news-
paper profession. Before its creation, each newspaper in gathering
news was compelled to depend upon its own resources and ingenuity
to establish bureaus and correspondence agencies at all important
points, and to keep a watchful eye over all the civilized globe. The
expense of attempting to obtain and transmit even the chief events
at the capitals of the world was beyond the resources of any one
institution; hence until some plan of co-operation and division of
expenses was devised, the newspapers could afford comparatively
little telegraphic news. At length plans looking to this end were
inaugurated by the leading newspapers and after several years of
experimentation and more or less expensive competitive efforts, the
American newspapers united in the formation of the greatest news-
gathering association the world has yet known, called the Associated
Press. This association is organized on the co-operative plan, each
subscriber being a shareholder and a mutual owner of the news;
no dividends are declared; all the receipts are expended in the gath-
ering and transmission of news. Each newspaper is assessed a
fixed tax each week, the amount being based upon the individual
newspaper's relative importance. In the large cities this tax ranges
from $125 to $200 per week. The local agent of the Association
has access to all the local and neighborhood news gathered by each
separate newspaper of its membership; hence the Associated Press
has at its command the united effort of some seven hundred
daily papers whose expenditures in the collection of local news will
aggregate millions of dollars each week. It has moreover its own
correspondents at every important point in the world, besides hav-
ing alliances for the interchange of news with all the news asso-
ciations upon the habitable globe, the whole producing the most
complete, exhaustive and comprehensive news gathering system ever
conceived by man. Its own operations involve an expenditure of
over two millions per year. Reports of all events deemed worthy
of transmission are assembled at different central points, where the
news is collated and edited and in turn transmitted to the various
subscribers.

A metropolitan paper receives from this one source alone within
twenty-four hours at least 50,000 words by wire; it represents the
united effort of the local staffs of at least seven hundred newspa-
papers, together with the labors of an innumerable number of spe-
cial correspondents, involving an outlay which no one establishment could conceivably assume.

The News Service

In addition to this news service, the large papers have their own special correspondents at the national capital, also at the more important cities, besides special men at foreign centers, who supple-ment the news of the Associated Press and also take up international questions from a semi-editorial point of view.

Furthermore, every newspaper has correspondents at all points in its tributary territory, who transmit occurrences by mail and wire. Even this is supplemented by special staff men who are sent out from the main office to cover elaborately events that are deemed sufficiently important.

This mass of telegraphic matter is transmitted over the regular telegraphic wires at special press rates ranging from one cent to one-third of a cent per word for domestic messages and from 10 cents to $3.00 per word for cables. The larger newspapers have in addition their own leased wires from Washington and other points, which are at their exclusive command.

Only a small proportion of this stupendous mass of telegraphic matter finds its way into the columns of the newspapers. The total received might aggregate 100,000 words per night, representing at least 70 columns; the average amount used is perhaps one-fourth of this, rarely so much.

The telegraphic matter is edited at the General News Desk and the State Desk, in charge respectively of the Telegraph and State Editors; all news relating to sports is handled by the Sporting Editor, and all financial news, quotations, etc., by the editors especially assigned to those departments. The Telegraph Editor must reach quick judgment and make instantaneous decisions. As the pages of telegraphic news reach him he must immediately absorb their import and fix their value. He then passes the matter to a sub-editor with instructions either to edit, condense or rewrite; many dispatches are entirely rewritten; very few can be inserted at the full length at which they are received. As the news of the Associated Press is gathered and transmitted for use in all parts of the United States, the relative local values cannot usually be observed. For instance, a railroad disaster or a fire is in truth a railroad disaster
or a fire, whether it occurs in California or in Pennsylvania. The Associated Press is compelled to procure all the facts in either case, having in view both its eastern and western constituency; yet it is evident that the newspaper at Philadelphia need not give the occurrences on the Pacific Slope the same space it accords to similar events near at hand. In all cases the Telegraph Editors must discriminate and quickly decide what space should be given each item. Necessarily enormous quantities of telegraph matter must be cancelled or thrown aside; in fact the matter thrown aside considerably exceeds the matter printed.

The Local Department

The most elaborate division of the editorial staff is the Local Department. It is directly in charge of the City Editor, whose chief lieutenants are the Day and the Night City Editor. The special local services dealing with such matters as Legal News, Financial, Art, Dramatic, Religious, Society, Music, Marine, Railroads, Real Estate and Sporting are each in charge of editors who have both by education and training, equipment for those particular branches; these are again subdivided, especially Sporting and Society, which have their own staff of reporters, the number depending upon the policy of the paper in treating those branches.

A newspaper for example, which devotes close attention to Legal Intelligence, employs three editors who give their entire time to court proceedings and legal news; the value of Society news is estimated differently among newspapers; by some, one reporter only is employed, by others there is an Editor in charge, with six or eight reporters under him, sometimes at large functions, ten or twelve. The Financial Editor on serious newspapers usually has sub-editors; the Sporting Department has men with special training in various sports; the Art, Music and Dramatic Departments are in charge of editors, who of course must have expert knowledge and critical judgment.

In addition to these regular Local Department divisions, reporters are assigned to the various districts of the city. Philadelphia, for instance, is divided into seven districts; one reporter devotes his entire time to each particular district, visiting the police stations, hospitals, and other possible news sources in his territory. In New York and some other cities, the newspapers have a local
Journalism

Associated Press which covers the routine local occurrences, supplying each of the subscribing newspapers with such matters as court news, accidents, fires, real estate, marine, etc.

Besides these special assignments, the Local Editor has a general staff, which is assigned to all current events. Regular men cover local politics, the central police station, municipal buildings, schools, trade bodies, the learned societies, large meetings and the multitude of other activities which make up the life of a great city.

In addition, there are editors who are assigned to develop special stories and other general utility men and "free lances" who are on the alert for any event, incident or occurrence which might prove of interest to the public.

The City Editor keeps an Assignment Book where he enters detailed records of all "futures." With the aid of the Day City Editor he plans out the day's work. He is a general who must deploy his troops with the sagacity and judgment of a skilled tactician; he must have the entire city well in hand and well in mind, covering every possible avenue of news and providing in every conceivable manner against a contemporary's "beat."

The Night Editor

The result of all the planning and manœuvring of the City Editor at length reaches the Night City Editor. It is the day men who sow, the night men who reap, and not infrequently when the night city editor discovers that he is allotted fifteen columns of space and sees piled on his desk and in process of incubation perhaps forty-five columns, he may well exclaim with the prophet, "They who sow the wind reap the whirlwind."

All the local matter when prepared by the reporters is passed to editors known as copy readers. They carefully go over each line, erase, elaborate, change phraseology, rewrite, condense, amplify and sometimes reject; they also write the headlines and give the articles a final finish for the typesetter.

All the manuscript goes from the editors to the night editor and is sent by him to the composing room, where it is distributed to the typesetters; as fast as a column is finished, or in the vernacular, "set"—proofs of it are taken ("pulled" in the vernacular) and copies go to the proofreaders, managing editor, the various
editors, also to the autocrat of the morning newspaper, the night editor.

It is with the Night Editor that the final arbitrament rests. It is he who ascertains what space the advertisements will require, the number of columns to be allotted local, telegraphic and other news, considering in this calculation the space for the various fixed departments. He consults freely with the managing editor and is under his direction. Their joint decision fixes the number of pages. This depends upon the amount of advertising and the quantity of important news that "must go."

The night editor examines all proofs with hawk-like scrutiny; he knows all the news in hand and in sight. As the time approaches when the pages must be assembled for the various editions, he takes his stand in the composing room, directs where the various articles are to be placed and how the pages are to be arranged. Experience enables him to read the type with the same facility that one scans a printed proof; with the skill, judgment and rapid decision which only an alert mind and quick intelligence can provide he chooses from all the type that is at hand, glancing over many columns, selecting, altering, reducing, cancelling, transferring, and placing each item in proper grouping; locating the matter according to its relative importance and keeping always in mind the proper sequence and relationship of the hundreds of separate subjects that the day's news develops.

The Publisher's Qualification

The question is now pertinent what is the proper qualification and equipment for a journalist? Is a college education necessary? Mr. Pulitzer, one of the successful American journalists, answers it in the affirmative. He proves his faith by inducing Columbia College to accept an endowment from him of $2,000,000 to establish a Chair of Journalism, and maintains that before the century closes, Schools of Journalism will be accepted as a feature of specialized higher education like schools of law or of medicine.

Charles A. Dana, another eminent journalist, maintained, on the other hand, that while college education is of high value, business training, "understanding the rules of business and the means and methods of business are quite as necessary." Mr. Pulitzer, however, believes that Journalism and business are wide apart and
Journalism

asserts, "If my wishes are to be considered, business instruction of any sort should not, would not and must not form any part of the work of the College of Journalism." He maintains that few men in the business office of a newspaper know anything about the principles of Journalism, and argues at length that the profession should have no relation whatever to business. But business training is certainly of great advantage; the journalist out of touch with practical affairs lacks an essential qualification.

The publisher must be many sided; he requires editorial ability, news instinct and business acumen, yet these three faculties are seldom developed in one individual; he may not be an encyclopedia of knowledge; he may not have profound learning and liberal education, yet he must have clear vision, broad judgment and quick receptiveness; he must be capable of surveying the occurrences all over the world with healthy, intelligent, practical common sense.

As director of the policy of the newspaper he becomes in fact the editor of the editors; as the controller of its business, he is its highest business authority; as the responsible head for its news qualities, he must keep vigilant supervision of accuracy, completeness and timeliness in this respect. Neither college training nor scholastic research can furnish this diversified equipment.

Its essential element is broad, well-balanced intelligence; a clear perception and high appreciation of the true mission of Journalism; a resolute purpose to conduct the newspaper for no faction, with no fad, free of personal political ambition or sinister material ends; inflexible determination to present the news as it actually occurs — truthfully, accurately, unbiased and uncolored; with rigid resolve to deal fairly by the public. It is quite as important that this sincerity of purpose be fully impressed upon all the staff. The publisher, in fact, embodies the soul of the newspaper; its character, influence and success respond to his personality as man heeds the impelling whisper of conscience.

The Editor

The editors should have a thorough collegiate education. This is of great service everywhere in a newspaper, yet it may be seriously questioned whether a Chair of Journalism will accomplish more than the ordinary academic training. The editor requires a wide horizon, broad comprehension, yet special equipment in a
few fundamentals. The subjects he must treat are infinite in variety, bounded alone by the limits of human activity. His audience gives scant attention to complex technicalities or abstruse theories; it quickly tires of a faddist and wearies of abstractions. Dry philosophy in highly spun, overwrought scholasticism is dead timber in the newspaper; it impairs its usefulness, impedes its progress and if persisted in will produce dry rot. The public expects from its editor vibrant, virile, practical guidance, treatment of public questions by one who knows the subject, interpretation of momentous happenings by analysts who are of the earth, earthy, who plumb the level of average intelligence. The editor needs range of reading with breadth of learning; to carry conviction he must impress his public as much with his good judgment and common sense as with his erudition.

It would be folly to attempt to catalogue the precise academic training the editor requires. There are certain fundamentals which naturally suggest themselves as absolutely necessary to his equipment, chief of which is a thorough grounding in English, ability to express himself in correct style, lucidly, succinctly and cogently. He should know the American Constitution, his State Constitution and the history of his own country thoroughly. The spirit of our institutions should be indoctrinated in him, and he should possess a clear understanding of sociology and political science, political history of all nations, and acquire some conception of researches in science and industry; he should be versed in foreign history, keep in touch with industrial activities and study the political situation in the chief countries of the globe. He must keep abreast of current literature, the best newspapers and the standard magazines, both American and foreign. He should understand something of the mechanical operation of the newspaper and have some little practical knowledge of how it is issued. Prudence, conservatism and accuracy are essential, whether he be a leader writer or engaged at desk work.

**College Journalism**

I fail to see where a special Chair of Journalism can offer training superior to that derived from the classical course at any first-class college. Specialization is a drawback. The editor's range of subjects is universal. Experience has proved that men of the high-
Journalism

est specialized education are unfitted for the diversified duties of the editor. Men who have received the highest degrees at famous American and European universities, whose duties, however, have been confined to special research or application have universally proved unfitted for editorial tasks. A certain newspaper recently added to its staff at the same time time six or seven men, all graduates of great universities. They had been engaged at a special work which required the ripest scholarship. Their college degrees were formidable; they had delved into the very depths of erudition and acquired honorary degrees and specialized attainments in literature and science, but their learning was characterized by intellectual subtlety, unemotional and purely scholastic; in every instance, without one single exception, they proved wholly unfitted for journalism.

The reader will inquire wherein the journalist differs from the scholar. The difference is radical. The editor must be a scholar, but the scholar may not be an editor. The editor requires in addition to his learning, a keen knowledge of human nature, a quality which is essential to success in every department of journalism. He should be thoroughly human, responsive to the throbings of the great heart of mankind. He should be practical, free from pedantry, brimming over with common sense; control by any idea or fad is fatal unless it be the influence of instinctive, fundamental rudimentary common sense.

The Telegraph Editors

The editor in the telegraph department has unfolded before him each day a moving panorama of all the world; its sorrows and its joys; its triumphs and its despair; the gruesome chapters of vice, crime, misery, degradation; the sweet wholesomeness of life's beautiful deeds of philanthropy, charity, benevolence; the joyous laughter of happy children, the sweet music of marriage bells, the solemn knells of death, the end of hope, the triumph of achievement, dynastic shocks, polemics, revolution, political upheaval, party controversies, cataclysms of nature, the discoveries of science, revelations in philosophy and history, phases of industry, the rumble, the roll, the tumult, the full diapason of all the active hands, the earnest hearts, the pulsing minds of earth coming from a multiplicity of sources, assembled conglomerately before him for his disposal, instantly to be valued by him, interpreted and properly presented. He requires
a mind capable of close concentration and sustained effort; clear, decisive judgment, calm, dispassionate, discriminating intelligence; he must have some practical knowledge of editing manuscript and ability to extract the germ of a news item without destroying its meaning. He must be in touch with the affairs of mankind and should be well versed in history, geography, international politics and political science, to differentiate the wheat from the chaff, to perceive the possible relation of events, weigh their significance and properly judge their importance.

In the Local Department there is full scope to literary ability, style, original expression and constructive genius. By the system prevailing in most offices, the City Editor assigns special tasks. He usually allot to duties most congenial to them or for which they have strongest preference. There is an indescribable quality in reporting known as "the nose for news" and "the news instinct" which no experience and no education can impart. As well try to create the music of Mozart, the art of Millais or the poetry of Milton as attempt to instill the news instinct in an unadaptable mind. The talent for news getting may be developed just as any other instinctive aptitude, but it cannot be created. Given the gift, it can be developed and strengthened by education and proper training.

A reporter must have initiative, enthusiasm, activity, as well as the faculty of knowing what constitutes news; these are also characteristics which are inborn. He may be taught style, restraint and accuracy. The larger newspapers are giving more and more attention to literary tone and expression; often in the supposedly prosaic record of the local happenings will be found a gem of purest literature, a flash of genius, which discloses conspicuous talent and presages a brilliant career. Imagination is one quality which the reporter must suppress; also its twin, exaggeration.

**Journalism and Its Tempters**

Journalism is beset by many tempters; they pursue editors and reporters with blandishments, sophistry and lures of every kind to promote personal, political or financial ends. The scheming politician, the persuasive, plausible demagogue; the corrupt, base and dishonest scavengers wallowing in wild orgies of public plunder; the smug-faced hypocrites who, in the livery of benign benevolence, feed like vultures upon public rights; the smooth, insinuating pro-
moter who would beguile the public by some lure; the bold, law-
defying conspirators who, to gain political advantage or acquire pub-
lic privileges, will undermine the very cornerstone of our liberties
and constitutional rights—all must be avoided, sternly resisted and
a deaf ear turned to their specious pleas. The editor, if he be a true
journalist, consecrates himself to the public! He must meet what-
ever may arise with serene self-confidence, unfaltering in his fidelity,
unwavering in his determination to maintain truth and expose
wrong, regardless of the sacrifice, uninfluenced by all considerations,
save what conscience and right may dictate. When statesmen falter,
when administrators stumble, when popular delusions prevail, the
editor is put to the genuine test; if he hesitate in affirming what he
knows to be right, if he suppress truth that wrong may come, if he
connive at injustice, vacillate, sail with the popular breeze, he basely
betrays his profession and is irredeemably false to the ideals of his
vocation.

Journalism as at present developed is the teacher of the innume-
erable hosts of a self-conscious democracy; it is the moulder of
public opinion. Without the newspaper, popular judgment would
be dumb and formless. Unless this public opinion be kept sane,
healthful, uncorrupted, our nation cannot endure. Our democracy,
constituting a republic far greater than the imagination of man had
conceived, depends upon a free, enlightened, courageous press for its
sustenance, its health and its perpetuity. Journalism is the orator
that speaks each day with a million tongues to tens of millions of
listening ears. In ancient days the sages stood in the market place
and poured forth in eloquent phrases, words of wisdom to maintain
administrative integrity, pure and undefiled; when this eloquence was
hushed, when the listening throngs were taught by demagogues and
false prophets; when the seeds of sophistry, selfishness, discontent
and dishonesty bore their full fruitage, the fabric of freedom col-
lapsed and from its ruins arose the Empire of the Caesars. Do not
the same evils to-day confront our republic? Do not the demagogic
editor, the false teacher, the corrupt politician, the selfish promoter
and the hosts of dangerous, self-seeking, unprincipled panderers to
popular ignorance and passion—many of whom, alas, are in the
profession of journalism, menace our institutions to-day? How much
greater the responsibility, how much larger the possibilities, how
much nobler the sacrifice, how far more triumphant the victory in
the face of danger such as this! And far above all, how much broader the opportunity and how much more vital the need for editors who “know the right and, knowing, dare maintain!”

_The Yellow and the Red Journalism_

An insidious evil has in late years crept into the press, an evil inevitable in a country that has experienced a growth such as ours. Our rapid development has created colossal fortunes, prodigious corporations, imperial estates, lavish expenditures, prodigal display, the concentration of power through enormous wealth—all of which can be distorted to magnify the inequalities in conditions of life, and adroitly used to produce discontent and unrest. The demagogic journalist, who is far more dangerous than the demagogic politician, was quick to invade this fruitful field. He realized the proneness of human nature to exaggeration and sensationalism; also that class hatred and popular discontent afforded rich opportunities for journalists of a certain type. They were at first called “yellow,” a term which implied sensationalism. They dealt chiefly with the seamy side of human nature, giving unlimited space to tales of hideous crime, flaunting vice in its most abhorrent form in gross exaggeration, crawling like serpents across the thresholds of the home, and laying bare with vulgar display the most sacred confidences of the family circle; holding up to coarse ridicule the precious heritages of sanctified living; profaning the temples of virtue; dealing in salacious scandal and gorging to satiety those who have insensate hunger for prurience and sensuality.

As might have been expected, this class of newspapers gained wide circulation and exercised a baleful influence on the American Press; soon, however, general disgust with their methods produced a marked reaction and the great mass of American journalists fortunately escaped the contagion which at one time threatened to become widespread.

Realizing at length that sensationalism had about exhausted itself, they were driven to new devices to maintain their circulation and keep general attention centered upon them—in the meantime being joined by certain weekly and monthly publications. They relapsed from “Yellow” into “Red,” flaunting the crimson hue of anarchy beside the saffron shade of pruriency. They appeal to ignorance, discontent, malice and malevolence; they array failure
against success; inflame incompetence against capability; they teach that honor and integrity have fled from high places; that our National Congress is a den of thieves; that our Judiciary is contaminated; that our administrators are in corrupt league with scoundrels and traitors; that our entire commercial and financial life is infected and surcharged with degrading dishonesty; that rascality is everywhere rampant, permeating every avenue of trade, every circle of society; that the entire American democracy has become depraved, festered by the virus of universal wickedness and boundless corruption. Fortunately, this phase of "red" journalism—which ought to be dealt with under drastic penal laws—is confined to very few, and the healthful tone of the American press may in the end successfully resist this menacing attack; yet it strongly emphasizes the overwhelming importance of sane journalism and sane, self-respecting, sincere journalists. The harmful influence of this base slander on the American people in the present instance will be checked, but its baneful effect has stimulated the agitator, emboldened the traducer and has inspired the iconoclast with new hope.

Shall democracy, after all, succumb at the hands of these enemies of the Republic, or shall the sober common sense of an enlightened people successfully resist their insidious assaults?

The answer rests with the sane, sober journalists of the future. The press has a grave responsibility; the editor of the future is charged with a solemn mission. If our nation shall be preserved, if our institutions shall be perpetuated, if our constitutional rights shall be safeguarded, if we shall uphold those eternal truths which sustain a healthful, independent, contented, God-fearing and righteous democracy, we must have an upright, sane, ethical and honest press. An honest press, sane, conservative editors, and patriotic, pure and high-minded journalists alone are able to preserve inviolate to succeeding generations, un tarnished and undimmed, in all purity, majesty, and glory, our national honor, our sacred institutions, the beloved Republic itself!
COLLEGE MEN IN BUSINESS

BY H. J. HAPGOOD,
President of Hapgoods.

Andrew Carnegie says that his success has been due to the men whom he gathered around him. His testimony is supported by the experience of hundreds of other business men who have found that their success lies not so much in the cleverness of their plans as in the men they secure to carry out these plans. Fifty years ago methods alone might have spelled "success" but to-day men, together with the methods, are the essentials.

The great importance of the human element in business is shown by the increased attention which it is receiving. Even ten years ago the great majority of employers conducted this feature of their business by rule of thumb, giving it secondary attention and that only during their odd moments. Nowadays, however, the heads of a great many large business concerns aver that they give more time to the selection of employees than to any other branch of their work. They believe this plan pays. The result in every case is a force of men who are first class in every respect. The employers know them all from the general manager to the lowest clerk, understand their capabilities and are always certain just what can be expected from them in the way of work. A force of men, which has been intelligently and carefully selected and in which the capabilities of each member are known to the employer, is one of the best assets any business can have. It constitutes a supply of human capital which is constantly increasing in value and which is absolutely essential to success.

Years ago in the days of small things a man's employees were not so essential for his success, for he had time to give personal attention to the various departments of his business. Nowadays, however, a large employer must have men who can give results without being watched—men with the inclination and ability to think as intelligently and work as hard as if the business were
their own. To secure a sufficient supply of such men, there have grown up organizations of employment experts and special employment departments in the charge of high salaried men who devote their entire time and energy to searching for capable men and putting them, when found, where they can work to the best advantage.

As head of one of these organizations, which is retained by over 20,000 leading employers to supply all the men they need for the more responsible business and technical positions, I have had exceptional opportunities for ascertaining the kind of men employers want. A special department of our business is devoted to supplying employers with young men of little or no experience and the records of this branch furnish valuable data on the subject of what training best fits a young man for success in the commercial world.

"What kind of qualities are demanded in men capable of being trained to fill responsible positions?" A leading newspaper asked this question some time ago of 500 successful business and professional men, most of whom were themselves employers. There was a singular unanimity in the replies received. Ninety per cent named capacity for hard work (some of them called it persistence or energy, but they all meant the same thing) as the first essential quality and nearly as many considered honesty next in importance. It is safe to say that this is the general opinion of the business world and that if 20,000 employers had been asked the question instead of 500, a large majority of them would have given the same reply.

As one employer forcefully puts the matter "What the business world needs to-day is not more ability. We have enough of that; in fact I sometimes think we have too much. What we need is more men who can and will use the ability they have faithfully and honestly. What we want and are willing to pay well for is men who combine with their ability, education and natural talents the capacity for hard work."

I regret to say, however, that men with this capacity for hard work and this strict integrity appear to be born not made. But there are many men in whom these qualities are not highly developed who will prove extremely valuable if they receive the proper training soon enough. Therefore, I believe the best way
to build an honest and hard working force is to take on men when they are young, give careful attention to their training and bring them up in the way they should go. This is the only sure way to build up just the sort of a force you want.

By young men, I do not mean those who leave school before they have reached the grammar grade but rather those from 18 to 23 years old who have received a good thorough education either along general lines or in some special branch and who are mature enough to increase quickly in value in spite of their lack of experience.

In advocating young men I do not mean to underestimate the value of age and experience. There are few concerns which could do business successfully with a force composed entirely of young men of necessarily limited experience. But too many old men are an invariable sign that the firm is drying up. It is no reflection on the ability of men who have given years to a business, but have already passed the prime of life, to advise that every employer keep constantly on hand a force of bright, capable young men whom he may train to take the places of the older men when the latter die, resign, or cross the narrow line which separates valuable experience from old-fogyism.

Every business changes rapidly nowadays, and the man who was thoroughly competent five years ago may now be out of date. To retain such a man in a responsible position is to add to the business a dead weight which is bound to seriously handicap it. Many employers are forced to this course because they have not had the foresight to keep constantly in training a force of young men.

With a reserve supply of young men to draw upon the head of a business will be saved the trouble and expense of filling responsible positions with new men who have received their training under another employer, and who will need many months to get into step with the organization. The sudden death or retirement of an old experienced man too often means the temporary disruption of some important department, because there is nobody to fill his place. All these difficulties can be avoided by engaging every year a few young men, with a view to training them carefully and molding them into exactly the type of employees needed.

The employer who has never investigated the matter will be surprised at the results young men will secure. I believe that many
College Men in Business

concerns could make astonishing increases in their sales by discharging some of the older salesmen who are trudging along in a hopeless rut, and hiring in their places a few young men. Many a firm has proved to its own satisfaction that four hustling young men at $600 a year each will show more and better results than one old experienced salesman at $2,400. And in a few years they will grow into four big money earners.

Besides, the infusion of a little young blood into the establishment has a good effect on the entire force. The new ideas and energy which it brings stimulate the older men and make them realize that they are not indispensable, but must keep well up with the procession if they want to hold their jobs.

I venture to say that the largest and most successful business houses are as a rule those which have during the past ten years steadily pushed young men to the front.

An employer said to me the other day, "I have no use for young men. What I want is men with years of experience." A few days later I happened to call at his office. It was full of men who were in their prime ten or twelve years ago and their methods of doing business were just about that much behind the times. His business was steadily going from bad to worse, for it was incapable of meeting the competition of firms which welcome young men and new methods.

After he has learned the value of young men, the employer still has to decide what particular type of young man makes the best employee. For instance, is the city bred man who lives with his parents to be preferred to the man from away up in the country who comes to the city to live in a hall bedroom and make his fortune?

Where knowledge of the city is not essential at the outset, I believe as a rule the country bred man makes the better employee. He may be a trifle slower and more awkward than his city brother at first, but he has the advantage of good habits, of not being afraid of long hours and of being willing to start at a very low salary. The city man is rarely entirely dependent upon his own resources and therefore lacks a strong incentive to faithful effort, while the man from the country knows that he must make good or walk back to the farm.

"Men from the country go at their work with an 'I will' spirit
that is simply irresistible,” said a well known manufacturer to me the other day. “For example, I brought a young fellow down from my old home in New England a year or so ago, and for want of anything better to put him at, turned him loose in the shipping department and told him to see if he could make himself useful there for two or three weeks. Later when I went to transfer him to the factory the head of the shipping department would not listen to it. He said the young fellow had been putting in fourteen or fifteen hours a day and had learned nearly as much about the work as he himself knew, and was his most valuable man. We had tried a dozen city bred men in the same department before and not one of them had made good.”

What is the value of college training as a preparation for business? It is a mistaken idea to suppose for a moment that colleges or universities or technical schools can create ability. If they could do that our institutions would be unable to accommodate the army of students which would pour in on them. College training can, however, develop a man’s ability and can, therefore, increase his ultimate value in business.

As old Gorgon Graham says in his inimitable letters, “anything that trains boys to think and think quick pays.” This is exactly what a college education does. It teaches a man very few things that he can make use of in business, but it teaches him how to acquire knowledge of new things and to acquire it quickly. It does not give him brains; it teaches him how to use what brains he has. For the first two or three months the average college man in business is worth no more than a sixteen-year old boy who has begun work on leaving the grammar or high school. At the end of that period, however, he begins to increase rapidly in value and before two years are past he will be earning more money than the man without the college training, who had four or five years’ start of him in business.

The only way to satisfy yourself as to the usefulness or worthlessness of college men is to watch the results obtained by other employers who employ them, or better still to hire a few yourself. A notable instance of the value of college men is furnished by the Western Electric Company, which began employing college men about ten years ago and has found that 90 per cent of them make good, as compared with 10 per cent of the men who enter business
on leaving the high or grammar school. A large percentage of the 
executive officers and heads of departments of this great company 
are college men who have worked their way up from the ranks. 
Another concern which is finding college men a very profitable in-
vestment is Sears, Roebuck & Company, the well known mail order 
house. This year it is engaging about fifty young graduates. 
They start them at moderate salaries with a view to teaching them 
the business and training them for responsible positions.

If an employer wants a man to address envelopes or keep 
books all his life he would better not hire a college man. The 
college man becomes discontented in such a position. He is per-
factly willing to start at the very bottom of the ladder, but his 
training has given him the ability to do better things and the am-
bition to climb higher. If the employer wants men whom he can 
start addressing envelopes or keeping books with a view to some 
day putting them at more responsible work, he can use the college 
graduate to advantage.

It is a frequent occurrence for well known men to tell me: 
"I have tried a college graduate and found him absolutely no 
good; I wouldn't have another college man in my establishment."

I invariably ask: "Where did you get your college man?" 
and I find that they hired the son of some particular friend or 
relative—a man whose college education simply increased the lack 
of brains and energy with which he entered college.

The value of any force of men lies in its selection. The col-
lege man should be chosen as carefully as any other employee. It 
is a mistake to suppose for a moment that a college education makes 
him a man. In choosing college men, the same care must be ex-
ercised in order to get men with energy and determination. Those 
men who have worked their way through college deserve special 
confidence.

The up-to-date employer will appreciate the value of his em-
ployees and will make a careful study of the relative worth of the 
different classes of men whom he engages. Of course no set rule 
can be made, for varying conditions will set different standards. 
The experience of many employers, however, shows that it is well 
for every establishment to have growing up with it a large force 
of energetic, capable young men, and that other things being equal,
country-bred boys and college men offer the most promising material.

Men succeed according to their capacity for hard work and their honesty, and according to this, college men are more apt to possess these qualities than others. Statistics based on data gathered from the experience of a hundred business houses and covering a period of three or four years show that about 90 per cent of the college men are successful in rising to large salaried and responsible positions as compared with 25 per cent of the non-college men. According to these figures $800 a year is the limit of the non-college man who has at least four years and in some cases a longer start of the college man. Only 10 per cent of the college men are absolute failures and 75 per cent of them rise above $1200 a year.

There is no doubt that college graduates are the chief and best source of supply for the reserve force which every progressive firm should be accumulating. The advantages of those with only high school training should not, however, be overlooked. Many of the large city high schools, in fact, give courses that are almost equal to those of the small colleges.

In some branches of business, high school men are perhaps preferable to college men, especially in routine clerical work as the man fresh from high school is usually a better penman and quicker at figures. The college man is, however, almost always superior in judgment, knowledge of human nature and other qualities which come with age and the employer who wants a young man to grow up with his business and develop the right ability for a responsible position is taking great chances in hiring one who has had less than a high school education.

Men who have worked their way through college are most likely to prove valuable provided they are placed in congenial work. The very fact that they made their own way is fairly good proof of grit and capacity for hard work and in earning their expenses, they have brushed up against business more or less and gained experience which is bound to prove valuable even if only to show what work they are best fitted for. One or two of the largest employers of college men show a marked preference for those who had to make their way, and the man whose expenses have been paid by some one else has to look very good indeed in order to secure even a hearing.
A point upon which employers differ is as to whether men from the country are better than men from the city. The feeling that country bred men are likely to work harder is widespread, and although it has much evidence in its support there is hardly enough to justify turning down applicants simply because they happen to be city born and bred. And for some lines of work—selling, for example,—the city man is often the better.

There is also difference of opinion as to the relative advantages of men from the large and small colleges. This, however, is by no means an essential point, for both turn out good men. One Western employer says: “Of the two most capable young men I have recently hired, one is from a small freshwater college, and the other a graduate of the University of Chicago.”

“It is personality on which I base my judgment,” says a well-known employer who has hired enough college men during the past few years to be an authority on the subject. “I do not care what school he comes from or what course he has taken so long as he is a clean cut fellow whose looks indicate brains, energy and capacity for work. Other things being equal, I give preference to a man from the country as being more likely to be a man of steady habits and to the man who has had to make his own way as being more likely to be a worker. It matters little what standing a man has had during his course so long as whatever he has done has been done honestly.”

It is well to consider a man’s physical strength as well as his mental ability and character. A Pittsburgh employer, who during the past three years has hired and trained up in a large department nearly one hundred college and technical school men, says that a large percentage of the failures among them have been due to lack of physical force. “This has not taught me to seek for the athletes and the men who hold the strength test records, but it has taught me to turn down an otherwise good man, unless he looks in first class health and able to stand a pace which is bound to be rapid in this business.”

Many employers who are impressed with the advantages of college men are doubtful as to where they can be used to the best advantage. One remarked the other day, “I would like to try out half a dozen young graduates, but I don’t know what department to start them in.” The answer to this is that they can be used to
advantage in any department where there is opportunity for a young man to learn and to advance as he makes himself valuable.

In sales work college men have been found particularly valuable. The life insurance companies were doubtless the pioneers in using them in outside work, but now publishing companies, bond houses, office appliance firms, and mercantile and manufacturing houses of all kinds are employing hundreds of them every year to strengthen their sales forces. A New York publishing house put a young New England college man into new territory in July, 1905. He made good—emphatically so. During his first six months he sold more goods than any new man had ever done in a similar period. The sales manager of the company expressed surprise that he had done so well. The young man replied, "If I could earn my way through college by selling subscription books, I ought to be able to make good with you."

It being impossible to judge accurately of a man's fitness for selling work until he has been given more or less of a trial, many firms have found it a good plan to conduct training schools for young college men. They take the men about July 1st and for six, eight or ten weeks familiarize them thoroughly with the line of goods and the best methods of selling them. During this educational period the men are paid a bare living salary with the guarantee that if they master the details of the business and show signs of selling ability, they will be given positions as salesmen on an attractive salary and commission basis. In this way, during the past few years, two or three notably successful sales forces have been organized.

In straight clerical work the young college man is often at a disadvantage, owing to his poor penmanship and his ignorance of bookkeeping, but the quickness with which he picks up general office details is often surprising. There is in western Pennsylvania to-day a chief clerk in a large office who five years ago a green hand, just out of college, started with this firm at $10 a week. The first few weeks he was worth little or nothing and several times was on the point of being dismissed. Then he began to increase rapidly in value and to-day he is one of the ablest men in the employ of this large corporation.

The value of college training very often comes out in peculiar ways. A young man began work a few years ago for a large in-
College Men in Business

surance and real estate company. He was not of prepossessing appearance and on this account and because his references (all of them from college professors) laid such emphasis on the fact that he had specialized in foreign languages and attained high rank in these courses, the general manager of the company came near refusing his application for employment. "French, Spanish and German are of no use in this business," grumbled the manager, but nevertheless he put the young man to work, for he needed a man badly. To-day he is glad he did so.

The young man started as a filing clerk, getting out and putting away documents and papers used by the different officers of the company. It was not long before they discovered that when they asked for certain information about a piece of real estate the young man could furnish it with surprising promptness. Often they noticed, he would tell its value, size, location, etc., without referring to the files. Finally the reliability and remarkable scope of his memory attracted the attention of the president of the company and he was promoted, until he is now at the head of an important department. His French, Spanish and German were of no use in the insurance business, but the training he gained in mastering these languages — the development which it gave his memory,— is worth a good many thousand dollars a year to his employers.

Unless a man is wanted for technical work, it matters little what course he has taken so long as he knows how to work. It is not the knowledge gained in college that makes the young graduate successful, but rather the training he gained in securing that knowledge. From the employers' standpoint, it has been my experience that graduates from institutions like the Wharton School, the Tuck School and others have very little, if any, advantage over those who have taken only the ordinary academic course. Looked at from the standpoint of the man himself, it is doubtful if the course given by these schools gave him enough better equipment to warrant spending an additional year. Courses in business law, corporation accounting and transportation, if he can take them during his regular course, cannot help being of great assistance. The college graduate who has brushed up against actual business during his course by managing one of the college papers or athletic teams or by earning his expenses in some business venture is usually a great
deal more valuable than the man who has done none of these things but has taken courses in administration and finance.

Commercial clubs, such as exist at the University of Wisconsin and a number of other institutions are very helpful and should be found in every college and university. These clubs have as members all seniors who are planning to enter business. Meetings are held every two weeks during the year and at them addresses on various practical topics are given by well-known business men. A list of subjects by one of these clubs included "advertising," "the value of card systems," "hiring men," "working up export trade," etc. It seems to me that much more practical benefit can be derived through a general survey of subjects like this than from mastering the intricacies of a course in railroad accounting.

The best training for commercial careers seems to be that gained from a general A. B. or B. S. course, with special attention given during the last year to banking, transportation, money and credit, business law, corporation accounting, etc. It is a serious question whether any young man who plans to enter business can afford to extend the time spent in preparation beyond the usual four year course. If, however, a man is not too old and so situated that he can, for a few months, put off beginning to earn a living, I think the courses offered by the Wharton School at the University of Pennsylvania, the Tuck School at Dartmouth and other similar institutions are extremely valuable. These institutions have hardly been in existence long enough to prove definitely their value in helping prepare a man for business, but judging from the success of several young men who have been graduated from them and whose careers I have had an opportunity to watch they are of great benefit. It happens that nearly all of the men I have in mind have supplemented their courses in the theory of business with more or less general knowledge of actual practice which they have picked up during vacation or before entering college and I believe that the value of such experience cannot be overlooked.

If handled rightly, no class of men are more easily inspired with enthusiasm and loyalty than young college graduates. They like to know all that they can about the business and to feel that they are part of it, even if they are drawing only small salaries. The encouragement, which they need and should have, does not necessarily take the form of frequent increases in salary. There are one hun-
dred and one ways in which their spirits may be kept at the right pitch without continually increasing the salary expense, but when they do merit a raise they should get it without delay unless you want to run the risk of losing good men whose training has cost you a lot of money just as they are becoming worth something.
THE LIFE INSURANCE PROFESSION

BY L. G. FOUSE,
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Among the business professions, there is none, according to my observation, which requires more specializing and more varied talents than the profession of life insurance. Some departments of the life insurance business do not require more than an academic education. It is true that a great many persons in the past have engaged in some departments of the business who have not had even an academic education, but these for the most part have not done credit either to themselves or to the profession. A college education is helpful in every department of the life insurance business, and an actual necessity in some or most of the departments.

Before taking up in detail the preparation which students should make for the several departments of the life insurance business it is well to consider briefly:

The Origin of Life Insurance; Its Growth and Magnitude

Life insurance had its origin in the wants of the family. The spirit of true manhood and womanhood craves for means to protect dependents and render them comfortable. When wants arise within the family which it cannot satisfy, then artificial alliances immediately spring forth to provide for them. When the breadwinner of the family ceases to live, the family's want of support is the more acute in proportion to the youth or helplessness of the remaining members. It is this want that a prudent, loving husband aims to satisfy by alliance with his fellows through the medium of life insurance, which is a creature of civilization and is a most potent factor in ameliorating the condition of the human family. Its beneficence and benefits are practically unknown in uncivilized countries.

According to Gratz's "History of the Jews," organizations for mutual relief and protection to the members thereof in the event of
sickness and death were in existence from 160 B. C. The efforts, however, "To help the few by the co-operation of the many" among the nations of the classic period of history were extremely crude. Life insurance in Great Britain approximating the modern form made very little progress until the year 1760, and in the United States not until a century later or 1860. The first life insurance report published by the State of New York in the year 1859 showed ten companies having $114,693,204 insurance in force. As indicating the progress and growth of the life insurance business, it is only necessary to refer to the fact that forty-five years later the report for the State of New York gives the business of forty-two companies representing $10,028,090,981 insurance. The magnitude of the life insurance business can be best appreciated by comparing with bank depositors and banking and railroad capital of the United States the number insured and the accumulated assets. Moreover life insurance has an economic value far beyond its intrinsic value. Millions of persons have had their first lesson in making provision for the future through an obligation to pay a life insurance premium at a stated time. That this is true is evidenced by the fact that while the savings banks in the United States have 7,305,403 depositors, there are about 13,000,000 persons carrying life insurance. By reason of the increasing magnitude of the business, the students of this and future generations have greater responsibilities than did their predecessors.

In order to facilitate study of what is requisite for the profession of life insurance I shall discuss separately the important departments of a life insurance company, taking up each in its alphabetical order. I shall, however, merely give an outline of the principal points so as to open the mind and understanding of the student to what is implied and not expressed.

Foundation Knowledge

Section I. It matters not which department of the life insurance business one proposes to engage in, nothing less, as already stated, than an academic education will answer. Those departments requiring a collegiate education as a foundation, and those which should be studied only in a post-graduate course, will be indicated. While a student should not be aimless, but have a purpose in life, he should always remember that the development of a single talent
does not produce the broad-gauge all-around man who usually makes a success in any of the activities of life. Persons to whom has been committed, both in factories and in business, the training of young men, avoid, when possible, the student specialist for the reason that such a student lacks a broad, substantial foundation upon which to build. The student who proceeds on the assumption that nothing in his elementary education should be omitted, that the time for specializing does not come until near the closing of his school and college days, and who has the keen insight and foresight to make note of the character and kind of work for which he has shown the best adaptability, will find it comparatively easy to select the profession to which he, by temperament and instinct, is best adapted.

**Accounting and Investment Departments**

Section 2. In the Accounting and Investment Departments, as well as in the general clerical work, an academic education is all that is absolutely necessary, although those who possess a higher education, with consequently better disciplined minds, are always at an advantage. Life insurance accounting can hardly be said to be bookkeeping; very few books are kept. The accounting is accomplished mostly through the card system. It is necessary, therefore, that the accountant should have a keen sense of order and system, and his power of analysis and reasoning must be developed; without such power he should seek other employment.

The academic or college courses calculated to develop order and system and the faculty of reasoning are, therefore, the foundation to be laid for the accounting department.

The Investment Department is more or less associated with the Accounting Department. In computing life insurance premiums, two essential elements are taken into account, i. e. mortality and interest. The computation belongs to the Actuarial Department, but the realization of the interest computed is the function of the Investment Department, under the guidance and control of the Trustees or Board of Directors. Investments must be made with great prudence, so as not only to avoid loss but to produce a return at least equal to the rate of interest assumed in the computation of premiums. The character of contracts made by the company must in a manner govern the investments. If the policies for the most part contain demand cash surrender values, then the investments
must also for the most part consist of what are known as quick assets, such as marketable or listed bonds. A full and correct knowledge of the monetary conditions of the country, of the currency, etc., is essential; also a knowledge of the law governing investments in the several States. There is required a ripened judgment which cannot be acquired without a preliminary training as to the character of bonds and securities that should be purchased, or mortgage loans that should be made. Farm mortgages, for example, have proven to be high grade securities in the case of certain companies where the loans were intelligently and properly made; in case of other companies the returns have not been so satisfactory. An experienced investor will seek the communities where there is more than average thrift and where people have accumulated enough to live upon during two or more successive years of light yield of crops, depression in trade, or other adverse conditions.

While land in the immediate neighborhood of large towns or cities is almost certain to increase in value, it is exceedingly important to take into account to what extent it will be injured by smoke from public works, or proximity of offensive kinds of manufacture, or by pollution of streams; and a further point is the determination of the extent to which the land is capable of diversified production. The physical conditions essential for good farm lands, such as average healthfulness of climate, sufficiency of rainfall to grow crops, natural fertility of soil, etc., are of the first importance. In making town or city loans there are many vital points to be considered. Aside from first class stores and office property, probably the safest, from the lender’s point of view, consists of substantial freehold buildings conveniently located to car lines, and commanding a rental value which the man of average income can afford to pay. Buildings on business thoroughfares occupied as combination stores and dwellings are also safe securities. In appraising all such properties, the public improvements, schools, churches, and other attractions, always should be taken into account.

Bonds and debentures as investments require most careful consideration. As a matter of illustration, in passing on railroad securities the following questions naturally occur:—

What are the ratios of gross and net earnings respectively to the bonded debt?

What proportion does the debt bear to the capital stock?
Is the capital stock paying a dividend?  
How long has such dividend been paid?  
What is the market price?  
What is the proportion of the net revenue to the interest charge?  
It is, therefore, not only essential that the people in charge of the Investment Department should have a good knowledge of elementary mathematics, interest, ratios, percentage, and the theory of finance in general, but should be students of economic and sociologic conditions and their relation to finance. These, however important, fall short if they be not backed by a discriminating judgment.

*Actuarial Department.*

**Section 3.** The Actuarial is, beyond question, the most difficult and complex department of the life insurance profession. It is only during comparatively recent years that the people have come to realize the value of actuarial science and to appreciate that it is founded upon natural laws, in many respects akin to the laws of astronomy, the accuracy of which has been repeatedly confirmed. The eclipses of the sun and moon have been computed and foretold a long time in advance of their occurrence, so that the astronomer is admittedly a scientist. The actuary who deals, in his computation, with the natural laws of growth, maturity and decay, as applied to human life, cannot prognosticate as to the individual, but can, with mathematical accuracy predict the contingencies which will occur in a given time to a given number.

A student, to qualify himself for the profession of an actuary, should make himself proficient in Higher Algebra, covering such subjects as the Binomial Theorem, Permutations and Combinations, Summation of Series, Theory of Logarithms and Probabilities, Plane and Solid Geometry, Analytical Geometry, Theory of Equations, Differential and Integral Calculus, the Calculus of Finite Differences, Theory of Interest and Annuities-Certain, etc. These will lay the foundation upon which to build in a post-graduate course, or as a student in the office of the Actuarial Department of a life insurance company. There is danger of a student, in pursuing actuarial studies, getting his ideas somewhat distorted. After acquiring the foundation knowledge which is absolutely essential and receiving his degree, he is liable to conclude that the insurance fraternity is waiting to receive him with open arms, and that he will be promptly installed
as actuary of a well-established life insurance company. The student should realize that he is entering upon a progressive profession, and that having obtained the necessary foundation knowledge, some years must be spent in learning to apply such knowledge to the practical affairs of life. The duties of the profession are distinctly analytical. He finds that the natural laws which affect human life are susceptible of mathematical calculation, but also finds that social, economic and financial conditions affect the same, and hence must be studied, analyzed, and the money value of the various probabilities and contingencies determined. To this end the education and training in the college and university courses will be of the greatest value, but the student must not assume that such courses, when completed, constitute him an actuary. Furthermore, because mathematics are involved to a great extent, he must not assume that a broad, liberal education is unnecessary. He who is incapable of clearly, correctly and concisely expressing thought is always at a disadvantage. The student who, as a part of his education, will arrange to spend his vacation periods in the Actuarial Department of a well-established life insurance company, will get a much clearer and better conception, provided he be properly directed and tutored, of what is expected of the actuarial profession, than in any other way. After a student has spent a brief period in a life office and determines upon choosing the actuarial profession, he should make arrangements with the Actuarial Society of America to take the examinations for Associate Membership, as he is then better qualified to pass them than he will be at any time in the future. The subsequent examinations, however, should not be taken until he has had some office experience, and until he has mastered the text books of the British Institute, and become familiar with the Proceedings of that Institute, and the Transactions of the Actuarial Society of America.

*Agency Department*

Section 4. The Agency Department is one of the most important of the life insurance profession. In the early history of life insurance the agent was not professionally an underwriter but merely a solicitor. It was quite common for an agent to say that the rates were made and the conditions imposed by the company, and it was no part of his business to know the details, but merely to sell
the contract as it stood. That time, fortunately, is rapidly passing away. The man who is not a qualified underwriter is working under difficulties. The qualified underwriter is not only a student of human nature but of sociologic, economic and financial conditions. He is able to select the contract best suited to the needs of the individual and is capable of explaining it in every detail. True life insurance is designed to secure to dependents, or for the protection of business, the present worth of the productive value of a life in the event of death. Life insurance thus becomes an unselfish act, and is, therefore, a creature of civilization. The barbarian from natural instincts will not do unselfish things. Civilization, education, and social conditions combine, when properly presented by the underwriter, to impress people with the importance of maintaining an institution for dividing the losses of the few among the many. In other words, life insurance is a distributor of wealth and is constantly creating new social conditions. The agency system is a huge organization for the betterment of mankind. It includes in the United States in excess of 63,000 chosen men, who are daily engaged in appealing to their fellows to husband their resources to protect dependents, to lay up something for the future, to provide for the burdens of old age, etc. The general effect of these efforts, aside from the actual money involved, is worth to the people at large and to the nation the expense of the entire agency system.

The academic degrees are quite sufficient to qualify the ordinary life underwriter, but the organization work involved requires a varied talent and thorough training, to which the college and university courses, as conducted at the Universities of Pennsylvania, Michigan, Wisconsin, at Yale, and elsewhere will be found to be most helpful.

Law Department

Section 5. The necessities of life insurance require an efficient Legal Department in every well-regulated company. Aside, however, from this department proper, it is necessary that the persons in charge of the Investment, Agency, Actuarial and Medical Departments, should have some fundamental legal training. The student who aspires to become connected with the Law Department should secure a liberal education, in which should be included and emphasized the elementary mathematics relating to the profession and re-
ferred to in Section 3. The attorney who has no conception of ratios, percentages, etc., is always at a disadvantage in making a specialty of insurance law. He should, in fact, have the same foundation training as the actuary, but need not specialize in mathematics.

As relations between the insured and insurer, agent and principal, are almost entirely contractual, it is of the utmost importance that the law of contracts be thoroughly and entirely understood. The law of agency must be mastered, and in certain branches of insurance the law of negligence is of prime importance. An attorney, to be fully equipped for general insurance practice, should have a thorough understanding of equity jurisprudence, because in the varied relations and situations arising out of the multitude of insurance contracts, resort is often necessary to the equity side of the court to determine the rights of the parties. It is necessary that an insurance law specialist should have a general knowledge of all the branches of law so as to properly represent the Investment Department. To do this means a thorough knowledge of real property law. He must also master constitutional law if he would qualify himself to care for the interests of the company in the various States where legislatures enact laws affecting the rights of corporations. The law of insurance which also comprehends medical jurisprudence is becoming recognized as a very important department of the legal profession.

Medical Department

Section 6. The student of medicine, for even general practice, should be a college graduate, but if he has less than an academic education he is totally unfit for the important position of medical examiner. The life insurance companies in 1905 expended about $10,000,000 to compensate medical examiners for the service rendered. Every qualified physician is naturally eager to secure the patronage of the companies. The companies, in return for the money expended, expect both faithful and efficient service. This cannot be rendered without proper preliminary training. The qualified medical examiner should have a clear conception of the contractual relationship existing between the applicant and the company and should thoroughly understand his part of the responsibility. The carelessness and inefficiency of medical examiners have resulted in much perplexity, litigation and disappointment. The first and most im-
portant conception is that of the legal and ethical relationship between the examiner and the company. He is employed by the company and as a matter of good conscience should serve it first. He is liable to be influenced by considerations favorable to both the agent, who would lose his commission, and the applicant who would be deprived of insurance, in case of adverse action on his part. The medical student should be taught to look beyond the individual next to him toward the general welfare, which he will best serve by keeping faith with his company.

On a foundation of theoretical medical training, the medical examiner should have built up a superstructure of practical experience with actual cases of both health and disease in its various manifestations, so that he can transfer, for the medical directors' consideration, a word picture of the applicant as he actually is. The curriculum of the medical schools, for the development of efficient medical examiners, should give special emphasis to diagnosis throughout all the major courses, such as surgery and medicine, and the other and more special branches, such as diseases of the eye, upper air passages, ear, the study of the skin, the study of the nervous system, etc.

In order to acquire the practical experience in discriminating diagnosis, the clinics and the out-patient departments of every accessible hospital should be haunted by the student. Special stress should be given to the practical work upon medical and surgical diagnosis. Pathological findings should be studied with the clinical history and symptoms.

Too much stress cannot be laid upon the ability to make an absolutely true diagnosis. The medical directors' prognosis must, of necessity, be based upon the medical examiner's diagnosis of health. It will not do for the examiner to record symptoms and report them, but with the applicant before him, and brought there for investigation, it is his duty and business to make a positive diagnosis. For example, suppose the applicant should have a swollen, tender, painful knee,—to report that to the medical director would be of no help to him. He would want to know at once whether it was "traumatic synovitis" or what. Again, if the medical examiner should report a cough lasting for some time, that would be no information; the question with which the medical
The Life Insurance Profession

director must deal is, What caused the cough? Is it due to an "elongated uvula," or what?

It is a fact, which the record of every insurance office clearly shows, that the medical examiners, as a class, do not have a proper and keen appreciation of what is expected of them and of that for which they are paid. Comparatively few are properly equipped for making intelligent urinalysis, and still fewer for microscopic investigation. The medical student, to be qualified for making life insurance examinations, should know something of the history of life insurance, the meaning of mortality tables, and the conclusions to be drawn from them; of the selection of risks and the elements entering therein; the various forms of policies, and the effect they have upon both applicant and company; and should be thoroughly drilled in the proper relation to agent, applicant and company. The student should have some foundation legal knowledge of contracts and also of medical jurisprudence. The ability to pathologically cross-examine an applicant so as to develop what he knows about himself,—and that is generally all that is worth knowing,—is of the first importance. It should be remembered that admission on the part of the applicant of impaired personal or family history may defeat the insurance for which he is applying, and it is reasonable, therefore, that he may not volunteer information and may even attempt to conceal it; hence, the importance of the examiner having a proper conception of the best way of developing the truth without seemingly discrediting or antagonizing the applicant. This, as a rule, can be best accomplished by starting with a complete history of medical attendance, duration of attendance in each case, the name of the physician, and the diagnosis given by him. It should be remembered that what the applicant states and admits and subscribes to he is responsible for, but he is not responsible for the opinion of the medical examiner, which is valueless to the company unless it be based upon facts. The medical student's curriculum should include a work entitled "Stratagems and Conspiracies to Defraud Life Insurance Companies."

Statistical Department

SECTION 7. While there is a connection between the Statistical and Actuarial Departments, there is undoubtedly a distinct
field for the insurance statist. He is not expected merely to tabulate and compile, but is expected to interpret as well. His interpretations, based upon statistics, should be used by the Actuarial and Executive Departments, and also the Board of Directors, in determining upon lines of action. Unless the student has an actuarial aptitude, and is specially endowed for the work of a statist, he will consider it drudgery, and will be out of his element. He must possess a natural ability for both analysis and synthesis. In the matter of training, the ordinary college course, with sociology and statistics as majors and with economics and mathematics among the minors is a prerequisite.

A knowledge of mathematics as far as the Calculus, Integral and Differential, while not absolutely necessary, is helpful. Statistical problems are frequently solved by resort to Calculus.

The value of economics to the student of statistics lies more in the mental training than in the statistical practices. The chief value of course in economics, will come from the refinement of reasoning and keenness of analysis which the student will be called upon to give to the work in its theoretical aspects. The science of statistics, and sociology are closely related; in fact they are interdependent. The study of sociology affords an unlimited field for the application of statistical methods. Beginning with the population as a whole, the student traces and measures its distribution geographically, topographically, etc. The study of its movements involves the measurement of immigration, of interstate migration, and of the movement to cities within the state. The study of its composition involves its analysis into component parts and opens up the subjects of sex, race, nationality, age, etc., all of which are exceedingly important from the life insurance point of view. The measurement of its growth opens up the whole field of vital statistics, marriages, births, sickness, deaths; these subjects, and especially the last, mortality, should be studied in every possible relation. The study of cause of death will lead the student to take short excursions into medical science and give him a grounding in nosology. In studying the deaths themselves the differing mortality of the various population elements,—sex, race, etc.,—should be measured, and the effect of occupation, of climate, of agglomeration, etc., traced.

The student, pursuing a four years' course, will be confronted,
up to the day of graduation, with problems for observation, research, and statistical treatment, the solving of which will aid in qualifying him to take up insurance statistics. A student who has had the foundation of a collegiate training in sociology and in the science of statistics may then, with some degree of confidence of success, enter upon the field of insurance statistics which will require him to appraise, compare, analyze, deduce, or, in a way, interpret.

It is hoped that the glimpses given of the required qualifications will stimulate students to improve their opportunities. The call is insistent to-day for qualified men. It seems certain, moreover, that the future will see a degree of development in life insurance that will make the present seem circumscribed in comparison. No one of proper mind, who thoroughly prepares himself, need fear lack of opportunity in this field of science and action.
THE STUDY OF INSURANCE IN AMERICAN UNIVERSITIES

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The study of insurance in our higher institutions of learning must be viewed as marking a step in that new educational movement, which aims to provide for the training of future businessmen and which has led to the introduction in practically all American universities of numerous courses in highly specialized branches of business, industry and trade, which, until recently, were regarded as outside the range of college studies. In fact, so rapid has been the introduction of courses in insurance in American universities that one is prompted to ask the reason why. The answer is not far to seek. On the one hand, few fields of industry have enjoyed such marvelous growth during the last twenty-five years as the insurance business. Indeed, insurance may be justly said to have become one of the foremost enterprises of the age, more persons being directly interested financially in this institution today than in any other. According to recent estimates, exclusive of the vast business written by fraternal beneficiary associations and local mutual fire companies, the amount of insurance in force in the United States reaches the enormous total of $50,000,000,000, held by approximately 20,000,000 citizens, who pay annually $1,000,000,000 in premiums and receive annually in return about $800,000,000.\footnote{Majority report of the Committee on Insurance Law, presented at the meeting of the American Bar Association, August 24, 1905.}

From small proportions a quarter of a century ago American companies have grown until they now possess the gigantic sum of about $3,000,000,000 in assets, and furnish permanent employment, it is estimated, to about 200,000 persons.

But the remarkable increase in the magnitude of the business is not alone responsible for making the subject of insurance a part of the curriculum of the most influential American universities. It
remains to be noted that among the various types of business, probably none requires greater specialization and a more varied training than insurance. Few fields of industry make greater demands upon the individual for system, power of initiative, and ability to cope with new and untried problems,—all of which qualities can be greatly strengthened by taking a course of study calculated to develop the same.

Turning to the various departments of an insurance company it appears that each requires special training. The actuarial department makes necessary the highest mathematical training. The statistical department requires that the data be correctly tabulated, and above all, that it be correctly interpreted. The investment department makes essential a knowledge of the relative merits of securities as regards their safety and earning power, a knowledge of the money and security market, as well as a thorough understanding of elementary mathematics, economics and finance. Those employed as underwriters will, more and more, be obliged to explain in detail the meaning of the numerous types of policies they sell, and be able, moreover, to offer that contract among the many types that are sold, which is best suited to their customer's needs.

Illustrations like these might be indefinitely enlarged upon to show that the insurance business requires great specialization and varied equipment, and that the prospective candidate for the business would do well to first get the advantages in training which a university offers. This fact has been fully recognized by the ablest managers of many insurance companies. In fact many of the large insurance companies have found it desirable to educate their employees through lectures, manuals of instruction and the like. As Mr. L. G. Fouse, President of the Fidelity Mutual Life Insurance Company, so aptly stated in a lecture before the University of Pennsylvania last year: "The underwriter in life insurance is supposed to have become an expert in the business of life insurance to a degree that enables him to select the contract best suited to the needs of a prospective applicant, and to act, therefore, in an advisory capacity and assume responsibility to that extent. In my opinion, in a comparatively short time life underwriting will be distinctly recognized as a profession; and through either the universities or various life underwriter associations, degrees of competency should be conferred. The interests of the profession should be as
jealously guarded and promoted by its members as are the interests of the legal, medical, or any other of the professions. . . . In our own country courses of insurance, as is well known, have been established in the University of Pennsylvania, at Yale, Michigan, Wisconsin, and in a number of colleges. Some of the life companies have made a specialty of summer schools of instruction in life insurance, which the graduates of our universities and colleges have been invited to attend. In recent years, the agency system has been strongly reinforced by graduates of our institutions of learning. Many of these have taken a conspicuous and prominent part in the field work and have been very successful. In fact, the progress of the business, its professional character, the sharp competition which prevails, the various intricacies that must be mastered, have made the field infinitely more inviting to the men with a trained and disciplined intellect than to the man of limited education.”

Again we find Senator John F. Dryden, President of the Prudential Insurance Company of America, asserting that “There is an increasing demand in insurance, not only for men of energy and ability, possessing integrity, tact and perseverance, but also for specialists; to bring to higher perfection the numerous minor departments for the investigation of facts and forces beneath the surface of everyday business experience. The demand for young men of exceptional ability is out of all proportion to the available supply, and there is abundant opportunity for the profitable employment of large numbers of college-bred men, or men of higher education, who are practically certain, other things being equal, to make a greater success in the field of insurance than in any other branch of commercial enterprise.”

But the study of insurance in our universities should by no means be confined to those who intend to pursue that profession. On the contrary it should be included in the curriculum of every school of commerce and finance as constituting a part of the general business education of those who intend to enter the banking, transportation, manufacturing or mercantile business, and who will thus become buyers of insurance, or be obliged to deal with it as creditor or otherwise. It requires little proof to show that insurance in its various forms (life, fire, marine, accident, em-

poyer's liability, fidelity, title, credit, etc.) fundamentally underlies all business, and is inseparably interwoven with our whole commercial life. Without fire insurance credit would practically be impossible and commercial transactions would have to be limited to the extent of the individual's capital. With the use of fire insurance as collateral, however, the merchant, broker or property owner may secure credit at cash prices, from the wholesale dealer or banker to four or five times the extent of his capital. It is interesting to note in this connection that over 95 per cent. of the world's business, it is estimated, is thus done on credit. Cargoes shipped from America to Europe, for example, may be balanced by European cargoes shipped to the Orient, and these in turn balanced by Oriental cargoes shipped to America,—a series of transactions based on credit and made possible only by a guarantee of indemnity in the form of a fire and marine policy. Marine insurance in fact has become an essential part of practically every maritime transaction, and has been ranked in importance with any other active force in controlling the employment of shipping, and in being almost as essential to our foreign, coastwise and inland commerce and just as much an instrumentality of trade as the vessel itself.

Similarly with reference to fire insurance, as Mr. A. C. Campbell writes: "There is practically no combustible property that is not insured against fire; every car of grain, every scow-load of lumber, every bale of cotton, every package of manufactured goods, from the time it assumes merchantable shape until it is entirely consumed, is thus conditionally the property of insurers. Without such a system, modern commerce would be impossible. The fire insurance policy, or the assignment of certain interest in it, is attached to the mortgage, given by the farmer for money to build his new barn; the fire insurance policy is as necessary to the banker as is the warehouse or shipping receipt on the strength of which he advances funds for that magic of commerce, 'moving the crop'; fire insurance is as important to the manufacturer as is the foundation under his factory; fire insurance is, in fact, the very backbone of that part of our social life which has to do with making, moving and keeping material things."* Moreover, even as regards life insurance, the vital connection between insurance and business generally must be apparent. Its vast accumulations are collected from millions of

small savers and again distributed or loaned or used as productive capital. Ranking among the largest investors, insurance companies play a most influential part in the money and security market, and, besides affording protection to millions of families and to business enterprises, life insurance policies are also being used more and more as collateral. Illustrations like these might be indefinitely multiplied to show the intimate connection between the insurance business and other business enterprises, and to make apparent the reason why a study of insurance in our higher institutions of learning should not be confined to those who intend to write insurance, but on the contrary should be made a part of the general business education offered by every important school of commerce and finance.

The foregoing remarks relative to the growth of the insurance business, the qualifications necessary to pursue the profession, and the close connection between this business and other business enterprises will explain and justify the importance which the subject is attaining in our university system of education. Some six or seven years ago insurance courses were practically unknown in our universities; today they exist in nearly all the larger institutions, and each year the names of more universities are added to the list. In our Eastern States the subject of insurance is now taught at the University of Pennsylvania, at Yale and Harvard, and the New York University School of Commerce, Accounts and Finance. In the Northwestern States insurance courses have been established in the Universities of Chicago, Michigan, Wisconsin, Illinois and Iowa, as well as in various smaller universities and colleges. Finally, directing our attention to the institutions of learning west of the Mississippi we find that the Universities of Kansas, Colorado, and California have likewise enlarged the scope of their work so as to include courses in this subject. That other universities will, in the near future, follow the example of those just mentioned seems beyond question. Indeed the movement for university education in insurance is assuming larger and larger proportions, not only in America but also abroad. In Germany the Prussian Government, as early as 1895, established a seminary at the University of Goettingen for the express purpose of affording instruction in insurance. Even in Japan in the higher commercial schools, such as the Tokio
Insurance in American Universities

Higher Commercial School, courses in life and property insurance are emphasized to an extraordinary degree.

But while the progress thus made in the study of insurance at our universities is, to say the least, gratifying, much still remains to be desired as regards the character of the courses offered. An examination of the announcement of courses in the catalogues of the respective institutions shows that in the great majority of cases too much emphasis is still placed upon the history, theory, and general economic and social utility of insurance, and too little emphasis upon the many real and practical problems connected with the calculation and making of rates, the comparison of various types of policies with a view of ascertaining their relative merits, the legal interpretation of policy contracts, and the practical management and operation of the business.

Nor is much attempt made as yet to organize properly the study of insurance with reference to the particular needs of the student. In most American universities the subject is still presented in one course, and that most frequently of a very general character. And yet it must be clear that it is quite impossible to treat thoroughly the large and complicated subject of insurance in a single course (as that word is understood in college life), and at the same time adapt that course equally to the needs of those students who expect to enter the insurance business, and those who wish to know only the general outlines of insurance for the assistance which such knowledge may render them while engaged in other business pursuits. To present the subject of insurance to the greatest advantage it seems to me essential that three important facts should be constantly kept in mind, viz:

(1) That the needs of the student who is preparing himself for the banking, transportation, manufacturing or mercantile business are different from the requirements demanded by the student who is preparing for the insurance business, and that consequently there should be a general course for the former, and more detailed and technical courses for the latter.

(2) That the leading branches of insurance, such as life and property insurance, have little in common, but present the greatest difference in theory and practice, and should, therefore, be made the basis of separate courses. Moreover, most prospective applicants for the insurance business seek to qualify only for one or the
other, and, as experience has shown at the University of Pennsylvania, have little more than a general interest in acquiring an understanding of other forms of insurance.

(3) That the insurance business, as shown before in this paper, requires great specialization and varied training, and that consequently if a university expects to prepare a man for the business, it is highly desirable that the student's academic course should be so arranged as to bring him in touch with those branches of learning which will prove most serviceable to him after he has entered the business.

In view of these considerations, it may be well at this point to describe briefly the work which is being done at the Wharton School of Finance and Commerce of the University of Pennsylvania along the lines suggested. To meet the needs of those students who desire only a general knowledge of insurance, the University offers a general introductory course, extending throughout the college year, which aims to explain the economic advantages of the principal forms of insurance, and to acquaint the student with the general principles, the various types of policy contracts, and the main problems connected with each. On the other hand, to meet the needs of those students intending to engage in the insurance business, advanced courses are offered which aim to present the subject in much greater detail with reference to the technique and practice of the business. For beginners two such courses are given at present (see outlines of courses below), each extending throughout the college year, the one covering life and other closely allied forms of insurance, and the other devoted to fire and other forms of property insurance. These courses may then be followed by more advanced courses in the organization, practice and law of insurance which will afford opportunity for special investigation in those branches of insurance which members of the class may especially desire to pursue. Recognizing, furthermore, the many separate departments in the insurance business and the necessity for a broad training on the part of the prospective candidate, the work of the course has been so arranged that in his sophomore, junior and senior years the student is enabled and strongly encouraged to take courses in mathematics, economics, public finance, investments, business law, commerce and industry, accounting, chemistry, sociology and other branches which are intimately and inseparably
connected with efficient work in either life or property insurance as the case may be.

Moreover, for the benefit of the many young men in a large city like Philadelphia, who, because of their employment, are unable to avail themselves of an academic education during the daytime, the University of Pennsylvania in its Evening School of Accounts and Finance has introduced courses in both life and property insurance. These courses are similar in scope to those outlined below, and like the courses offered in the Wharton School aim not merely to present a series of lectures, but also to bring the student in touch with the choicest literature on each topic considered, and to encourage individual research and class discussion with a view of developing the reasoning power of the student so as to enable him later to deal successfully with the many problems of a rapidly growing and changing business. In addition to the regular class work arrangements are also made for addresses by prominent insurance men on the principles and practices of their respective lines of work.

The students attending these Evening School courses have thus far consisted almost entirely of insurance brokers, solicitors or office managers and employees. And the views expressed in this paper with reference to the advantages of a broad and thorough education for the insurance man have been amply confirmed by the numerous problems, legal and otherwise, which have arisen in the daily work of the members of the classes, and which have been submitted by them in the classroom for discussion and solution.
OUTLINE OF INSURANCE COURSES
GIVEN AT THE
UNIVERSITY OF PENNSYLVANIA

LIFE INSURANCE

I. History of Life Insurance: Character of life insurance in the
United States prior to 1880.—Marvelous growth of the business after 1880.—Present magnitude of the business.—Discussion of important changes subsequent to 1880, such as changes in policy provisions, decline in interest rate, increase in expense rate, rise of new types of insurance, etc.

II. Economic and Social Utility of Insurance: Nature and theory of life insurance.—Its importance as a means for protecting and continuing the value of the human life.—As a means of encouraging thrift.—As a means of utilizing the savings of millions for productive purposes.—The uses of life insurance to the business man.—The uses of annuities.—Life insurance as an investment.

III. Calculation of the Premium for various types of policies:
1. Explanation of the various types of policy contracts, and a discussion of the advantages and disadvantages of each.

2. Features peculiar to life insurance as distinguished from other forms of insurance, and the necessity to exercise great care in determining the rate of premium.

3. The principles of probabilities.

4. Mortality Tables:
   (a) Early tables and how they were obtained.
   (b) Mortality tables now in general use, and how obtained.
   (c) Recent attempts at constructing new mortality tables, and progress made in the collection and tabulation of data.

5. The interest basis.

6. The calculation of the net premium for
   [Pure endowments.
   Annuities.
   Term and whole life insurance.
   Limited payment insurance.
   Endowment insurance.
   Instalment insurance.
   Return premium insurance.
   Joint life insurance.
   Semi-annual and quarterly premiums.]
7. Calculation of the "gross premium" Loading.—Extent of loading.—Reasons for loading the net premiums.—The various methods of loading most commonly used.

8. The Insurance Reserve:
   From whence derived.
   Its purpose.
   Detailed demonstration of its operation.

9. The Surplus:
   Its nature and purpose.—Various sources from which derived.—The gain from a saving in mortality explained.—Various methods of ascertaining the surplus.—Lapses with reference to their contribution to or infringement upon the surplus.—Participating and non-participating policies.—Various methods of distributing the surplus.—The annual and deferred dividend systems compared, and the arguments for and against each presented.

10. Surrender Values:
    Why subject of surrender values is important.—Lapses and surrenders; their importance and how regarded by the companies.—Non-forfeiture laws and their development.—Present liberality of companies as regards the granting of surrender values.—Legal restrictions as regards.—How calculated.—Classification of policy provisions in various companies with reference to.—Renewal of policies.—Various forms in which surrender values are paid.

11. Policy Loans:
    Importance of this privilege.—Early methods of granting loans.—The various forms of the loan privilege to-day.

IV. Policy Provisions in Life Insurance:
   1. Motives which govern the framing of contracts.
   2. The application, and a summary of its numerous provisions.
   3. Classification and consideration of privileges implied or expressed in the policy and of conditions made necessary by considerations of equity, by public policy or by the nature of the contract.
   4. Classification and consideration of policy restrictions.
   5. Tendency to liberalize the policy.

V. A concise but exhaustive summary of the law of Life Insurance:
   1. Insurable Interest:
      Definition.—Principal legal rules concerning.—Illustrations of insurable interest from American court decisions.—Instances where no insurable interest has
The Annals of the American Academy

been held to exist.—Amount of creditor's insurable interest.—Insurable interest in one's own life.

2. The interpretation of the application as regards excepted risks, other insurance, questions pertaining to health, habits, occupation, etc. Warranties and Representations discussed at length.

3. The payment of the premium:
   Payment of the premium a condition precedent.—Necessity of prompt payment.—Excuse for non-payment, when permitted.—Notice of time of payment.—Manner of payment.—Law pertaining to assessments in fraternal and assessment societies.—Recovery of the premium.—Waiver and estoppel as regards payment of the premium.

4. The legal interpretation of leading provisions in the policy, such as the suicide clause, the incontestable clause, etc.

5. The law referring to the beneficiary:
   Manner of designating the beneficiary.—Court decisions as to the meaning of certain general terms used in designating the beneficiary.—Rights of the beneficiary. —Effect of cessation of insurable interest before time of maturity of the contract.—Attachment against interest of insured or beneficiary.—State legislation protecting the beneficiary in certain cases.—Manner of changing the beneficiary.—Effect of clause permitting insurer to choose the beneficiary.

6. The law of agency:
   Classification of state statutory requirements with reference to insurance agents and brokers.—Agents' licenses.—Penalties imposed for misrepresentation, rebating, acting for companies unauthorized to do business in the state, or improper advertising.—To what extent the agent can bind the company, and the cases in which the company cannot be held liable.—Knowledge of the agent the knowledge of the company.—Liability of the company for the acts of its general agents as well as the acts of his clerks and employees.

7. The law pertaining to the discharge of the contract:
   Notice of death, and proof of death blanks.—Requisites of notice and proof of death.—Legal view as to the conclusiveness of statements contained in the proof of death blank.—Provisions pertaining to the discharge of the contract construed less strictly against the insured as compared with provisions which seek to protect insurer before death occurs.—Effect of limitations in the policy as to the time of furnishing proofs of death.—
Meaning of "immediate" notice of death.—Waiver of sufficiency of such notice or proof of death.

8. The assignment of policies:
Difference between life and fire insurance in this respect.—Policy restrictions which may be placed upon the assignment of policies.—Assignment of the policy by the assignee.—A policy of life insurance not a negotiable instrument.

VI. Various Systems of Life Insurance:
1. Old line (explained in the above discussion).
2. Assessmentism: Its growth and decline. The fundamental error of this plan of insurance.
3. Fraternal insurance:
Growth of fraternal insurance in the United States and its present magnitude.—Characteristics which distinguish it from other kinds of life insurance.—Legal character of these associations.—Discussion of the fraternal certificate.—Evolution of fraternal rates, and the tendency to adopt the protective features of old line insurance.—Lapses in.—Rates of various societies compared.—State legislation concerning.—English method of regulating the "friendly societies."—The work of the National Fraternal Congress.
4. Industrial Insurance:
History and remarkable growth of.—Differences between industrial and ordinary insurance.—Object and advantages of.—The policy analyzed.—Mortality experience in.—Premium charges, tables of benefits, surrender values, etc.—Manner of calculating the rates.—Organization of the field.—A business of detail and elaborate organization.—A costly form of insurance, and the reasons why.

VII. Organization of an Insurance Company:
1. Explanation of the work done by the several departments of a company.
2. Agency Organization:
Different plans followed.—The agent and his qualifications.—Agency organizations.

VIII. Investment of the Funds of Life Insurance Companies:
1. Growth, extent and character of such investments.
2. Investments of a number of companies analyzed.
3. How life insurance companies differ from other investors.
4. Motives which guide the placing of investments and the investments considered best suited for life insurance purposes.
5. Method of procedure in placing investments.
The Annals of the American Academy

6. Earning power of the various classes of life insurance investments compared.

7. Requirements of state statutes.

IX. A critical discussion of the relation of life insurance to the state as regards taxation and supervision.

X. Accident Insurance.
A combination of various kinds of insurance.—Analysis of a typical accident policy.—Classification of risks.—Numerous considerations entering the proper determination of rates.—Statistical summary of accidents over a series of years.—The moral hazard in.—The reinsurance reserve in.

FIRE INSURANCE

I. History of fire insurance in the United States.

II. The theory of fire insurance:
1. The underlying principles of fire insurance.
2. Differences between fire and life insurance:
   As regards the certainty of the loss.—Scientific character of the business.—Term of contract.—Cancellation of policies.—Changing conditions of the business.

III. The importance of fire insurance in business:
1. Its importance as indemnity for loss.
2. Its value as collateral security.

IV. Policy Contracts in Fire Insurance, involving a complete analysis of the provisions of the standard fire policy together with a legal interpretation of the same. (The law of Pennsylvania emphasized.)
1. History of policy contracts in the United States.
2. Leading forms of policies now in use. (Following discussion will refer chiefly to the Standard Fire Policy.)
3. Rules underlying the interpretation of the policy contract:
   (a) Rule that as the policy is prepared by the insurer it should be construed in favor of the insured when doubt as to its meaning exists.
   (b) Written parts of the contract control the printed parts.
   (c) Every policy is an original independent agreement taking effect from date, and its interpretation not to be controlled by prior policies of which it is the renewal.
   (d) Standard policy a statutory law as well as a contract.
   (e) Effect of a violation of condition in the policy; conflicting opinion concerning.
Insurance in American Universities

4. Parties to the contract:
   (a) The insurer:
      (i) Various kinds of companies.—The organization of fire insurance companies, and
          state statutes concerning. (The law of Pennsylvania emphasized.)
      (ii) Fire insurance agents.—Who is agent of
           the company.—Various classes of agents.
           —Powers of general agents and special
           agents.—Power of an agent no larger
           than those conferred by the principal.—
           Distinction between insurance agent and
           broker.—Statutory provisions relating to
           insurance agents and brokers.—When acts
           of solicitor will bind principal, and when
           not.—Legal effect of agents' opinion.—
           Liability of agent to principal for mis-
           conduct.—When agent is liable to the in-
           sured.—Authority of agent to change the
           policy.—Evidence of agency.
   (b) The insured:
      Who may and who may not insure.—The fire in-
      surance policy a personal contract.—Insurable
      interest defined and explained.—Illustrations
      of insurable interest as decided by American
      courts.—The time of insurable interest and the
      continuity of insurable interest.—Legal inter-
      pretation of policy provisions as regards inter-
      est, title, possession or ownership, incum-
      brances, chattel mortgages, sales, legal process
      or judgment, assignment or bankruptcy pro-
      ceedings, leases, misconduct of insured in pro-
      curing policy, etc.

5. The hazard:
   (a) Meaning of “all direct loss or damage by fire” in
       law.
   (b) Liability of company only for cash value of prop-
       erty at time of loss or damage with proper de-
       duction for depreciation.—Explanation of.
   (c) Options, which company may exercise in indemni-
       fying losses, explained.
   (d) Explanation of the provision providing that the
       company only insures described property “while
       located and contained as described herein, and not
       elsewhere, to wit.”
   (e) Explanation of the standard policy provision as to
       authorized change of location.
The Annals of the American Academy

(f) The doctrine of proximate cause.
(g) Losses not covered by policy under certain conditions.
(h) Excluded risks.

6. Policy provisions referring to the description of the property:
   Warranties and Representations:
   Definition of and distinction between.—Test of materiality of representations.—Effect of a breach of warranty.—What is performance of a warranty and what is not.—Statutory provisions concerning.—Provision in the policy that all applications, surveys, plans or descriptions of property referred to in policy shall be considered as constituting warranties and as being a part of the contract.

7. The Consideration:
   What the consideration comprises.—Policy will be void without consideration.—Insurer cannot plead non-payment of premium when policy acknowledges receipt of same.—The premium to be paid as stipulated.—To be paid in money.—Payment of the premium by note.—When payment to broker is payment to the company.—Rules pertaining to the refunding of premiums.

8. The amount of insurance: Policy provisions referring to other insurance.—No double insurance unless same interest is protected by both policies.—Legal interpretation of complicated cases.

9. The Term:
   (a) Contract not complete without specification of the term.—When the insurance begins, according to law.
   (b) Renewal of the policy.—Renewal by indorsement on policy, or by issuing a renewal receipt, or by issuing new policies.—Points of law decided with reference to renewal contracts.
   (c) Cancellation of the policy.

10. Privileges which must be endorsed on the policy or added thereto by agreement. (Their importance explained and the principal court cases considered in connection with each):
   (a) The procuring of other insurance.
   (b) Operating manufacturing establishment over time.
   (c) Increase in hazard.
   (d) Altering or repairing premises for more than a certain period.
   (e) Keeping on the premises certain enumerated articles.
(f) Keeping the building vacant or unoccupied for a certain length of time.

(g) Changes in title, possession or ownership:
If chattel mortgage is placed on property.— If foreclosure proceedings be commenced.— If change in title, interest or possession for any reason except death and change of occupants without increase of hazard.— Defeasible conveyance.— Transfer by or between partners.— Assignment and bankruptcy proceedings.— Transfer by death.— Leasing of the property.— Assignment of the policy before a loss.

11. The Mortgage Clause:
Insurable interest of the mortgagee.— Separate interest of the mortgagee and mortgagor.— Discussion of the four methods of insuring the mortgagee's interest.— Assignment of the policy to the mortgagee.— The open mortgage clause.— The union mortgage clause.— Subrogation under the mortgage clause.— Cases where insurer will not be liable under the mortgage clause.

12. Contribution:
Legal explanation of the contribution clause.— Importance of the words "valid or not valid" as contained in the clause.— Explanation of various clauses now in general use, such as the "percentage value clause," the "three-quarters loss clause," etc.— Contribution when policies are general or specific.— Application of the contribution clause to various complicated cases.— Contribution under the mortgage clause; when it may be claimed, and when not.

13. Subrogation:
The general principles underlying.— The legal interpretation of the clause.— Subrogation and the mortgage clause.— Subrogation in the case of carriers.

14. Co-Insurance:
Definition of.— Reasons for its general adoption.— Co-insurance clause now in general use.— Illustrations of its application.— Anti-Co-insurance.— Co-insurance legislation.

15. Re-insurance:
Policy provides for specific agreement concerning.— The two views prevailing in the country as regards the position of the original insured to the contract of re-insurance.

16. The assignment of the policy.
17. Policy provisions relating to matters required to be done after a loss has taken place:
The Annals of the American Academy

(a) Duty of the insured to send immediate notice of loss and to preserve the property as much as possible.

(b) Duty of the insured to render a prescribed statement to company, and to furnish various plans, specifications and certificates on demand.

(c) Duty of insured to exhibit what remains of property, and furnish books, accounts, bills, etc., and to submit to examination under oath.

(d) The appraisal of losses.

V. Adjustment of Losses:
   1. Manner of adjusting losses as regards different classes of property.
   2. Law pertaining to the adjustment of claims.

VI. Fire Prevention.

VII. Fire Insurance Rates and Schedule Rating:
   1. Fire hazards analyzed.
   2. History of classification and inspection of risks.
   3. Numerous obstacles to scientific fire rating.
   4. Average schedule used in towns and cities of moderate size described.

5. The Universal Mercantile Schedule:
   (a) History of the schedule.
   (b) Schedules in most large cities a modified form of the Universal Mercantile Schedule.
   (c) Principles which guided the making of the schedule.
   (d) Principles which should guide the use of the schedule in certain exceptional cases.
   (e) The order of treatment in fixing a rate on a building.
   (f) The order of treatment in fixing a rate on stock.
   (g) The fire-proof schedule analyzed, explained, and applied.
   (h) The advantages derived from the schedule.

6. The "Dean" Schedule:
   (a) The differences between the Universal Mercantile Schedule and the Dean Schedule.
   (b) The line of reasoning underlying the Dean Schedule as regards percentage additions and deductions, classification of exposure, classification of occupancy, etc.
   (c) The manner of determining the rate on buildings under the Dean Schedule.
   (d) The manner of determining the rate on stock.

VIII. The Re-insurance Reserve:
   1. Its purpose.
2. Various standards advocated for its computation and criticism of the same.
3. Method of computing reserve for annual and term policies.

IX. The Organization and Management of the Fire Insurance System:
1. The home office.
2. The agency system.
3. Associations of fire underwriters.
4. The tracing of a policy from the time of application to the payment of the claim.

X. Relation of fire insurance to the state as regards organization, legislation, taxation and supervision. A discussion of valued policy laws, anti-compact laws, anti-co-insurance laws, etc.

XI. Marine Insurance:
1. Rise and decline of marine insurance in the United States, and its present magnitude.
2. The organization and purposes of Lloyds.
3. Various kinds of policies discussed.
4. Character of the risk assumed.
5. The perils insured against.
6. The losses arising from marine perils.
   (a) Total loss.
   (b) General average.
   (c) Particular average.
   (d) Salvage.
7. Other insurance.
8. Policy provisions protecting the underwriter against fraud, unnecessary loss and undesirable risks.
10. Clauses in general use.

XII. Employers' Liability Insurance:
2. The various kinds of policies issued.
3. The computation of the premium.
4. The adjustment of claims.
5. The classification of risks.
6. The expenses connected with.
7. The features peculiar to Liability insurance as compared with other forms of insurance, such as changes in the basis for rating, changes in the law of negligence, the effect of environment, changes in the general average of wages, deferred claims, etc., etc.

XIII. Corporate Suretyship:
1. The history of.
2. The present extent of.
3. The advantages of.
4. The various kinds of policies.
5. The determination of the liability assumed by the companies, and the computation of the premium.
EDUCATION FOR BUSINESS

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A sufficiently large body of business men and of educators is
in such substantial agreement upon the question of the desirability
of institutions of commercial education in the United States, that
the fundamental question of desirability may be considered settled,
and problems which were formerly subsidiary may be brought to
the front. Present discussion should be directed towards an analy-
sis of business and of various schemes of instruction, for the pur-
pose of determining what business may properly claim the service
of commercial education, and what particular scheme of instruction
may be best adapted to the needs of a particular business. It is the
purpose of this article to present an analysis, general rather than
close, of the educational needs of business, and to suggest certain
principles that should be observed in the adaptation to it of courses
in commercial education.

Leaving out of consideration the moral qualities — qualities
that are essential to ultimate efficiency in every walk of life — the
two fundamental qualities demanded by a business concern of its
employees, are technical skill and ability to manage. The term em-
ployee is here used in its broadest sense, as embracing ordinary
skilled labor on the one hand and the salaried manager of a corpora-
tion on the other; it is evident, therefore, that a business concern
may demand in its employees all sorts and conditions of technical
skill and of ability to manage, and that industry as a whole demands
sorts and degrees of skill impossible of enumeration. This condition
being one of the first that commercial education should recognize,
one of the first inquiries it should make of itself is, how it can de-
velop in young men, to the advantage of business, various degrees
of these two fundamental characteristics.

With regard to managerial ability, the writer has elsewhere ex-
pressed the opinion that it would be presumptuous for commercial education to pretend to develop it by any direct means. Managerial ability is made up of three main elements. The first is a temperamental element. The successful manager must be of the motor type of individuals, one who impresses himself upon others, one who possesses initiative. This temperamental characteristic cannot be acquired; it is born in the individual. Education can do no more than direct it. The second element is adaptability, adjustability to persons and circumstances. This element is socially developed and may be a product of education. It is, in fact, the product of a young man's whole environment — home, play-ground, school, baseball and social gatherings. The important point for the present discussion is that for its development a commercial course is less efficient than the ordinary high school or college course. The third element of managerial ability is technical knowledge, a knowledge of the field of management. A good manager is one who unites the three elements — a motor temperament, the ability to adjust himself to circumstances, and this knowledge of the field of management. It is by providing the third element that commercial education can aid in developing managerial ability. It must leave the first element to birth, it should leave the second element to social life as expressed in the home and the public school system, but the development of the third element it may claim as its own especial function.

If the accuracy of this analysis of the elements of managerial ability be admitted, the logical conclusion is, that of the two qualities demanded in its employees by a firm — technical skill and skill in management, industrial education should aim to develop only technical skill. Industrial education should leave culture courses and the general training of the young man to the high school and the college, and should devote all its energy to giving him knowledge of the facts and principles of business in general and of his future business in particular. It should not attempt to perform the function of the public school system. It should leave to that system the general training of the mind and the general training of the man; then, at the end of his grammar school, high school or college course (according to the grade of training it aspires to give), the commercial school should take the young man and by practical, technical instruction develop the business side. The school and the college should take the crude ore and produce from it the pure metal,
capable of being fashioned to a variety of uses; the commercial school should take the pure metal and fashion it for a particular use. The economies of business organization should be secured in the organization of the educational system; the greater efficiency of division of processes should be recognized.

If industrial education can render the greatest service to business by attending directly to instruction in business facts and principles and by leaving to the general educational system the training of the man, at what time should it receive the student from the general educational system, and after it has received him, should it aim to train merely in the general principles of business, or for specific businesses as well? The two parts of this question should be considered in turn.

The fact, to which attention has already been called, that business requires all sorts and degrees of skill, suggests at once that industrial schools should be so graded as to receive the products of the general school system at various ages, after mental training of varying degrees of thoroughness, and for the purpose of training for various grades of service. A rough classification of grades of skilled service will make clear the reasonableness of this suggestion.

The first grade of service is that represented by ordinary skilled labor. This skilled labor is of two classes; that of the hand or machine worker and that of the clerk in the office. The skilled worker of the first class should be trained by the trade school and may be taken at an early age with a minimum of public school training. The office clerk is trained at an early age by the business college. Inasmuch as office work serves as an avenue for further advancement, (to capable men,) it is not unlikely that this service will be performed by an increasing number of young men trained for higher positions.

The second grade of service is that performed by the scientific worker, represented by the chemist, the accountant, the actuary, the factory statistician, and the foreign exchange clerk. These are services requiring the highest degree of scientific knowledge, and it is obvious that no man deficient in training will succeed in performing them satisfactorily. No firm thinks of employing as a chemist a man who has not had a collegiate training, and the other lines represent as high a degree of skill. Here is the place for commercial schools of at least college rank; a thorough knowledge of
foreign exchange, actuarial science, and the higher forms of accounting can be acquired only by a special training equal in rank to that of the college.

A third grade of service is that performed by managers of departments. In addition to initiative, the ability to handle men and the technical knowledge represented by the lesser grades, the requirement for the performance of a service of this grade is that wider technical knowledge which is expressed in an appreciation of the requirements of the department as a part of the business, and in an appreciation of the most advanced methods applied to the operation of similar departments. In the development of these superior abilities is again found the place for institutions of higher commercial education. This development requires a thorough training in the methods of modern business organization and administration, training that can yield its best results only when given to minds already well disciplined.

The fourth grade of service is that represented by the responsible manager, who is concerned with the broader problems of the business, who organizes, finances and determines policies. This grade of service requires ability of the highest order, an ability in which capacity for initiative and for handling men is not less important than a thorough knowledge of the business on its technical side. As has been suggested in the consideration of managerial ability, the quality of initiative must be a natural gift and the capacity for handling men must be the result of a broader training than can be offered by a commercial school; but thorough technical knowledge, without which initiative and the capacity for handling men are ineffective, industrial education can give. Technical knowledge, when used in connection with services of this class, must not be conceived too narrowly. Just as the technical knowledge of the laborer of the second grade of service must be more comprehensive than that of the laborer of the first grade, and as that of the laborer of the third must be more comprehensive than that of the second grade, so the technical skill of him in the fourth grade must comprehend all that is implied in the other three and much in addition. The mind of the manager must understand his business in all its relations — political, social, and economic. It must perceive tendencies that are concealed beneath the surface of events, and thus be able to judge of the future. It must be to use a common expres-
sion, the mind of a "long-headed business man." It is believed by many that such a capacity can be developed only by actual experience in business, and that for its development education is useless. Nothing can be more true than that experience is necessary, but nothing can be less true than that education is useless. Business experience is the observation and the interpretation of business phenomena, and the value of such observation and interpretation depends upon the mental ability and the knowledge of facts and principles that one takes into experience. No service that commercial education can perform is of greater importance than that of providing a man, before he enters upon experience, with a knowledge of the broadest relations of the business, the facts concerning which are to be found in the records of the experience of others. For illustration, what an advantage in the interpretation of experience is possessed by the young man, new in the banking processes, who has, in addition to an acquaintance with the routine operations, that broad technical information imparted by the serious study of such articles as those published in the Journal of the Institute of Bankers, and by the intelligent reading of such works as Goschen's Essays and Addresses! What an advantage will be possessed by that young man, entering the employment of a railroad, who has, in addition to a knowledge of the systems by which routine is carried on, that broad information represented by the ability to make an intelligent analysis of various companies' policies as to construction, maintenance and operation! In imparting such a knowledge of the facts and principles of a business as is suggested by these illustrations, will commercial education find one of its most precious opportunities; and in determining the degree of previous training that shall be required of a young man before he shall be permitted to receive such information, will it find one of the most important problems. A commercial school should not venture to offer such advanced technical training to minds that have not had the mental discipline of a collegiate course and that have not acquired that grasp of fundamental facts of industrial life and of economic principles which is afforded by a thorough collegiate course in economics.

The general analysis of industrial services makes it apparent that there are many classes, and within each class many degrees of technical skill that commercial education may develop. A comprehensive system of commercial education should present a series of in-
stitutions graded according to the preliminary general training required and the nature of the technical instruction offered. The system of commercial education should be parallel to the general public school and college system. Each system should adhere to the performance of its proper function. The general system should give the mental discipline and aim at the general training of the man; the system of commercial schools should receive the youth or man from the public school or college and concentrate its energy on fitting him to perform skillfully some service or class of services required by the business world. The trade school or the business college may receive the boy from the grammar school and make of him a skilled machinist or a skilled stenographer; a commercial school higher in rank may receive the youth from the high school and fit him to perform business functions of higher rank; while the commercial school at the top of the series may receive the product of collegiate training, and make of him a skilled accountant, or actuary, or foreign exchange clerk, giving him that broad knowledge of business facts and that insight into business principles which will enable him, under the influence of experience, to acquire that comprehensive knowledge of business affairs which is one of the elements of successful management.

It has been implied in the course of this article that the schools of the commercial system should train for specific business positions as well as in the general principles of business. The specialization of industrial functions has made this necessary and possible. The need of the textile manufacturer of New England, because he has been driven into the manufacture of finer yarns and fabrics by the competition of the South, is for skilled operators of textile machinery, skilled dyers and skilled designers. The need of the manufacturer of machinery, in order that he may succeed in competition with manufacturers using the skilled labor of England, is a supply of labor rendered equally skillful by training. The need of the firm trading with South American peoples is for men trained to handle the peculiar conditions of that particular market. The need of the international banker is for men trained in all the intricacies of the buying and selling of foreign exchange (he now sends to European commercial schools for men so trained). The need of the railroad company is for men who are not only able to perform the routine

functions of a clerk, but who have so comprehensive a grasp of the whole complex railroad machine as to be able to take the responsibility of keeping a particular part of the machine nicely adjusted to the whole.\footnote{See Levy, Die Stahlindustrie der Vereinigten Staaten, pp. 309-315.} The business concern has relied as long as is possible on the general intelligence of the American youth; its need, in the approaching era of closer competition, narrower profits, and more highly organized system, is that same American intelligence specifically trained for the performance of its particular services.

Not every service requires that degree of technical skill, nor does every business present that body of facts and principles, which makes possible a formal course of instruction in preparation for it. The necessity or the practicability of special training for any particular service or business must be determined by a consideration of the conditions that are present. The conditions that make such special training desirable and practicable may be enumerated as follows:

1. If the occupation is one requiring special manual dexterity, or the application of a special ability such as the artistic, and the application of either becomes most efficient when directed by a thorough understanding of the principles underlying it, schools of special training will be of value to the business interested. It is necessary, for illustration, only to call attention to the marked success of European weaving, dyeing and designing schools, and of schools for teaching machine practice. These schools may take the individual at an early age and may be satisfied with a minimum amount of previous training.

2. If the occupation is one requiring the application of a highly developed science, special training is practicable, desirable and possibly essential. Mention has been made of the increasing use of chemistry in industrial processes, such as iron and steel manufacture. The training for such an occupation must be of an advanced order, must be thorough and of long duration, and must be built upon an advanced general training. Such a knowledge of chemistry as would enable a man to apply it to industrial processes can be acquired only by a special training following the general college training in chemistry. Chemistry is here used as an illustration because the facts concerning it are well known. The same may be said, however, of other occupations. How much more efficient will be
the work of a clerk in the actuarial department of an insurance company, how much more rapid can be his promotion, if he comes with a knowledge of actuarial mathematics! A satisfactory training in actuarial mathematics can be given only to the student who has carried his collegiate mathematics through calculus. How much more efficient will be the work of a clerk in a foreign exchange department, if he comes with a special training in the operations and principles of foreign exchange, built upon a thorough college course in economics. It could not well be built upon a less substantial foundation.

3. If the occupation is one requiring a knowledge of unusual market conditions, such as the language, customs and other peculiarities of a foreign people, special training will increase the efficiency of the young man entering it. This is especially true of the young man about to begin a career as a salesman in a foreign country. The superiority of German and of certain other European salesmen in South American markets is due to a fine appreciation of the customs of the buyer, which appreciation is due to a special training whose object was its development. What is true of a salesman traveling in the foreign market is not less true of one who sells in the foreign market but who resides in the country of manufacture. He may be in the employ of a trading company or of a manufacturing concern producing goods for export trade. He must know the conditions of his market, its tastes, its currency and banking system, its methods of credit, the conditions that make good or bad times and affect its purchasing power, the conditions of transportation, the methods of quoting goods, and so on. Because of his dependence on the reading of the newspapers of his market, his dependence on a knowledge of the language is as great as that of the traveling salesman. It might reasonably be said to be greater, for he attempts at long range to accomplish as much as the other.

4. If the business is one whose organization is complex,— is, so to speak, a huge machine with intricate, finely adjusted parts, special training will increase the efficiency of the young man occupying a position in it. Such a training will tend to counteract the narrowing influence on the young man of the modern specialization of routine functions. The result of this tendency is to drive the clerk into the rut of dead routine, whence there is no outlook upon the business as a
whole. The harmful results are of two kinds. First, his routine work becomes less efficient because not given life by a comprehension of its place in the system, and second, the growth of the man for more responsible positions is stunted. The latter is a serious matter for the manager, for the more responsible the position the more difficult it is to find an efficient man to fill it. One of the problems of the manager of the operating department of a railroad system would become less serious, were he able to employ for his force men who had been trained in the general principles of railroad operation before entering upon the performance of routine duties,—men who are already acquainted with the actual methods of operation employed by typical systems.

5. If the business is one which has vital, complex relations to other businesses or to general trade conditions,—relations which are as likely to make necessary sudden changes in policy as to involve the carrying out of far-reaching policies, special training can play a large part in the development of the insight necessary for the successful pursuit of such business. Reference may be made to the railroad business as an illustration of that class involving far-reaching policies. A superintendent of traffic may be called upon to report to the president upon the traffic aspects of the investment of millions of dollars in the building of a line into the new territory, an investment the return on which cannot begin for a number of years. The report involves more than intuition or guess work; it involves a study of records for the purpose of determining the relation between traffic and the industrial conditions of a region; it involves a study of the region in question for the purpose of determining, on the basis of soil, climate, industrial characteristics of the people, and other factors, the probable future industrial importance of the region. Railroad history furnishes a body of facts and principles which may be correlated and made the material of instruction in traffic management: the history of the development of the traffic policy of that greatest of operators, James J. Hill, is almost a text-book in itself.

With regard to that class of businesses involving sudden changes in policy, or involving the adjustment of the business to varying conditions, as an illustration of a conservative form, textile manufacturing may be cited, as an illustration of an extreme form, dealing on the cotton exchange. In both illustrative businesses contracts are made to a greater or less degree on the basis of estimated future
conditions, the accuracy of the respective estimations depending upon a judgment involving a large number of different factors. The record of the relations of these conditions to the business offers a body of experience and principles which is proper material for instruction. There can be no doubt that, of two groups of young men in whose situations other things are equal, the group which has prefaced its actual experience in business with such instruction as is here suggested, will develop a larger percent of individuals capable of handling the larger problems of the business.

If any one of the five enumerated conditions is presented by a business, a course of specialized training for that business will be of value to the young man about to enter it and to his employer. If more than one of the conditions is presented, so much the more valuable will be the specialized training. And, as a matter of fact, there is scarcely an important business in which, if one of the conditions is found, others will not be found in combination. Even an ordinary retail business, for which training would seem to be least necessary, may present the conditions of complex organization and systematization, and the condition which makes desirable the most scientific accounting and analysis of trading accounts. In those businesses which are of such a nature as to make desirable the corporate form of organization, nearly all of the conditions are found in combination. With respect to the course of training for any particular business, the elements which should enter into that course should be determined by an analysis of the business, the analysis having as its object a determination of what conditions are present. In accordance with this idea, the writer purposes, in conclusion, to suggest what elements may properly enter into special courses of training for a number of typical businesses.

At this point it is necessary to emphasize the opinion which has been advanced in the course of this article, that the specialized higher commercial training should be built upon the training offered by a greater part or the whole of a four years college course. This general training may be looked upon as preparatory to the specialized commercial training, just as it may be looked upon as preparatory to a course in a law or medical school. It is the view of the writer that the young man should have had in this preparatory training, at least work in English composition and rhetoric and the elementary work in one or more modern languages; work in history which
given him a moderate amount of practice in collecting and judging the value of historical evidence; and work which has involved not only the study of economic history and the elementary principles of economics, but also the application of these principles to live economic problems, such as those of labor or of corporate organization.

1. Elements that are common to all forms of business, and that should be regarded in the organization of every course of training for a particular business. The elements are four in number. (a) Accounting. In training in this element of business, the aim should be not to develop an expert accountant, but to give every student the information necessary to perform routine work in accounting, to analyze intelligently balance sheets and profit and loss statements, and to construct statistical statements of the relations of gross and net profits, fixed and variable expenses, and so on, during a period of years. (b) Modern language. Nearly every business may require the practical use of a modern language, such as Spanish in making quotations to South American buyers; or may be one, the best information concerning which is locked up in a foreign language, as is the case with banking and French. (c) Commercial law. The purpose of instruction in commercial law should be not to make “every man his own lawyer,” but to give every business man a knowledge of the proper legal forms of commercial papers, and an appreciation of the rights and responsibilities of individuals, whether personal or corporate, principal or agent. (d) History of the technical development of typical industries. Instruction in this phase of business should give the student an appreciation of the changes that have taken place during recent years in the use of machinery, the methods of buying and selling, the conditions of transportation, the forms of organization, the regard for economies, and the general methods of conducting business. There is hardly a business, a proper performance of which does not require a greater or less familiarity with these four elements.

2. Elements peculiar to accountancy. Four elements should be emphasized in a course of special training for the accounting profession. (a) The technique of bookkeeping, accounting and auditing, including the logic of grouping and combining accounts for the purpose of drawing conclusions concerning the conditions represented by the accounts. (b) Corporation finance, involving an understanding of the theory and methods of financial operations, and
the rationale of various surplus, dividend and similar policies.  (c) Business organization and systematization, involving a knowledge of the relations of departments and of process.  (d) Corporation law. The certification of an auditor frequently involves a certification of the agreement of methods and policies with statute law or charter requirements.

3. Elements peculiar to a particular manufacturing or mercantile business. No two such businesses will agree in the details of the elements presented by the business, but the differing detailed elements fall into certain well defined groups.  (a) The technical aspect of the business, irrespective of the application of a particular science, involving a knowledge of its materials, the markets of their production, the development of technical processes, and the conditions affecting the consumption of the particular finished products.  (b) The scientific aspects of the business, where it is one involving the application of a developed science, such as chemistry in aniline dye manufacture, or designing in the manufacture of fabrics, or preserving in the manufacture of food products.  (c) Organization and systematization as applied to the particular kind of business. The history of many a business suggests what particular form of legal organization is best adapted to it; the comparison of the many forms of systematization will indicate what element of each is most suitable for the efficient administration of the business; and experience may throw light on the most efficient organization of processes,—may determine whether a firm should undertake all or only a series of processes.  (d) The relation of business to general market conditions. The policy of the conduct of a business for a given year may vary with variations in general business conditions, especially if the business has a close relation to a number of other businesses. A flood, a drought, the condition of a crop, the condition of the money market, a plague of speculation, an acute diplomatic situation, and many other conditions may affect the course of a business.

4. Elements peculiar to foreign trade.  (a) Modern language, especially Spanish.  (b) The commercial geography of the principal countries with which foreign trade is conducted, including racial characteristics, and the banking and other business methods of the peoples.  (c) The methods of conducting foreign trade practiced by the leading commercial countries, involving a knowledge of the
legal and customary requirements of the various documents employed. (d) The theory and methods of foreign exchange.

5. Elements peculiar to the banking business. (a) The organization of the bank and the significance of its routine. (b) Special forms of accounting, for example, that of investment accounting. (c) The theory and the methods of foreign exchange, a branch distinct and highly developed. (d) The relation of the bank to the money and stock markets. (e) The relation of the bank to general industrial conditions, as affecting the investment and loan policy. (f) Corporation finance and business management, a thorough understanding of which is essential to the establishment of a safe loan and investment policy. (g) Banking law, involving a knowledge of the legal rights and responsibilities of bank officials, the handling of trust funds, and an observation of the exacting requirements of laws governing bank organization and practice.

6. Elements peculiar to the transportation business. (a) The application of accounting to the peculiar requirements of transportation. (b) The application of statistics as a logical method of deriving principles from the multiplicity of data collected in the conduct of the business. (c) The organization of the system and the organization and functions of the departments of the system. (d) Theories of administration,—construction, maintenance, operation, rate making and finance. (e) The relations of the business to the general industrial conditions and to the particular conditions of its territory. (f) Railroad law,—the rights and responsibilities of a railroad as a common carrier and as a quasi-public corporation.

7. Elements peculiar to the insurance business. (a) The economic function of insurance. (b) Actuarial mathematics. (c) The investment of trust funds. (d) The special form of accounting applicable to an insurance office and its branches. (e) The organization of an insurance company, and the functions of departments. (f) Insurance law,—the legal rights and responsibilities of a fiduciary corporation and of its officers.

This analysis of the elements of a variety of businesses does not pretend to be exhaustive; its purpose is to emphasize the opinion that there is a large number of businesses which have accumulated such a body of facts and principles, and whose various functions and relations have become so well defined, as to present subjects for instruction in special courses of training for young men about to en-
eter them,—courses of training that may be made thoroughly *practical* without being *practice* courses; that may be presented according to scientific methods of instruction, and that may be profitably given to minds which have been well disciplined by the general training of the college. It emphasizes also the fact that higher education for business is not a new name for the education offered by the business college, and is not a substitute for experience, but that it is a legitimate phase of education which invites the co-operation of businessmen and of educators for the purpose of its development.
This subject, as formulated, assumes the need and value of training for business and industrial pursuits. No argument is necessary to establish this fact. It is just as true that suitable training is required for a business career as that suitable training is required for the professions, so called. It is equally true that, until a comparatively recent period, no direct provision has been made in our educational systems for a preparation for business.

Two theories of education are held: one that the proper method is the development of the faculties of the student without reference to ulterior pursuits, and the other that the course of study should be informing and directed to the proper mental equipment. We cannot deny the value of general culture. It is true that the properly trained mind can adapt itself to requirements of every description; but this view assumes what may not be admitted—that both culture and training cannot be effected in a properly selected curriculum. Who shall say that the study of the natural sciences is not as valuable for purposes of culture as the study of metaphysics, or that the study of mathematics in their application to mechanical principles is not more effective for culture than their study in the abstract? Can it be maintained that the study of modern history and commercial geography is less effective in promoting the training of the faculties than the study of ancient history and archaeology? It is the discipline of difficulty which counts; and if the subjects on which the faculties are exercised are such as may prove valuable and informing for future use, there is no ground for their condemnation. If, then, these two theories of education can be harmonized, the solution of the problem is at hand.

Our subject requires the consideration of the relative position in any curriculum, of special training and, incidentally, of the time
which should be allotted to such studies. In order to properly consider this point it is necessary at the outset to define what we mean by "business." The term has a much broader significance now than it had 250 or 200 years ago, when the first American colleges were founded. Then it meant almost exclusively the retail sale of commodities. The transactions involved were of the simplest character. Barter, the exchange of one article for another, constituted the main function. Finance as a science was not involved. There was confessedly little room for eminent intellectual qualifications. There were no manufactures worthy of the name in this country prior to the Revolution. The English policy was to maintain its manufactures at home and to use its colonies as consumers, receiving in exchange the products of the soil and the ocean.

There were no inland transportation problems of importance. The pack horse or the Conestoga wagon was the sum of this interest. There was little or no commercial finance. Banks were few and inadequate for private enterprise. Legislatures were slow to grant charters. Banks were regarded rather as monopolies than as aids to business efforts. The Legislature of Pennsylvania demanded a payment of $135,000 in consideration of the grant of a charter in 1804 to the Philadelphia Bank.

Insurance as a business was unknown, except as to marine risks. Life insurance, based as it is on scientific data, had not been evolved, and fire insurance was only developed toward the close of the eighteenth century. Such were the conditions when the original American colleges were founded. Small wonder that they did not recognize business pursuits, limited and simple as they then were, as fitting careers for their beneficiaries. On the contrary, their avowed object was, at the first, chiefly the training of men for the Christian ministry. The purpose of the founding of Harvard was stated to be "in order that the Church might have able pastors and that learning might not be buried in the graves of the fathers." Yale was founded in 1701 by a number of Connecticut ministers. The object set forth in the charter was "that youth may be instructed in the arts and sciences, who, through the blessing of Almighty God may be fitted for further employment, both in Church and civil State."

In contrast with the conditions originally prevailing, we may
Higher Education for Business Pursuits and Manufacturing

attempt to indicate what is included in the term "business" to-day. Its significance has been greatly enlarged. It covers a vast range of processes and industries. It affords opportunities to utilize nearly every branch of learning included in a university curriculum. A single pursuit may call in play qualifications most diverse. Perhaps the leading pursuits which are covered by the general title "business" are:

Mercantile transactions, wholesale and retail.
The importation and exportation of commodities.
Transportation, by railroad, by vessel, and otherwise.
Insurance — fire, marine, and life.
Mines.
Manufactures.
Agriculture.
Finance.

What, then, we may inquire, are the features of some of these vocations, which may afford fitting fields for the abilities of college graduates?

First, as to mercantile transactions. Their scope to-day is much broader than the mere sale of commodities. Stocks of goods are purchased in the markets of the world. Foreign countries must contribute. Familiarity with the products and the processes of other lands is necessary. A knowledge of other languages is essential. Physical geography is an element. Details of manufacturing processes are involved. The buyer, possessing these qualifications, is even more important than the seller. Then over all, or co-ordinating with all, is the executive management, involving ability in organization and conduct, in finance, in importing, in shipping and in transportation. A business like Mr. Wanamaker's, for example, has 5,068 salespeople and 6,243 other than salespeople, such as buyers, managers, clerks, and accountants, who are seldom visible to the ordinary customer.

Closely related to trade is transportation. This, with its movement of merchandise and passengers, has come to be one of the greatest interests of modern times. Independent of water carriage, the matter of land transportation by railways has become in this century one of the largest industries. The United States has now over 200,000 miles of steam railways and over 30,000 miles of electric lines. It is a fair estimate that these give employment to near-
ly 1,500,000 of operatives, and they, in turn, represent 7,500,000 men, women and children, or nearly one-tenth of our population.

In the conduct of this vast interest a large variety of ability is demanded. Mechanical knowledge, engineering skill, scientific attainments, familiarity with agricultural and mineralogical conditions, executive force and financial ability of a high order—all are required in the various functions of a successful railroad man. In fact, in the head of any great railroad system a combination of many, if not all of these requirements, is invaluable. Hence, it will be found in many cases that one who has the advantages of such a liberal education as an engineering or a professional course supplies is naturally most competent for the leadership of these vast enterprises. Mr. Cassatt is a civil engineer by profession; Mr. Baer a lawyer.

Another branch of business which has grown to large proportions in modern times is insurance. This is of comparatively recent origin. The method and plans of university education were formulated more than one hundred years before the beginning of this interest. The first office for fire insurance in the United States was opened in Philadelphia in 1752. To-day there are thousands of companies and agencies.

Another branch of the business, viz., life insurance, is of more recent growth. The Pennsylvania Company for Insurance on Lives and Granting Annuities was incorporated in 1812, and was followed by other corporations having similar objects; but the great business of life insurance, as we know it, may be said to be only a little over fifty years old. In 1843, the Mutual Life Insurance Company, of New York, and the New England Life Insurance Company began business. To-day the number of companies has greatly increased, and the capital involved is immense. At the close of 1901 the assets of the various United States companies had involved the enormous aggregate of $1,879,624,564, and there were 7,500,000,000 risks out. The assets of a single leading United States company, as last reported, approximated $350,000,000. The business of life insurance, therefore, involves the custody and maintenance of this enormous capital: Investments must be found for this vast accumulation of money. Business ability of a high order and of varied character is required to pass upon the merits of the enterprises of all descriptions in which funds must be put to
Higher Education for Business Pursuits and Manufacturing

insure their safe preservation and liberal yield of income. Most of us, perhaps, have derived our ideas of life insurance from the irrepressible solicitor, who makes life a burden to us until we have taken a policy. But this is only an incident and a small part of what is involved in this vast interest in the light of recent developments.

Included in the realm of business is the enormous interest of manufactures. To this we may give supreme position. It is the creation, out of the raw material of nature, of articles for the comfort, convenience and happiness of mankind. If the old saying be true that "he is a benefactor of the race who makes two blades of grass grow where one grew before," much more is it true that he merits the highest place among his fellows who transforms the crude substances of the earth into the finished product which makes for human welfare and which differentiates civilized man from the savage. In the processes involved there is room for ability and knowledge the most varied and extensive. The command of man over nature elevates him to a god-like position.

America has now taken a leading place among the manufacturing nations of the earth. In the variety and quality of products we are unsurpassed. Our textiles find a market in every land. Our agricultural machinery harvests the crops on the plains of Australia and the steppes of Russia. Our typewriters and sewing machines are manipulated by operators of every color and language. Our locomotives cross the deserts of Africa — convey the tourist to the Holy City of Jerusalem, astonish the teeming millions of the Flowery Kingdom, and have transported armies across the Siberian wilderness to the late conflict in the Far East. The value of the exports of manufactured articles from us has risen to over $450,000,000 annually.

To meet these conditions of modern business life the most complete training is required. There are few, if any, subjects in the modern college curricula which will not come in play, as no man can tell what his career will be or what conditions he may have to meet. The fullest command of all the subjects may be required. The man of affairs to-day may find use, not only for technical knowledge, but for whatever is given by the broadest culture. Some knowledge of both the ancient and modern languages may be required.
Linguistic knowledge of every description, as producing effective ability in composition and style, is a valuable acquisition.

In this connection another accomplishment may be mentioned, which, I fear, is too often neglected in the modern college curriculum. I refer to public speaking. The ability to speak well, freely, logically, and with some degree of grace and eloquence, counts for much, even in mercantile pursuits. It distinguishes a man and secures admiration and respect. I realize the fact that lawyers are more frequently found in public life than business men, and it may be largely attributed to their training as public speakers. This qualification brings them before the public, and there is nothing which so completely compels recognition and esteem. There is no reason why a business man with the gift of oratory should not be, if otherwise fully educated, as competent for public service or political office as the lawyer. In fact, in handling most questions, his qualifications would be superior. In legislation it is often the solution of questions of a business character which counts. A business man, therefore, whose training has qualified him to grapple with such questions, and who can express himself logically and forcibly in maintenance of his views, should occupy a strong position in public life. I think it is a fact that the best lawyers are those who also are the best business men. Add to a knowledge of the methods and problems of business an equally thorough knowledge of the law, as applicable thereto, and you have the highest type of excellence in our present state of society. Is not this a tacit recognition of the value of business training and business methods?

To the question, "What is lacking in the equipment which the ordinary college training yields?" the answer must be given that very little except general culture is produced. Training for any specific pursuit is not included in the usual curriculum. The college does not consider it within its province to teach bookkeeping, stenography, typewriting or even penmanship and spelling. These are usually left to the business college. The graduate is without any specific qualifications for the beginning of a business career. In almost every business one of three things is required for a beginner. First, bookkeeping, if for the accounting department. Second, stenography and typewriting or penmanship, if for the general or correspondence department; and third, special talent for the sales department. This is the trinity of business requirements
of the beginner. The college course does not give any one. The value of these is in gaining a foothold in business, and not in filling any one of them for life. The young man or young woman, beginning as a bookkeeper or stenographer, achieves a connection with business and gains knowledge of the business. Other faculties will come into play, and promotion to more important service will follow. In this way many, conspicuous for executive ability, have begun their careers. It would be well if every college student who contemplates a business career had these qualifications; for, if they are not given in a college course, they must be acquired elsewhere.

One of the secretaries of President Roosevelt’s Cabinet began his career as a stenographer. He is now the Postmaster General. Mr. Andrew Carnegie began his career as a telegraph operator and railroad clerk, and the way was open for his attaining to the position of the greatest steel magnate of America. The problem is to find an opening; and no matter how excellent the natural abilities may be, it is difficult for one to get the opportunity to exercise those abilities unless by beginning in a business to do some specific thing, as I have mentioned.

Following this necessarily imperfect formulation of the kind of training required for the man of affairs, consideration may now be given to the question of its place as to time in an educational scheme. Obviously, it should either follow the course in the secondary school or should be made part of a college course. It requires mature faculties to assimilate the subjects involved. To an increasing extent the establishment of special technical schools and the incorporation into the curricula of universities of business courses are arguments for this position. Holding, as I do, a profound respect for many of the methods which have heretofore been followed in the university courses, I would argue for a combination of a business course with the usual college curriculum. The following general plan, it is believed, will best meet modern conditions:

Let the curriculum for the first two or three years be the same as in the course in arts, and leading to the bachelor’s degree; then follow with an elective course of two years or more if necessary, giving a training for the profession or vocation in view.

If the choice is a business career, the two years of elective
studies should include such subjects as the mathematics, the natural sciences, political economy, commercial law and commercial geography, the modern languages, and, incidentally, such practical subjects as bookkeeping, stenography, etc. Such a combined course as this would in no wise detract from the dignity of the course of arts, but would supplement that course and give the graduate an equipment qualifying him for a business career.

The original university curriculum was calculated as a training for the ministry; and from the beginning a training for the law, medicine and engineering has required a supplemental course. It would only be logical that a training for a business career should be afforded in the same manner, and should be built on the solid foundation of the broad culture which is afforded by the course in arts. I am loath to abate one iota of the advantages and prestige of the usual college course. Let us concede all the advantages of the broad culture which that course implies, but let us add to it the special training which makes for success in practical affairs and for useful citizenship.

There has been a great change of opinion and custom as to college education for business. The development of the material resources of the country, the institution of various departments of effort and enterprise which were unknown when our colleges were planned, have brought about this change. Not only is the business career more attractive, but it is more necessary. The brief survey of occupations which I gave at the outset, as included in the realm of business, sufficiently indicates this fact. We must remember that when our colleges were first planned our urban population was small. Business was then largely confined to retail operations. The country store, where the farmer exchanged his eggs for molasses or calico or codfish, was the prevailing type. To-day nearly one-third of our population is in cities each of over 25,000 inhabitants.

Mercantile business has been expanded, and wholesale operations of vast proportions are the rule. Manufactures, which were unknown in America, now are prevailing interests throughout the country. The United States has become a manufacturing nation. Our exports of manufactured articles in recent years have passed the mark of value of $1,500,000 per working day. Commerce, finance, insurance, shipping, transportation—all these present in-
Higher Education for Business Pursuits and Manufacturing

viting fields for young men of ability and training. Recognition of this fact is found in some of the college statistics. In the first half of the nineteenth century the percentage of Yale graduates in business, as distinguished from the four professions of theology, law, medicine and teaching, was 11 4-9. In the second half of the century the percentage had risen to 23 6-9.

The general outcome of the movement may be summed up as follows: The law during the nineteenth century approximately enlisted one-third of each college generation. At the beginning of the century the ministry followed closely in second place. Roughly speaking, the law and the ministry were then chosen by two-thirds of the class. Nowadays the law still holds its own, but the ministry has fallen off greatly in relative importance; its place has been taken by the merchant's vocation, which now attracts about one-third of the graduates.

It would not be safe to conclude from this that the kind of men who formerly became clergymen now go into business, though this may be true to some extent. In any case, it is clear that the leadership which naturally falls to the college graduate in this country was formerly chiefly exerted from the bar and the pulpit; that nowadays, however, the industrial leaders are also largely recruited from among college graduates; that the typical college graduate of to-day is no longer the scholar, but the man of affairs.

Such a scheme as I have outlined presupposes less attention in the college course to the dead languages, to metaphysics and ancient history, and thus the saving of time for the special studies required for business pursuits. I believe this to be entirely practicable. I believe one-half of the time spent, usually, in the study of Greek and Latin would be ample. I would not abolish the study of the classics, but would curtail such study unless in preparation for an educational career. To a large extent such study could be pursued in the secondary schools preparatory to the college course. With such a rearrangement a four or five years' course, in which the last two years should be devoted to special study bearing on commercial and industrial pursuits, would be a saving of time and more effective in the equipment of the American citizen for the duties and opportunities confronting him to-day.
THE DESIRABILITY OF A COLLEGE EDUCATION FOR RAILROAD WORK

By A. J. County
Assistant Secretary, Pennsylvania Railroad Company

Modern railroading is indeed a profession, and the science of transportation is one recognized as an essential factor in the progress of this country, and therefore I need make no apology in considering whether a college education is necessary and advantageous to the young man who proposes to engage in railroad work.

The steam railroads of the United States, in providing transportation facilities for eighty millions of people, operate 214,000 miles of railroad, capitalized at over $13,000,000,000 in bonds and stocks; they carry in a year over 715,000,000 passengers, and over 1,300,000,000 tons of freight, and their gross earnings approximate $2,000,000,000.

These lines afford employment for about 1,300,000 persons, to whom $850,000,000 are annually paid in salaries and wages. Of this large working body 5,165 are considered as the higher or general officers, and 5,500 as a second grade of officers. The average annual compensation for the first grade ranges from $4,500 upwards, and for the second grade from about $2,000 to $4,000. I will consider only the officers, because I feel sure that the only object a university man can have in entering the railroad service is to reach an official position.

In the race for official positions there are two classes of candidates; first, those who have had a public school education and who have entered the railroad service at an early age without attending college or a university, and second, those who have had the benefit of a college or university training.

There is no doubt that a college graduate has a distinct advantage in that part of the railroad service where purely professional attainments are required, namely, in the civil and mechanical engi-
The Desirability of a College Education for Railroad Work

...neering branches, and to-day railroad men desire men who have had a training in the theory of engineering, rather than those who are without it. They recognize that the man who has a good ground work in theory, and some little practical training, received during his college or university course, possesses about the best possible foundation. There is, therefore, no question that in the civil and mechanical engineering branches the college man has a most decided advantage in these days, and this advantage is constantly increasing.

We may admit that the field of civil engineering is now limited to the college trained man, and the field of mechanical engineering is largely becoming so, because modern educational requirements in both branches are increasing. From these two branches most of our railroad officers are taken; for, they have charge of the running of the operating machinery, namely, the transportation or operating department. The general thought is that the men who have been responsible for, and thoroughly acquainted with, the roadbed, yards, and facilities, and the men who make, repair and inspect the traffic moving machinery, have the basis from actual knowledge and experience to make capable officers. My belief is that, for young men who do not receive a professional but rather a general college education on broad business lines, good openings to which they may aspire, and which ultimately lead to official positions, are to be found in the Freight and Passenger Traffic Departments, and the Secretary's, Treasury, Accounting, Purchasing and Real Estate Departments of the railroad service. We can even enlarge this field, for often we find that many of the officers connected with the actual movement of the traffic in the Transportation Department may also be embraced in this class.

As an estimate, I would say that at least 50 per cent. of the officers in the railroads would come under the designation of men who may be taken from those trained in the college department or schools of finance and commerce of a university.

College men will not, however, be spoiled with large salaries, or promises of official positions at the start; they must make an inconspicuous beginning, and grow up with the company. The situation in regard to the employment of college men in these large branches of the service is that many railroad men prefer to take in boys who have only a public school education, but who are willing to do any...
work, and allow them to develop by practical experience, learn all the details, and by actual workings of the several departments expand their minds. They will frankly say, we do not want a college, or a university man, because he is generally 21 to 24 years of age, has ideas of his own, and very often is entirely inexperienced in the transaction of business matters compared with the young man who has come from a public school and grown up in the service.

On the other hand, college men start with high ideals and ideas, and it is fortunate that they do, but at their age they expect much higher salaries than the other class of men, they do not desire to perform what they may term menial or under-dog work (of which there is a large part at the beginning of every railroad career), and they have other motives which do not always commend them to a man struggling with a busy office. The principal objection to a college man is that he does not know the organization, or the officers, and he has no means of quickly but definitely obtaining and communicating the ideas of the head of the department. In other words, he is not possessed of those faculties which, from the beginning of his connection, relieve the head of the department of details; but, on the contrary, is rather a hindrance to him, while the boy from the public school has served his apprenticeship by first taking instructions from other clerks or a chief clerk, has a general knowledge of the organization, knows all of the minor details, and is prepared to consider a higher class of work.

College men are, therefore, taken with a grain of salt, not because they are inferior, for, on the contrary, they may be good men of sound minds, but they are pretty much like that useful article known as a frying pan without a handle, wherein it is possible to melt good fat and prepare a solid meal, but without the handle it is difficult to make prompt and practical use of it, and burnt fingers are the result.

I believe that the average college man will not at first find the railroad service a very attractive field, nor will the railroad official consider him a very attractive “find,” until both understand each other better. The railroad man should realize that the college man has, or ought to have, a better developed mind and body and be trained to co-operate with others in obtaining results, and secondly, the college man must appreciate the necessity of getting down to business. Furthermore, the college man should know that as a
means of bringing himself into closer relations with the head of the department a knowledge of stenography, and indeed of typewriting, is absolutely indispensable, and to this we should add the comprehension of a good system for filing and handling correspondence. The college man, if he would become a general railroad man, not only requires a good general education, a strong body and a healthy mind, but he should in addition have a practical knowledge of stenography, which is a very important adjunct to either a student, or a worker, immediately placing him in touch with the head of his department giving him an opportunity of ascertaining the latter's ideas, and in a short time a comprehensive knowledge of the business.

University educators will at once object to the inclusion in a classical curriculum of such an indispensable study as shorthand, because they may rightly claim that this is a knowledge which can be imparted in any business college; but the advantage of the study to students even in their university work and its great influence in advancing the education of young men is one that must not be overlooked, especially in these days when so many men attending a university are not there solely for a classical education but rather to be fitted to earn a livelihood. To this it would be essential to add studies in transportation, commerce, rates and traffic, corporation, finance, economics, real estate, money and credit, accounting, physical and commercial geography, business law, banking, industrial management, the marketing of products and, of course, these studies should be based upon a good knowledge of English. To them should be added a general understanding of the history, the laws and government of the country and of the State in which they seek employment.

I do not believe that a man should acquire, or could in this way acquire, such a knowledge of banking as will enable him to become the President, or even the Cashier, of an institution, or enough of rates and traffic to become a Traffic Manager, but these subjects will broaden his mind, and make him so receptive of ideas as to fit him in time to render most valuable assistance to a responsible official in carrying on the serious business of railroad work. Such a wide field is indispensable, in my judgment, to a successful railroad career. Upon this foundation it will be his every day work to build a superstructure of practical knowledge. Such a young man in time should
be considered in a class far beyond the boy who has received only an ordinary school education, and who having necessarily been restricted to a single line of work in a special office, knows no other. This latter might have been a virtue in the infancy of railroads, but nowadays an all-around knowledge of railroad problems is essential. It is not possible to make a good railroad Purchasing Agent without some idea of market conditions and the marketing of products, nor is it possible to make a good railroad officer out of a man who takes no thought of transportation and traffic problems in their relation to the public as well as to his own company, nor is it possible to make a successful General Manager without the amount of broad training as a ground work which his title indicates.

These men are loaded with heavy responsibilities, for it must be remembered that they have a duty to perform to the National and State governments, to their own stockholders, to the public and to the employees, so that these broad lines place railroading beyond the category of a mere occupation, and it must be truthfully termed a profession.

It has not produced many millionaires, but it offers steady employment at reasonable rates of remuneration, and there comes after years of hard work to the intelligent, earnest and capable man the hope that he will reach a position of responsibility, and of corresponding remuneration, to reward him for his struggle.

Railroad men have many opportunities of seeing a larger share of life than men in many other professions, and as a rule their associations are most pleasant and beneficial. The standard of ability in railroading is steadily rising, and a young man who enters the profession must be genuine gold to stand the trial and finally succeed.

I hope that the day is close at hand when young men, who have received training in the subjects I have just mentioned, will receive greater recognition from railroad employing officers, so that at least a larger percentage of them will, after leaving the colleges and universities, find their way into the railway service, and after practical experience will add to the number of progressive men in charge of those railroad departments in which a technical knowledge of the working machinery is not so essential as in the engineering branches.

I have such a high regard for the progress of American Railways that, when the colleges and universities have done their part in training men in commerce, finance and accounting schools, I feel
assured they will open the path to utilize such graduates. I also think that it would be a distinct advantage to every railway service if its present officers could add to their practical experience the essence of the courses I have named, placed in such shape that they could obtain the benefits therefrom. At present this is an exceedingly difficult matter with men who have their every moment filled with the realities of every day work and responsibility.

I do not in any way desire to reflect upon the capabilities of the young men who have not received the advantage of a college education, because under our present social organization it is a necessity, and in many cases a virtue, that at least 80 per cent. of the total number of young men must forego this advantage and work for a livelihood, acquiring knowledge in the daily discharge of their duties and when the day's work is at an end. My intention throughout has been to urge the universities and colleges to train men for railroad careers and to encourage young men to undertake studies as will equip them to be useful from the first day of their contract with any business.

The larger part of the progress made by American Railways to this date has been accomplished by men, who have started at a very early age in the railway service without any technical or professional knowledge of transportation, traffic, financial or accounting requirements, and who have, by handling the details and shouldering the responsibilities, built up the greatest transportation systems of the world. If these men had had the present day educational advantages it is hard to estimate how much greater would have been the corresponding advancement in this notable American profession.
RAILWAY PROFESSIONAL EDUCATION,  
ITS OBJECTS AND LIMITATIONS

By W. M. Acworth  
Lecturer in London and Liverpool Universities.

Let me say at the outset how much pleasure it gives me to be here to-night. I believe that I was the first person who ever delivered a lecture on a specifically railway subject in an English University. That was, as far as I remember, about 14 years ago, before a University Extension audience at Oxford. About 10 years ago, when the London School of Economics, which since then has become a School of the reorganized London University, was founded, I began to lecture there on Railway Economics, and till this present session I have lectured there ever since. That branch of the work of the School is now, I hope, established on a permanent basis. Birmingham and Manchester have followed suit within the last year or two, and I had the pleasure of speaking only last week in the latter University to an audience of about 200 people, who were apparently interested in a subject which I am bound to say did not fall quite strictly within the definition of what the Germans call Brodstudien. Now I am glad to see that, in this great city of Liverpool, a city which, more than perhaps any town of its size in the whole world, exists by and for transport, you too have gone and done likewise, and established a series of courses for railway men. Though in this case you cannot make your usual proud boast that, what Lancashire thinks to-day, England will think to-morrow, yet I heartily congratulate you on what you are now doing, and I trust that the Railway School of the Liverpool University will go far and fare well.

One other word of preface. Those who have done me the honour of asking me to come here to-night to address you, have, I trust, done so in full consciousness of the fact that, though I am deeply interested in the subject, I am only entitled to speak to you

¹ A lecture delivered on November 8, 1905, on the inauguration of courses of railway instruction in the School of Commerce of the University of Liverpool.
as an outsider. I have perhaps thought more and cared more about the question of professional education for railway men than most of those who are professionally concerned in the management of our English railways. But to that class I cannot myself claim to belong. If it is always true that a shoemaker ought to stick to his last, I have no right to be here tonight. Please, therefore, believe that in what I shall say to you I represent no one but myself. If you were to go further and believe that a great deal of what I say would be disavowed and contravened by not a few representatives of the railway interest, I am not sure whether you would be very far away from the fact.

I have undertaken to speak to you about Railway Professional Education. Perhaps, therefore, we ought to begin by considering whether there is, and if not, whether there ought to be such a thing as a railway profession. What is a profession? We all understand, generally, what we mean when we speak of the profession of the law or of medicine, and refuse to describe cotton broking or ship owning or house building as a profession. We realize that the final object of a doctor or a lawyer is something more than the piling up of figures in a fee book. We take it for granted that a doctor, for instance, will put his time and his expensively acquired knowledge at the disposal of the sick poor, without expectation of personal reward. We do not expect the broker or the house builder to forego his normal profit, even though his customer be on the verge of bankruptcy. Without troubling you with dictionary references, I think I may fairly describe a profession as a calling, the members of which, having received a liberal education, are organized, and given as a rule exclusive privileges, mainly for public advantage, and only secondarily for private gain. That English railway men are prepared to rise to the height implied in the second part of this definition — that they accept the position that their first duty is to serve the public, and that their duty to increase their shareholders’ dividends comes only in the second place, I am well assured. But I fear it cannot be said at present in this country, that a liberal education, deliberately directed to making young railway men as capable as may be of performing the responsible duties which will be laid upon them, is a matter of course. Our railway management, like our politics, is essentially amateurish. Railway men, as they grow up to occupy more and more responsible situations, have
to rely on their own mother wit, and on such scraps of guidance from the experience of other times and other countries, as they may be able, in the scant leisure of an over-crowded day, to find time to assimilate. In France, or in Germany, or in the United States, it is not so. In Germany the men who are destined for the highest posts in the railway service, begin with a University education, go on to a post-graduate course in law, and only then, at the age of perhaps 24 or 25, begin to specialize in railway subjects proper. In France and in America, a degree in engineering is normally superimposed on a general liberal education up to the age of 19. In other words, in all three countries, it is assumed that the man who is to bear the responsibility of the management of a great railway organization, must be, first and foremost, a highly educated citizen, trained with special reference to his future career, and only secondarily a specialist in railway matters.

Now I am not going to argue this evening that the foreigners are right. That you and I are here this evening, not in a Board School or in a Public Hall, but in the University of Liverpool, seems to me to admit, as far as we are concerned, that specific railway education must be superimposed on a liberal general education. The questions I wish to invite you to consider are, what the ideal professional education should be, how it is to be given, and to whom. Let me deal with the last point first. A railway is a vast and wide-reaching organism. It employs services of all kinds; but the fact that a man is employed on a railway does not necessarily make him a railway man in the sense with which I am concerned. A railway solicitor is first and foremost a lawyer. The technical knowledge required in taking compulsorily land for a railway is only in details different from the knowledge required to take land for a dock or a water-works undertaking. Prosecuting a man for travelling without a ticket, or being drunk and disorderly on a station, is nothing else but ordinary police court work. An engineer, in so far as he confines himself to building and maintaining bridges, or constructing locomotives and carriages, is no more a member of the railway profession, as I conceive it, than a surgical instrument maker is a doctor, or a printer of Hebrew books a theologian. The man whose education we are concerned with is the potential general manager.

This, of course, rules out the vast bulk of the railway staff. Of the 540,000 men employed on the railways of this country, not many
will ever rise to be general manager. Far be it from me to say anything against systematic instruction in subjects, such as, for instance, signalling or goods invoicing. I only wish to point out that this is technical instruction in a particular trade, not professional instruction such as is required to enable a captain of industry to co-ordinate the work of many trades. Let me say another thing. There are not many general manager's posts, and there never will be, but I only say what many of my railway friends, with better opportunities than I of knowing, think, when I say that, few as the posts are, the men to fill them are even fewer, and the posts of the kind I speak of, not exactly as general managers, but as members of what I may call the headquarters' staff, would even now be more numerous than they are, if it were not for the obvious dearth of candidates qualified by all-round capacity to fill them.

Let us consider then, what should be the training for our ideal general manager. His business, as it seems to me, divides itself into three main categories. In the first place, he stands before the public and the Government departments as the representative of the great organization which we call a railway. In the second place, he is at the head of a great commercial undertaking, gathering in a revenue of five or ten or fifteen millions per annum, by supplying to the public, mainly in retail quantities, the service of transport—a service which, while to him it is mainly one and indivisible appears to them as a vast number of separate and independent units. Lastly, he is the head of a staff of tens of thousands of persons engaged in the multifarious ramifications of the supply of the service which the public require, and is responsible for the vast stock of plant, appliances and material, employed in connection with the rendering of those services. And in this capacity he has to consider, at one moment, the question of the rates of pay and conditions of service of train men or station staff; at another moment, whether larger engines will cost more in permanent way expenses than they save in haulage; or again whether an increase of speed will bring in, in increased receipts, more or less than it causes in increased expenditure.

If this be the general manager's position, what should be the training of what the Germans call the aspirant for it? First, he must know something of political history. He must have a general idea what the relation of the State to private industry and semi-public industries is at present, and has been in the past—an idea,
I mean, such as is given in, for instance, Lord Farrer's book on "The State in Relation to Trade." The constitution of a country, certainly of an Anglo-Saxon country, broadens down slowly from precedent to precedent, and no one, unless he knows the present and the past, is likely to be able to gauge correctly the tendencies of future legislation dealing with the regulation or control of railways. Further, our capacity for generalizing profitably on a subject, and especially on a subject like railways, whose whole history only goes back two generations, is greatly increased, if we check our English ideas by a competent knowledge of what has happened and is happening in foreign countries. All the problems that confront us here and now in England, the question of favoring the foreigner, of giving special rates to encourage agriculture, of preserving to each place what is called "the natural advantage of its geographical situation"—all these questions have a long history and a voluminous literature in foreign countries. Our general managers will be better qualified to deal with them as practical questions in England to-day, if they study—our legislature would have gone less far astray in their Acts of Parliament in the past, if they had studied—the accumulated foreign experience on these points. Here is one topic eminently suitable as a subject for University teaching.

But in addition to what I may call constitutional practice and constitutional law, there is a great body of other law with which the railway manager is intimately concerned. His railway, as a company, is a creature of statute. Its corporate organization, its power to take lands, its relation to the outside public, who meet it, now as adjoining landowners, now as supplying the multifarious articles that it needs to purchase, its rights and liabilities as carrier of goods and passengers, and as an employer—all these, and many more, are subjects that must constantly come under the purview of the manager, and they are certainly subjects on which a reasonable amount of legal knowledge, and a legal attitude of mind, will be of the utmost service. I do not suggest that a manager ought to be a lawyer, though, as I have said, the great bulk of the managers of the German State Railways are lawyers. Still less do I suggest that the manager should concern himself with the detailed work of the solicitor's department. But I do say that the ideal general manager will be a better all-round man if he has imbibed all the legal knowledge that he can possibly find time for.
So far, however, we have only considered one side of his activities. He is secondly, as I said, the head of the commercial organization. Rule-of-thumb rates were all very well in the early days of railroading. In the early days the great thing was to get a reduced rate. Why reduced, and on what principle, nobody cared, as long as it was reduced. But nowadays, when the world has become a single commercial unit, when the imposition of a 2s. duty on corn in England reacts on the railway rates in the far North-West of America, the really vital question is not the quantum of the rate per se, but the right relation of the rates inter se. If there be anywhere in applied economics a more difficult question than what is an undue preference — speaking, of course, not legally, but economically — I, for one, do not know of it. But how is a manager to decide whether a given rate, or a proposed alteration of rate, is economically justifiable, unless he has some economic generalizations on which to act? Not very long ago, after I had been lecturing on the subject of "What the Traffic Will Bear" at the London School of Economics, a student came to me and said in effect: "What you have been saying is extremely interesting to me. I often have to defend to our customers rates that we are charging. From the railway point of view, I knew I could justify them on the ground of what the traffic would bear; but it never occurred to me that we could defend, from the point of view of the public, the application of this principle." But in a democratic country, where, in the long run, the most despot of general managers has to bow to public opinion, how can he defend a rate to the public unless he knows that it is, and how it is, defensible as an economically sound public policy?

I submit, therefore, that our general managers of the future must find time to study the theory of railway rates, must know the history of tariffs and tariff legislation not only in our own but in foreign countries. They must not only feel persuaded that their scheme of rates and fares is reasonable, but they must be prepared to show why they are reasonable and to prove, both by argument and history, that the course which they have adopted is reasonable, and that an alternative course suggested, though it may be more profitable to a particular class or a particular interest, would be less advantageous to the interests of the public as a whole.

Lastly, we have to regard the manager as head of the staff, and
of the operating organization generally. No academic instruction can, I fear, teach the management of men; partly this comes by practice, but mainly it is inborn. But even here a manager would be better equipped for his duties if he had devoted some study to subjects such as, for instance, the organization of trades unions, and methods of industrial remuneration. But leaving out these matters, there is, I think, a great deal that can be learned academically in reference to railway operation. A book like Wellington's "Economics of Railway Location" raises a whole group of questions, any one of which might be a subject, not of a lecture, but of a course, or series of courses. Let me take one or two illustrations. You may carry your traffic between Liverpool and Scotland, either by climbing over the top of Shap Fell, or by tunnelling underneath it. In the former case, you spend more for every ton you carry in engine hire and in wages, and you diminish the carrying capacity of the whole line by a reduction in the speed of your slowest trains. In the latter case, you fasten to all time round the neck of the traffic, the dead weight of the interest implied by the extra cost of the tunnel. Which alternative is to be preferred in any given case, depends, of course, on the special circumstances of the anticipated traffic, its volume, its character, its effective demand for speed and so forth. The problem can, however, be worked out with these factors assumed at any point you like. And the man who has worked out such problems in an academic course is much more likely to arrive at the correct solution, when an individual case is brought before him in practice, than the man who begins de novo to deal with the particular instance. Take another instance. Two railway companies, entering London under what appear to an outside observer almost identical conditions, have adopted diametrically opposed principles in the matter of suburban traffic. The one refuses to cater for it altogether; the other has spent millions for its accommodation. Now I do not of course wish to say that either company is right or wrong. But I cannot help thinking that, if one is right, the other is wrong; and I feel pretty sure that neither company has ever justified its policy to itself by anything beyond general impressions. I believe a question of this kind is quite capable of definite scientific treatment. So many acres of land, naturally tributary to a given terminus, can accommodate such and such a population, and that population may be expected to pay so many pounds in fares. To
carry the estimated number of passengers would require so much capital for land and works, so much annual expenditure for operation. With these figures worked out carefully and systematically—not as rough guesses on a half-sheet of paper—the question, whether or no to adopt an extension policy, answers itself. I do not think I am misrepresenting English railway management when I say that, while such detailed estimates would be made, as a matter of course, in any Continental country, they have not been usual in this country in the past.

One point more. There has been a great talk in England of late on the subject of railway statistics. That English railways publish the most meagre statistics of any country in the world—that even the statistics they do publish are mainly worthless, because of their inaccuracy, and, if I may coin a word, because of their incomparability, will hardly be denied. But we are told—that the statistics compiled are much more voluminous than the statistics published. I should be the last person to deny it, for I expect I have waded through more cubic feet of private and confidential statistics than most people outside the railway service. But even admitting the voluminoseness of our English railway statistics, I would make two observations. In the first place, they are largely useless to anybody, because they are unsystematic and discontinuous. In the second place, so long as they remain "private and confidential," they are absolutely useless to everybody except the very limited number of persons who are allowed access to them. Assume—and it is a very generous assumption—that to every employee of Company A there are available adequate and scientifically compiled statistics of everything on his own line capable of statistical treatment, even so he will learn from them not half what he might learn, so long as the statistics of Companies B, C, D are not available to him for purposes of comparison. Whatever else our aspirant general manager is not to learn, he must in the future have access to full, scientifically compiled and public statistics of every railway in the country, and he must be taught by trained statisticians how to read them and how to manipulate them so as to extract from them, from time to time, the lessons that they are capable of affording him.

Now, I think, I have sketched the main subjects which, as it seems to me, the Railway Admirable Crichton will require to master. I may be told, no doubt, that time is inexorable, and that I
am asking for more than can possibly be attained in practice. I think not. I think that a man intended for the railway profession could master in a year enough economics, not to become an economist, but to appreciate the bearing of economics upon railway problems; enough politics and law in another year, not to become a statesman or a lawyer, but to understand how railways fit into their place in the general body politic; while I am sure that in a third year he could learn enough engineering to be able to understand, and intelligently criticize, the advice of his engineering experts. I would add further, that, whereas, the complete curriculum I have imagined would be taken by comparatively few men, the different courses would be available and profitable to men intending to devote themselves to other careers. The courses of applied engineering would interest those intended for the engineering profession. Railway law must be to many lawyers an important branch of their own profession; while I can hardly imagine any instruction more useful for our future captains of industry than a course on the Economics and Statistics of Transport. That persons outside the railway world should attend these latter courses, is, I am sure, eminently desirable in the public interest. For, while our railway companies need criticism, the criticism to which they are at present exposed, both in the press and in Parliament, is so wrong-headed, and so ill-informed, that one cannot be surprised if they come in consequence to treat all criticism with the contempt that, in the main, it richly deserves.

How then are railway men to obtain a specialized railway education such as I have suggested? First and foremost, no doubt, by academic instruction. And here one is met at the outset by the knowledge that, however plentiful the harvest may be, the laborers are exceedingly few. English lawyers proverbially pay scant attention to the science of law, and prefer to devote themselves to the practice. How far that is the case with engineering I am not prepared to say. But, if there be any English economist of standing who has devoted any serious attention to the economics of transport, who on that subject is entitled to be listened to alongside of Hadley and Taussig in America, or Colson in France, or Uhlrich and Sax and Cohn in Germany, I confess I have not heard of him. Still, I hope that the demand will ere long stimulate the supply. Meanwhile we must do as best we can, and hope that one at least
of the newer Universities will develop specially on this side. For, while lectures in what I have called railway technical education must of necessity be given locally in the various great centers, there is no reason why those who intend to go in for a complete course of professional education should not all go to a single University, just as men who propose to devote themselves to the higher mathematics naturally tend now to the University of Cambridge.

I have spoken of the need for teachers. The need for books is even more crying. There are plenty of railway books indeed in existence, but the bulk of them are written in French and German, while of those written in English almost all come from America, and presuppose, if they are to be really profitable to a student, a familiar acquaintance with an environment that in the nature of things is strange to an Englishman. I am glad to know that a colleague of mine at the London School of Economics is at present lecturing on the Economics of Railway Location, and I hope, without much expecting, that some day his lectures will be published in permanent form. Meanwhile, is it too much to ask that some one would translate into English some of the foreign works? One of the leading economists in Germany, Professor Gustav Cohn of Göttingen, has devoted years of his life to a study of English railways. Is it too much to ask that some student will, with the encouragement of his University, publish a translation into English of his Englische Eisenbahnpolitik? Within the last two or three years a pupil of Professor Cohn’s spent many weeks in Lancashire studying the history of the Manchester Ship Canal, and published in the Archiv für Eisenbahnwesen an elaborate monograph embodying his researches and conclusions. Is it too much to ask that some student, either in Liverpool or Manchester, should translate it?

But, in a modern and rapidly developing subject like railways, professors and books alike are bound to get rapidly out of date. They need to be supplemented by adequate professional periodical literature. It is difficult to imagine the other professions getting on without the Lancet and the Law Times and similar publications, issued week by week or month by month, and keeping the practitioner constantly abreast of the newest developments in his pro-

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* Since this lecture was delivered I have been told that the monograph on the Ship Canal has been translated by a railroad clerk. But it remains in MS. and is, I doubt not, marked “private and confidential.”—W. M. A.
fession. The want is recognized and met in the railway profession in other countries. It is not so here. Latterly the *Railroad Gazette*, perhaps the most able and influential publication of its kind in the world, has established an English offshoot, the *Railway Gazette*. Everyone who cares for railroad education must wish it success, but as far as I can see, it is likely to be confronted with three difficulties. In the first place, as English railway men are ardent worshippers of the great goddess Rule-of-Thumb, and in the main disbelieve in the scientific study of their profession, it has comparatively few readers. In the second place, as it cannot publish private and confidential information, and all English information, except the Time Tables, is private and confidential, there is a lack of matter. And in the third place, as no man can make bricks without straw, there is a lack of writers. I hope and believe, however, that this difficulty is coming to an end, and that there is a concurrent development going on — steady, if not rapid — under all three heads — of readers, writers and matter.

Equally important with the development of an adequate professional press is the establishment of railway professional institutions, whether they be called Clubs as in America, Unions as in France and Germany, or Institutes or Societies, as other similar professional bodies are here. At present there are, at the Railway Clearing House, meetings held periodically of the chiefs of the various Departments of practical railway work, the Goods Managers, the Superintendents, the Locomotive Engineers, and so forth. But these meetings are confined to a single representative of each company, they deal only with matter of immediate practical interest, and needless to say, their proceedings are “private and confidential.” For educational purposes they are absolutely valueless. What we want is meetings for the reading of papers and discussion, where the keen-witted and ambitious young man, freed for once from the restraint of the deference due in his office hours to his superior officer, can ventilate his own ideas of possible improvement, and learn by open discussion how to distinguish between the theoretically desirable and the practically possible. Let me give one instance of what I mean. In the course of the last few years I have read, I suppose, more than a dozen reports by railway men on their visits to American Railways. Each of them might have furnished an admirable text for an evening’s debate, and if published, as they might
have been, in the proceedings of some Railroad Club, would have been a source of information and instruction to railway men all over the country. In the whole dozen I do not suppose there was a page that might not perfectly well have been cried from the house-top, but one and all they were labelled "private and confidential," and now they are duly pigeon-holed and accumulating dust in the various railway offices.

Let me mention one thing more. Except at the top, railway work is very badly paid, and young railway men cannot, as a rule, afford to buy many books, even if they did, which they usually do not, know the names of them. Yet I doubt if in all England there is a single library with as much as 100 volumes on railway subjects, assembled and catalogued together for convenient reference. After all, to a big institution, books are comparatively a small item of expenditure. Is it too much to ask that everywhere in England where railway lectures are given, there should be formed the nucleus of a working railway library, containing, not only books, but the principal professional journals of at least France, Germany and America, and that somewhere in England there should be one railway library, worthy to rank with that of the Interstate Commerce Commission, or the Leland Stanford University in America, or of the Ministry of Public Works in Prussia?

Lest my practical railway friends should accuse me of thinking that railway managers can be manufactured in class rooms and libraries, let me add one word more. I am far from suggesting that a curriculum such as I have sketched, even supplemented by opportunities for social instruction such as I have asked for, would, in itself, suffice to turn out practical railway managers. After all, practical experience is the best school, and for my own part I would be ready to acknowledge that I have learned as much about railway business in good sheds and shunting yards, as from all the books I have ever read. If life were long enough, if experience could be wide enough, a man might perhaps be left to work out his generalizations for himself solely from his own experience. But life is short, the railway business is vast, and its ramifications almost indefinitely far-reaching. No man can, in practice, know the work of all its departments of his own first-hand knowledge. The ordinary railway man, so far from being permitted to range at will through every department and collect his honey from every flowet,
grows up and continues till middle age in a corner of a sub-department. He cannot have—in the nature of things it is impossible for him to have—a grasp of railway business as a whole. He must get, with the help of systematic professional instruction, his generalizations on the work of departments other than his own done for him. It is not as good as if he could do them for himself, but it is better for him than not to get them done at all.

England discovered railways, and for the first 40 years or so of railway history, the English railways unquestionably were a model to the world. We have lost that pre-eminence. In later years foreign observers have gone for their lessons, not to England, but to the United States. Quite recently, and not reluctantly, our own railwaymen have done the same. This is no accident; it was inevitable in the nature of things. So long as railway management was pure empiricism, the self-reliance and the hereditary business capacity of Englishmen kept them in front. But empiricism is no more a match for trained scientific methods than the superb courage of the Mahdi's troops was a match for discipline and breechloaders. The Americans appreciated the advantages of a professionally trained staff, with adequate statistics and scientific methods, a dozen years ago. A dispassionate observer, who knew the situation in the two countries, could have as safely prophesied that the American railways would ere long surpass ours in efficiency and economy, as a trained soldier with access to all the facts, could have foretold the defeat of Russia by Japan. Fortunately for us, in this field of contest, the success of America does not imply the defeat of England. We have been beaten, not by superiority of men, but by superiority of methods. We have got the men. For my own part with no reflection on America, and with nothing but gratitude for all it has taught me, I am prepared to say our men are splendid. But in the absence of adequate professional education, it is impossible that they should do themselves justice. Let us hope, and we are entitled to hope, that the Railway School of the University of Liverpool, inaugurated to-night, will take a leading part in helping the rising generation to show all that they are capable of.
PUBLICITY AND REFORM IN BUSINESS

BY HENRY CLEWS OF NEW YORK

We live in a progressive age, and we are at present passing through a period of salutary business reform. This reform means improvement; and business men of all kinds should help and not retard it. The banking, railway and insurance communities should, in particular, do all they can to promote it, and invite the fullest publicity as to their transactions and methods of doing business. In this connection the opposition developed in the New York Legislature to the investigations of the banks was a mistake of judgment, because it was calculated to excite distrust, whereas willingness to submit to thorough investigation would allay it.

This opposition drew more public attention to the agitation for a general bank department examination than would otherwise have been attracted to it, and the unwillingness to submit to it suggested that there was a screw loose, or something to conceal in connection with some of the State banks; and that they were therefore vulnerable to attack, or at least open to criticism. This suspicion those concerned should have avoided by not only boldly facing the legislative music, but inviting it and leaving everything open and above board. Corporations and banking and mercantile firms that become at all objects of suspicion should, in their own interests, speedily clear themselves by inviting the fullest examination and publicity. Unsoundness and irregularity, if such existed, would thus be exposed and weeded out, instead of being nursed in secret, and so doing harm and impairing confidence in corporations and firms perfectly sound and regular in their methods and practices. The sound concerns would stand better than ever after passing through this ordeal of publicity. The New York Legislature, as well as the Legislatures of the other States, should respond to the popular agitation for publicity by passing laws requiring all corporations, including banks and trust companies, to make at least semi-annual reports of their condition, certified to by registered public accountants, with power vested in the State Superintendents to order special
examinations by such accountants, at any time, when deemed necessary; that is, whenever they were suspected of being unsound or irregular in their business methods. This should be done for the protection of others as well as to clear them of suspicion and restore their credit, if found to be sound and straight. Only the insolvent and the crooked would have anything to fear from this wholesome publicity.

In this way disaster might be averted and impaired confidence promptly restored. I lay stress upon the employment of skilled accountants because the certified results of their examinations would be accepted as conclusive of the actual conditions being as they stated and described. They would speak with authority. It should be made a felony for an accountant to make a false or misleading report, and he should ever after be disqualified from practising as such.

To meet the growing demand for them, every college and university should have a department for the special training of accountants, who on graduating should receive a diploma or degree, as in the medical or legal profession. Already the position held by certified accountants is high, but it should be raised still more by the action of the universities and colleges. Some of these have established departments for accountants, where the students undergo thorough training by men who have had practical experience in the profession, but all institutions of learning ought to have them and maintain them in a high state of efficiency in view of their importance to the business community. The opposition to publicity shown by the New York State banking interest, as represented in the Legislature, has been supported by some of the small life insurance interests, as in New Jersey, where it has choked off probing, and they have aroused fresh suspicions, and much adverse criticism thereby. Such inside irregularities as were not brought to light by the Legislative Committee's investigation they are apparently disposed to hide, and they object to being controlled by the legislative enactments proposed by this capital committee. It is not surprising that many are led to suspect that there is much still concealed that ought to be revealed.

This desire for secrecy is obviously in defiance of public sentiment, and the Legislature should make the house-cleaning thorough, while it is about it. If it does less, it will fail in its duty to the
Publicity and Reform in Business

policyholders and the people. In particular, it should place a ban upon excessive salaries. They are unjust to the companies and demoralizing to the recipients.

It is indeed very surprising under the circumstances that the officers and trustees of the great life insurance companies should have supposed that anything short of complete cleansing and purification would satisfy their policyholders and the public. Their attitude resulted in an open rupture in the investigating committee of one of the large companies and the resignation of one of its most prominent members.

The bankers of the country are, more or less, intimately concerned in seeing this Augean insurance stable thoroughly cleaned out, for, unless it is, distrust will linger, and the life insurance taint, will, more or less, continue to extend to the banks, bankers, bond dealers and trust companies, with which the life insurance companies necessarily have to do business.

For the banking interests to virtually ignore the past, and say to the life insurance companies, "Go, and sin no more," would be pusillanimously evading the requirements of the situation. The cloud that drifted over Wall street from the insurance investigation must be entirely dispersed by the fullest investigation and publicity, and the establishment of a new régime in insurance management and its banking methods and affiliations.

It is the duty of life insurance trustees to co-operate to this end, and for them to refuse to do so is to imply consciousness of their own inability to stand the searching ordeal. If such there be, owing to their purchases or sales of securities, in connection with their respective companies, or any other doings that cannot bear the light or are open to criticism, they should be ventilated, and exposed, without fear or favor.

The effort to smother further life insurance investigation, which had its counterpart in the opposition to the proposed banking department investigation, should be frowned down by public opinion, both in the interests of morality and good business practice. The banks and the banker should, like Cesar's wife, be above suspicion and not less so the life insurance manager and trustee.

Turning to the railways, we find the need of stricter laws in matters that favor a few at the expense of the many, as, for instance, in the giving of rebates. To prevent these, not a mere fine,
which can be easily paid, should be imposed, but the offense should be made a misdemeanor, punishable with imprisonment. Railway officials would then, with the danger of an indictment, and a term in prison before them, hesitate to violate the law. For their own reputation, as well as for the sake of their families, they would be likely to avoid that secret and unlawful rate cutting, disguised by the payment of rebates, which has done so much in the past to foster unholy monopolies, and crush competition, to the ruin of thousands.

In the lime-light of publicity the irregular rebate practices of the railways, for the benefit of large and favored shippers, would be impossible; and equally so would have been the go-as-you please and extravagant management of the life insurance companies as revealed by the insurance investigation. Under the new order of things, regulated by stricter laws, it should be made impossible for these irregularities ever to occur. The death-knell should also be sounded by these stricter laws and reforms of much of the "Graft" that has been epidemic in political and business life. Publicity of accounts would be a protection to all solvent concerns and expose and eliminate the unsound and the fraudulent, that would otherwise be a menace to them, and it should be welcomed by all who have nothing to fear from such publicity.

We are passing through a reform — yea, a revolutionary period in business affairs. But good will come out of it, for with our improved business methods will come a higher sense of responsibility and a keener perception of duty, which cannot fail to inspire correspondingly greater confidence and produce more certain results. We shall thus have more conservatism in business and fewer speculative hazards and crookedness than before.

Therefore, let the march of reform be unimpeached, for it will lead us to a higher financial and commercial eminence than even that on which we already stand, and hasten the time when this country will be the world's greatest financial and commercial center.

It would seem that many need more conservatism and prudence in their business ventures, and they would be the better for having the lime-light of publicity thrown on them. When the sky rockets of the business world fall, they are not the only sufferers, for they injure others who are perfectly sound and conservative, by creating distrust of all.
The accounting and publicity I advocate would expose, check and prevent the irregularities and the one-man power abuses that have ended in so many collapses. The one-man control of large corporations must come to an end. An ounce of prevention is better than a pound of cure.

Corporations, too, should show that they have souls by not neglecting the welfare of their employees. They should promote their health by giving them healthy surroundings where they work, and also by making graduated provision for old age service, or pensions in case of disability, after long service. This, or giving them a share in the profits of the business, would do much to narrow the gulf between labor and capital.

The one-man power in large corporations with a lot of dummy directors subservient to it, should also come to an end. Dummy directors are no better than so many decoy ducks that mislead the public. They are directors who do not direct and are not expected to direct by those in control who selected them for election. They are consequently a false pretense. No man ought to accept a place as director or trustee of an institution, or corporation, particularly a banking, railway, industrial or life insurance company, who does not fully appreciate the responsibility of the position and the care and vigilance it demands, and intend to faithfully and conscientiously perform its duties. To intentionally become a dummy director is reprehensible, and directors in dealing with the officers of their corporations should have opinions of their own and not be afraid to express them. They are not alone responsible for their own errors or wrongful acts, but for failure to expose and put a stop to the wrong-doing of the officers or employees under their control, and they should not assume such duties when they cannot properly attend to them.

I once knew a man of very great business renown who during the last thirty years of his life was much sought after because he possessed the qualifications necessary to make him a most satisfactory dummy or dumb director. Hence he was connected with a very large number of companies. He was a man of wealth, retired from business and had great capacity, but it was of the avoirdupois kind. His chief qualification consisted in his always attending punctually all the meetings. He came early and staid till the end. He watched closely to determine which way the majority vote was
going and always went with it. He was never known to open his mouth, except when the luncheon was served after the directors' meeting had adjourned. He was much lamented by corporation managers when he died. He was his favorite director on the ground, as claimed, he gave no trouble and was perfectly satisfied with the result of every meeting, when he was handed his five-dollar gold piece for attendance which caused him to go home rejoicing. I cite him as a specimen brick among dumb and dummy directors.

Directors should make it their business to learn all that is going on in the corporations and institutions that they direct, so that they may qualify themselves to act intelligently, instead of in a blindfolded way, as is too commonly the case. They should assert their rights, and direct in fact as well as in name, but, of course, necessarily leaving all the details to the officers. They too should avoid grinding axes of their own at the expense of their companies, and co-operate with both State and Federal officials in the strict observance and enforcement of the laws, and never connive or wink at their evasion.

All these influences for the better would promote public confidence in our ways of doing business, and indirectly also contribute to the stability of our monetary position. What we more greatly need is a more stable money market in Wall Street. Such erratic changes in the rates for stock exchange loans as we sometimes see would create a convulsion in Europe, if they were possible there. But as they are not possible there, why should they be here? We are destined to ultimately become the monetary center of the world, but that cannot be till we acquire the stability of the old world in interest rates.

A freak money market jumping up to absurdly high rates and then down again is as dangerous as it is intolerable. It is inimical to the proper transaction of legitimate business, and a disturbing factor that should be made as impossible in New York as it is in London, Paris or Berlin. What we need, among other things, to prevent it is more care and conservatism in banking circles. In the European money centers the rates for money rise and fall in response to supply and demand, just as they do here, but within narrow limits beyond which they never pass. There is no good reason why it should not be so with us.
It is to be hoped that the eminently well qualified members of the Committee appointed by the New York Chamber of Commerce —consisting of Messrs. Vanderlip, Conant, Straus, Claflin, Clark and Johnson — will reach a solution of the problem of the money market, and define how far its vagaries and irregularities are owing to a want of sufficient currency, capital or credit, or sudden and excessive demands for loans, consequent on excessive activity in speculation, or unwillingness to lend in times of distrust and panic.

In European countries monetary stability can always be relied upon; and that element of stability, which our money market now lacks, must exist here before we can command the confidence of the world as the world's financial center. But we are now rapidly taking steps in the right direction, and the reform movement in business and legislation can come none too soon for our national welfare. Let the good work of reform go on and prosper, for from it we shall reap an abundant harvest in the future.

There was no good and sufficiently sound reason why money, on call, should have been loaned in Wall Street at rates ranging from 100 to 125 per cent. per annum — as it was in December last when in other cities all over the country it loaned no higher than six per cent. These money spasms, while local in their actual effect, exert a disturbing and demoralizing moral influence, which is far reaching. Such pernicious activity in the money market is not natural. It is due to artificial causes and ill-regulated methods affecting our local supply and demand.

For the rates of interest to be leaping wildly up and down, in the loan crowd of the stock exchange, and changing violently every few moments, according to the shifting bids and offers of the excited borrowers and lenders, would seem to be absurd and laughable enough for opera bouffe. But in the banking and stock exchange business it is a serious evil, involving large results.

Such an abnormal money market is, of course, not very often seen, but it occurs often enough to make it important for us to study its causes and seek a remedy for such monetary excesses. It is indeed a topic so serious as to call for the gravest consideration. Yet neither the stringency nor these minute to minute, or hour to hour, fluctuations were caused by any fluctuation going on in the volume of the currency or any except local influences.

What we have to guard against and prevent are these occasional
spasms. Against the slow general rise and fall of interest rates for
money of from, say, 2 to 6 per cent. per annum and vice versa,
there is nothing to be said, for the movement is a legitimate one,
a natural result of the varying supply and demand. We see it in
the old world, as well as the new world, but such rocket-like soar-
nings, and such eccentric ups and downs as Wall Street has expe-
rienced from time to time are peculiar to itself. It must, however,
outgrow them, and the sooner it does so the better. It is not my pur-
pose in this article to show how the end in view may be best ac-
complished, but that it should be accomplished within no long
time, is certain. The fault is not so much due to the want of elastic-
ity in our currency system as to our local methods of doing business
in stocks and lending and borrowing money to carry them.

One thing tending to produce occasional local stringency is
that our money market has to contend with the evil effects of the
New York Sub-Treasury or rather the Sub-Treasury system, that
locks money up that ought to be kept in circulation. Every sub-
treasury acts practically as a Government bank, just as the old United
States National Bank in Philadelphia did, and takes in all the money
it can get, but pays out none, except on Government vouchers. So
it does not perform all the functions of a bank, and we should have
a more elastic currency if the sub-treasury system were abolished,
which it doubtless will be in time. Theoretically, we have no U. S.
National Bank, yet practically we have one in every sub-treasury.

In Germany emergency currency may be issued by the banks in
times of stringency. This, in effect, releases them from the limit on
reserves, just as, in panics, a government order in Council releases
the Bank of England from the limit placed on its note issues, and
allows it to issue its notes to an unlimited extent. The consequ-
ent inflation of the currency under both the German and English
systems, and the revival of confidence produced by it, brings relief
in the money market.

But our only way of obtaining similar relief is for the Secre-
tary of the Treasury to order treasury deposits to be made in
national banks on the security of U. S. bonds, or if he is willing
to accept them, first-class state or city bonds, assuming the banks
to have the bonds; the Treasury may not always have the
money to spare for this purpose, beyond its proper working bal-
ance, and at the best it is a make-shift expedient.
Publicity and Reform in Business

That we need a more elastic currency is indisputable, and also such changes in our custom of borrowing and lending money on collaterals, on the stock exchange, as will give us stability in rates of interest there, even in times of stringency. The time will come when the circulation of the national banks will be based on gold, instead of United States bonds, and in that way our monetary system will more closely approach that of the principal European nation. But we need not prepare to cross the bridge until we come to it.

With regard to the other matters referred to, it is always well to strike while the iron is hot, and at present the reform movement in legislation affecting life insurance and banking concerns is at white heat, not only in the State of New York, but elsewhere, and it should be pressed forward until all the results aimed at are secured.

In the first place, to accomplish this the life insurance and bank investigations already in progress, or proposed, should be carried out to the fullest extent, and, through the employment of expert and independent bookkeepers and accountants, made so thorough as to leave nothing hidden or in doubt. The results in detail should then be promptly published, and in a form that all could understand, so that the public would know the plain unvarnished truth. In this way rumors and suspicions of underhand doings, bribery and corruption, graft, fraud, deficiencies in accounts, misappropriation of funds, and concealed insolvency would, if not confirmed, be contradicted and swept away, thus leaving the concerns before under suspicion in all the better credit and standing.

Not only should all this be done now, but the State Legislature should be equally prompt in passing the laws necessary to maintain this high standard of publicity in the future, and making it mandatory upon the Banking and Insurance departments to order frequent examinations into the condition of all State banks and banking and insurance concerns by expert accountants, and publish their findings. All opposition to such investigation and publicity is of itself calculated to excite suspicion whether it comes from banks, trust companies, life insurance officers and trustees, or other concerns, or parties in interest. Industrial and other corporations, of all kinds, including railways, ought also to be made by mandatory laws, subject to stricter supervision and periodical examination as
to their financial condition. Hence the Attorney General of this and other states should be invested with new powers to this end, and the provisions of the laws should be made mandatory upon them. They should call for verified statements of earnings, profits, expenses, capitalization, indebtedness, dividends, property valuations, liabilities and assets so that large corporations would cease to be blind pools, and fraud and misrepresentation would be checked by being exposed; and it is exposure — publicity — which is most dreaded by those who prefer crooked ways to open and above-board business methods and integrity of purpose. But those who have nothing to hide, have much to gain from it, and should welcome the lime-light of this new era of publicity. Secrecy is only the defense of the weak.

The recent decision of the Supreme Court of the United States in the Tobacco and Paper Trust cases, that corporations cannot take refuge in secrecy, but must give testimony as to all their transactions, when required, even where it is self-incriminating, is a great victory of the people. It marks the beginning of a new departure in corporate management by enforcing existing laws, and requiring that publicity of accounts, which large industrial, railway and other corporations, and most notably the large industrial trusts, have hitherto so strictly guarded against and avoided, after the blind pool fashion.

The decision is that the law as it stands, giving a witness the constitutional privilege of refusing to give testimony tending to incriminate himself does not extend to or cover his refusal to produce books and papers that would incriminate his, or any other corporation, the immunity being wholly personal. He cannot, therefore, assert it either in behalf of a third person or a corporation, yet strange to say this clear and convincing reasoning has never been put forward by lawyers opposing the trusts. But it will make the way of the corporation transgressor harder in the future.

It opens the door and clears the way for a thorough, complete and public examination of the affairs and accounts of the trusts. It removes the last loophole for their escape from the consequences of their unlawful acts, and from the exposure of their methods of opposing and crushing competitors. They will, therefore, become liable to prosecution under the Sherman Anti-Trust Law, and all
unlawful combinations, schemes and conspiracies will be effectually
and permanently broken up.

This decision is of such vast and far reaching importance, not
only to all directly concerned, but to the whole country, that its
legal effect and its moral influences can hardly be overestimated.
It will probably become as famous in the history of the Supreme
Court as the Dred Scott decision; and it will prevent in future the
miscarriage of justice for want of evidence, against corporations,
which has so frequently occurred in the past. It will also raise the
moral tone of corporate management by enforcing publicity before
refused, for the decision not only applies to all railway and indus-
trial corporations, but banks, trust companies and insurance com-
panies of all kinds. It shows that a rigid enforcement of existing
laws is alone necessary to correct many abuses of long standing.

The temptation that secret acts, and secretive general manage-
ment presents to those disposed to wrongdoing and chicanery, mal-
feasance, misappropriation and graft can easily be imagined; and it
can also be as easily inferred that such management is apt to give
rise to suspicions and rumors detrimental to the interest of the cor-
porations concerned, and indirectly injurious to others. Honesty is
not only the best policy, but a moral duty, and should be as much
the watchword of corporations as of individuals, and no man should
betray his trust for either love or money, whether acting in or out of
a corporate capacity.

There is more permanent prosperity, as well as honor, to be
secured by honest than dishonest means, and to quote the Bible,
"what does it profit a man if he gain the whole world, and lose
his own soul?" Yet unscrupulousness in high places of trust is
often forced upon public attention. This should all be swept away
as a debasing element in business life, for dishonesty, like the upas
tree, casts a blighting influence wherever it is.

The corruption of judges and juries and the bribing of legisla-
tors should be more abhorrent than larceny itself to every captain
of industry, and all corporate officials should have equal respect
for the truth and their own honor. Great wrongdoers should be
no more exempt from punishment than small offenders and mere
millions should furnish no protection to them.

Great fortunes accumulated by monopoly and oppression, and
other dishonest means, are no credit to their possessors, but really
a reproach, and the abuse of power by them is a great national evil. Every business man should take pride not only in his regard for honesty, truth and fair dealing, but in his own personal honor, whether he is acting for a corporation or himself. We are now on the high road to the correction of a multitude of abuses and the country is to be congratulated upon this salutary movement for improvement and reform in our business methods. Our great remedy is PUBLICITY, and the enforcement of the law.

I do not say with the spread-eagle Fourth of July orator —

"No pent-up Utica controls our powers,  
But the whole boundless continent is ours."

Yet it cannot be ignored that no other nation has such a magnificent career of expansion, development and progress before it as the United States, united as it is by telegraph and telephone and our vast network of railways, from the Atlantic to the Pacific, and Maine to Florida, in unbroken continuity.

With the growth of our population, which even now exceeds eighty millions, we shall grow more and more in national importance and wealth, not only in material wealth but in the higher products of an advancing civilization, in the arts and sciences and literature, and all that embellishes and glorifies mankind. Therefore we should, as we go along, constantly endeavor to correct errors, shortcomings and abuses, and prune away rotten and unsound timbers in our public and business life, and make the whole machinery of business and activities of all kinds — trade, banking, insurance, manufacturing, legislative, and the various professions and mechanical industries work as legitimately, honestly, smoothly and harmoniously as possible. The way to this can be best paved by promoting public spirit, and sweeping away the opportunities for business wrongdoing in secret, such as rebating, by wise laws properly enforced, and backed by public opinion, yet laws not oppressive, unjust or too inquisitorial. This would compel the "crooks," "grafters," "rebaters" and "competition crushers" of the business world, who have schemed in darkness, and shunned the light, to come out into open view, and this publicity alone would be a perfect cure for many great evils. So let us have more light — the light of PUBLICITY.
NOTES ON MUNICIPAL GOVERNMENT

Taxation in American Cities
A Symposium

Buffalo.—A. C. Richardson, Buffalo, N. Y.
Cincinnati.—Max B. May, Cincinnati, O.
Detroit and Grand Rapids.—Delos F. Wilcox, Secretary Detroit Municipal League.
Milwaukee.—John A. Butler, Milwaukee, Wis.
Washington, D. C.—George S. Wilson, Secretary Board of Charities of the District of Columbia, Washington, D. C.
Seattle.—Prof. J. Allen Smith, University of Washington, Seattle.
Duluth.—W. G. Joerns, Duluth, Minn.

Municipal Taxation in Holland.—Prof. H. Kiersch, Rotterdam, Holland.

BUFFALO

By A. C. Richardson, Buffalo, N. Y.

The sources of revenue, aside from general taxation, are as follows:
1. The Bureau of Water. Receipts from this source suffice to pay running expenses, principal and interest of water-bonds as they fall due, and a small surplus besides.
2. Local assessments for particular improvements such as sewers, sidewalks and pavements. These are paid by the property benefited.
3. Funds received from the State for the Department of Public Instruction amounting to $150,000 a year.
4. Fines and fees from Police Department and Municipal Court.
5. License fees from park and other departments.
6. Interest added to taxes for delayed payments.
7. Funds from the State for excise licenses.
8. Interest on bank deposits.
9. Rents from markets and other city property.
10. Franchise taxes and percentages of receipts paid by street railroad and other corporations.

About 64% of the total revenue is raised from general taxation, the system being as follows:

[155]
1. The Assessors compile the assessment rolls on or before Jan. 2 in each year, and these rolls are open for inspection and correction until Jan. 22.

2. Heads of City Departments submit to the Comptroller on or before Feb. 1 of each year detailed estimates of the expenses of their departments for the coming fiscal year (fiscal year commences July 1).

3. The Comptroller revises these estimates, and on or before March 1st presents to the Board of Aldermen an estimate of the amount necessary to be raised by general tax, specifying in detail the amount estimated for each department, and including all the interest of the bonded debt of the city to fall due within the fiscal year and at least $100,000 to apply on the principal.

4. After the expiration of one week from the date when estimates are presented by the Comptroller, the Board of Aldermen proceed to consider the Comptroller’s estimates. By a vote of two-thirds of all the members elected they may alter or amend the same, and must finally pass upon them before March 24.

5. The estimates as passed by the Aldermen then go to the Board of Councilmen, who may alter or amend, and by a vote of two-thirds of all the members elected must pass finally upon them before April 15th.

6. Having been adopted by both boards, the estimates go to the Mayor, who at any time before May 1st may disapprove, strike out or reduce any item except that of the $100,000 to be applied on the principal of the bonded debt. But he cannot increase any item.

The estimates of the Comptroller stand as to all items not altered or amended by both Boards or changed by the Mayor. The sum total of the adopted estimates, that is, the total estimated expense less estimated resources, stands as the amount to be raised by general tax.

7. As soon as practicable after the adoption of the estimates the Comptroller “spreads” the taxes upon the taxable property, setting down opposite the respective valuations in the assessment rolls that have been prepared by the Assessors the sum to be paid as a tax, including the local assessments that were unpaid May 1st.

8. On the first of June, or as soon thereafter as practicable, the Comptroller delivers the tax rolls to the Treasurer. The latter gives notice to the taxpayers, by publication in the official paper, that the rolls have been received; and payment of taxes can be made without additions any time before the expiration of one month. At the end of one month an addition of one per cent. is made to all unpaid taxes, and one-half of one per cent. each additional month until March 1st, after which he returns to the Comptroller a list of all unpaid general city taxes. The Comptroller then proceeds to sell the property for unpaid taxes according to law.

The assessment of real estate is believed to be from 70% to 90% of its market value. This assessment in 1904–5 amounted to $241,090,060, while the personal property was assessed at $7,038,500. It is not possible to ascertain what proportion of personal property is actually reached by taxation.

The State law does not fix any limit to the tax rate, which has varied greatly during the last ten years, as follows:
Year. Rate per $1,000 of valuation.
1896 .................................................. $15.02
1897 .................................................. 14.18
1898 .................................................. 18.04
1899 .................................................. 18.21
1900 .................................................. 17.46
1901 .................................................. 18.14
1902 .................................................. 17.20
1903 .................................................. 17.37
1904 .................................................. 18.79
1905 .................................................. 19.595

For this year, 1906, the rate will be about $22.00 per thousand. One reason for this great increase this year is probably the fact that certain court decisions regarding street railway franchises have cut down some resources that were formerly available. It is believed also that tax-rates are often made artificially low by cutting down appropriations below the necessary point for efficiency, and borrowing money on “deficiency bonds” to make up the necessary amount. The low tax-rate makes a show of economy for use as political capital.

The people of course do not like high tax-rates; but they have never shown any disposition to do anything effective about it so far as the writer has been able to observe.

CINCINNATI

By MAX B. MAY, Cincinnati, Ohio.

The city revenue is derived from various sources, to-wit: taxes, special levies, licenses, Dow liquor tax, annual rental for use of the Cincinnati Southern Railroad, which amounts to over a million dollars per annum, and nearly a million dollars as income from the city Water works which are owned and operated by the city and about $250,000 as percentage on city railway receipts.

It is difficult to state in exact figures, the relation of revenue from taxation to the total revenue, inasmuch as in the report of the Auditor, there is included besides revenue derived from other sources than taxes, the amount of money annually raised by sale of bonds for public improvements. If, however, these be eliminated in any one year, it would be safe to state that more than one-half of the amount of money annually received by the city exclusive of school taxes, is raised from taxation.

In Ohio there are three distinct levies that go to make up the total taxes levied upon property, to-wit: the city tax rate, the county tax rate and the State tax rate. The taxes are levied upon real estate and personal property, there being in Ohio what is known as a general property tax. In addition to this, there are special taxes, such as the Dow liquor tax, which at the present writing is $350.00 for each saloon. (An increase to $1,000.00 seems probable.) Two tenths (2/10) of this amount is paid for the use of
The Annals of the American Academy

the city infirmary and five tenths (5-10) is paid to the city, one half (½) to the credit of the police fund and one half (½) to the credit of the general fund of the city. Besides these taxes and special taxes, the State receives large receipts such as franchise taxes on railroads, express companies and a general corporation tax, but no part of the money thus raised is received by the city.

There is a decennial appraisement made of the real property for taxation; the last having been made in 1900 and in Hamilton County in which Cincinnati is situated, the property is appraised at about 60 per cent. of its market value. In 1904 and 1905 the total amount of real estate within the city proper, was $180,528,850. The total amount of personalty returned for taxation was $47,126,850 and all personal property tax in Ohio has been a failure.

Intangible personal property can not be reached by the assessors, and even tangible personal property is not returned to any great extent. In 1904 there was returned in Hamilton County, as money in bank, about $1,226,068; in 1866 the total amount of money returned for taxation in the State was $41,295,198, and in 1904, thirty-eight years thereafter, there was only returned $61,425,130. In 1866 the amount of credits returned for taxation was $72,658,344, and in 1904, $79,580,579. In 1866 there were returned in the whole State of Ohio, 99,513 watches valued at $2,524,025 and in 1904, thirty-eight years thereafter, there were only 74,344 watches valued at $1,074,615. From this it can be readily seen that Ohio is in the same position as the rest of the country as regards taxation of personal property.

The last rate of taxation was 22.38 per cent. These items are made up as follows: 1.35% for State; 4.13% for educational purposes; 12% for city purposes; 4.91% for county purposes. The City of Cincinnati is restricted to a levy of 10%, exclusive of the levy for county and State purposes, for school and schoolhouse purposes, for public libraries and library buildings; for university and observatory purposes; for hospitals and for sinking fund and interest, unless a greater tax be authorized by two-thirds vote of the people after the same shall have been referred to them by Council. The last city levy exclusive of the schoolhouse levy was 12 mills. In this 12 mills, there was included 3,874 mill levied for hospital, university, observatory and sinking and interest fund, so that the total city levy was 1,874 mills under the maximum rate per minute. During the last ten years the rate of taxation for all purposes has been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate per $100.00</th>
<th>Year</th>
<th>Rate per $100.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>1896</td>
<td>$26.40</td>
<td>1901</td>
<td>$24.82</td>
</tr>
<tr>
<td>1897</td>
<td>$26.18</td>
<td>1902</td>
<td>$23.18</td>
</tr>
<tr>
<td>1898</td>
<td>$25.30</td>
<td>1903</td>
<td>$22.70</td>
</tr>
<tr>
<td>1899</td>
<td>$25.74</td>
<td>1904</td>
<td>$22.54</td>
</tr>
<tr>
<td>1900</td>
<td>$25.98</td>
<td>1905</td>
<td>$22.38</td>
</tr>
</tbody>
</table>

It will thus be seen that the rate has been steadily decreasing during the last ten years. Part of this reduction is accounted for by the fact that in 1900 the tax duplicate was largely increased by raising the value of the real estate within the city and county. The reason that the rate has steadily decreased is that the dominant political organization known as the Cox
machine has made political capital of the fact that it has kept down the tax rate. This the organization was able to do because it controlled all the officials who fixed the tax rate and the special school levy was kept as low as possible and their public improvements were stopped and large bond issues were made instead of securing the funds by means of taxation.

It is difficult to state what the attitude of the public is toward an increase in the rate of taxation. Cincinnati is a very conservative community and it is doubtful whether the people would maintain in power an administration which would radically increase the tax rate. However it seems that within the next few years the tax rate will have to be raised and that if it is done gradually the people may favor an increase especially if the increased revenues are used for educational purposes and for such public improvements that are absolutely necessary. The present legislature has enacted a law which fixes the minimum school levy at 6 mills per dollar. This in itself is an increase of 1.88 over last year's levy.

NEW ORLEANS, LA.

BY JAMES J. McLoughlin, New Orleans, La.

The revenue of the City of New Orleans annually amounts to about four and one-half million dollars. The budget for 1906 is based upon estimated receipts of $4,505,034.22. Of this amount, $42,500 comes from licenses from merchants and others who carry on business in the city, $191,000 from rents of stalls in the public markethouses, $60,000 from penalties imposed upon taxpayers who are slow in paying taxes, $25,000 fines paid by misdeemenants in the courts, $14,000 from banks for interest on city deposits, and $37,000 from sundry small items: this leaves the balance, say $3,753,500, raised by direct taxation on real and personal property. In short, the annual revenue of this city comes, 83% from direct taxes, and 17% from other sources. Beyond the public markethouses, we have no municipally owned public utilities producing any revenue of consequence.

Our system of taxation, roughly speaking, is to get all out of real estate that we can make it bear, the usually accepted rule being to fix the assessment at a figure that will make the total tax on the real estate equal to 30% of the rents derived therefrom: where a store brings $5,000 per annum rent, it is assessed on the tax rolls at a value of $50,000, and as the tax rate is 29 mills on the dollar, that makes the tax 29% of the rent. Last year, our Governor issued orders to the State Assessors to raise the assessments and as a result, in some instances, this year the tax will equal 40% of the rents and revenues.

Taxes are based upon a valuation fixed annually by Assessors: there is usually one Assessor for each county, except for New Orleans, where we have seven, one for each of the seven districts into which this city is divided. These assessors are all appointed by the Governor, and removable by him, but their appointment is subject to confirmation by the State Senate.
Their term of office is four years. They are practically supreme in all matters of assessment. In former years, there was an appeal from their decisions fixing values to the municipal body charged with raising and expending the taxes: but that has been taken away from the city authority by recent legislation. The Assessors are thus seen to be State officials, but as the valuation fixed by them is binding on the city, their action in assessing property values forms the foundation of all municipal revenue. By a cumbersome system of assessment, there is practically no appeal even to the courts from the values fixed by these Assessors. The law requires all taxpayers to file with the Assessor, within a short time (10 days after receiving a blank form served on him by the Assessor) after 1st January of the tax year, a sworn statement of the description and cash value of all his property: in March, the Assessor opens his books for public inspection, and if instead of taking the property owner's valuation, he has placed a higher one of his own, the property owner must appear before the Assessor, and make a sworn statement, asking for a reduction to what he deems the proper figure. The Assessor then considers this document, and if he grants it, the reduction is made: if he refuses it, the taxpayer must go to the courts and bring suit for reduction. This suit is entirely at the taxpayer's cost, whether he wins or loses, because, being against an official State body, there is no legal provision for payment of costs in cases where the State is cast. As the great bulk of taxation is borne by small property owners, and as the expense of lawyer and court would in most cases be more than the difference in tax saved, suits for reduction of assessments are usually confined to corporations and large taxpayers. If the property owner fails to make the original sworn return of value, he is debarred from any recourse either to the Assessor or the court, but must abide by the Assessor's valuation, even though it be ten times the value. And if after making the sworn return, he fails to appear before the Assessor, and make the second sworn application, he is by law thereby debarred likewise from filing suit in court for the reduction.

This same law which makes it so difficult for a property owner to reduce his assessment, permits the City Council to increase the Assessor's valuation, if it sees fit to do so.

All the foregoing provisions apply to the valuation of property in general, but property used in the business of railways, telegraphs, telephones, sleeping cars, and express companies, is appraised by a special body composed of the State Auditor and six other citizens, whose valuation governs all municipal bodies.

In valuing property, the law requires it to be assessed at its full cash value, and, in the City of New Orleans, this is practically done with all real estate; as to personal property, it is not assessed at its real value. Consisting principally of merchandise, cash, stocks, bonds, etc., it is impossible for assessors to ascertain its value, or rather, its quantity, with any reasonable accuracy, and as a result, the dissatisfaction with the assessment on personality is profound. Public franchises are assessed at very low figures. It is impossible to do more than guess at an answer to the question, "To what extent is personal property actually reached by taxation?" but I should say
that probably 60% of it escapes taxation entirely. The valuations for the city for this year are now being made, and will be completed during April, but the Municipal Budget for 1906 estimates them as follows:—and these figures will be substantially correct:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate</td>
<td>$111,712,371.00</td>
</tr>
<tr>
<td>Personal property</td>
<td>48,298,434.00</td>
</tr>
<tr>
<td>Real and personal belonging to corporations assessed by special board</td>
<td>10,572,069.00</td>
</tr>
<tr>
<td><strong>Total assessment</strong></td>
<td><strong>$170,583,874.00</strong></td>
</tr>
</tbody>
</table>

The tax rate is 29 mills on the dollar, of which 22 mills is for the city and 7 mills for the State. The Constitution of the State limits the rate to 10 mills for the city, and 6 mills for the State, but by special vote of the taxpayers, an additional 2 mill tax is levied for sewerage, water and drainage construction, and by a special constitutional provision a 1 mill levee tax is also levied. The other 10 mills included above are devoted to the consolidated debt of the city, and are over and above the 10 mill legal limit. In short, under the constitution of the State, we have to pay 10 mills for old debts, existent before its adoption, and for subsequent debts and alimony the city is restricted to an additional 10 mills. These two 10 mill taxes plus the State, levee, and sewerage taxes, make up the total of 29 mills. This rate has remained unchanged for ten years, excepting that the special 2 mill sewerage tax was imposed in 1890.

The people feel they are heavily taxed, and agitation is now beginning to reform the method of levy, which, however, has not yet assumed great strength but within the next three or four years there is little doubt that while the volume of taxes may not be increased, their burden will be shifted measurably from the small taxpayer to those better able to bear it.

**DETOUR AND GRAND RAPIDS, MICHIGAN.**

By Delos F. Wilcox, Secretary Detroit Municipal League.

The main sources of revenue in Michigan cities are,

1. The general tax levy.
2. Special assessments.
3. Liquor license fees.
4. Contributions from the State primary school funds.

Of course the cities also receive large amounts from loans, but they are not included here, for the reason that they have to be repaid ultimately from some of the other sources. The total net receipts of the City of Detroit for the last fiscal year, not including loans, refunds, etc., were about $5,565,000, of which $4,122,000 or 74% was from the general tax levy, $439,000 or 8% was from special assessments, $325,000 or 6% was from liquor licenses, $283,000 or 5% was from contributions to the public schools from state funds.

The city also received about $28,000 from miscellaneous licenses, $43,000
from franchises, $25,000 from fees, $9,000 from rents, $17,000 from fines, $69,000 from interest on daily balances, $25,000 from profits on industries conducted at the Detroit House of Correction, $23,000 from sales of miscellaneous materials, $32,000 from premiums on sales of bonds, $84,000 from services, made up for the most part of inspection on contracts, bath house and phaeton services at Belle Isle Park, etc.

In Detroit the proportion of receipts from special assessments is low, for the reason that all repaving work is done at the expense of the city at large.

The accounts of the Detroit water department are not included in the general statement of receipts and expenses. The receipts from water rates and various permits and items for labor, material and repairs furnished by the water department amount to about $600,000 a year, of which $75,000 is paid by the City of Detroit from the general tax levy, making the net receipts of the water department approximately $525,000. The total receipts of the Grand Rapids water department are approximately $150,000, of which about $20,000 is paid by the city from general taxes.

In Grand Rapids, the city revenue is derived from the same general sources as in Detroit. Special assessments, however, contribute a much larger proportion, as not only first improvements, but all succeeding street improvements are paid for by adjacent property, with the exception of the cost of improving street intersections and the part of the street occupied by the tracks of the Street Railway Company.

The system of taxation in Detroit and Grand Rapids is the usual one based on the general property tax. In each city, there is a Board of Assessors which determines the valuation of all property. In Detroit, land and improvements are separated on the rolls, though not in the receipts given for taxes. The assessment of real estate is very nearly 100% of its market value, though there are considerable variations from street to street, and, especially in Grand Rapids, there are complaints of discrimination. In Detroit, vacant land is assessed at full value. The only noticeable discrimination is that platted land is assessed much higher than unplatted land in the same general location. In Grand Rapids, unimproved land is probably assessed somewhat lower than improved land. The total assessment of real estate in the two cities for the year 1905 was as follows:

Detroit .......................................................... $200,304,940
Grand Rapids .................................................. $ 50,424,805

Personal property is assessed more generally in both cities than in many other parts of the United States. In Detroit in 1905, it was assessed at $86,963,730, and in Grand Rapids at $24,082,221, showing 30% and 32% of the total assessments in the two cities respectively.

There is no limit fixed by the State upon the tax rate in Detroit. The Grand Rapids Charter, however, contains a clause limiting the rate for general city purposes, not including school taxes and taxes necessary to pay the principal and interest of the public debt, to $1.00 on a thousand. In Grand Rapids, the school taxes are levied with the county and State taxes. In Detroit, the school taxes are levied as a part of the city taxes. The total
Taxation in American Cities

The tax rate last year in Detroit was $17,797 in a thousand. The total tax rate in Grand Rapids for 1904 was $15,329 in a thousand.

The rate of taxation for State and county taxes alone was $3,093 in Detroit last year. I do not have the figures at hand for the State and county tax rate for preceding years. It may be said, however, that the gross amount of State taxes has been rapidly increasing, though with fluctuations in alternate years. The legislature has biennial sessions in Michigan. The year after the regular session always sees a high tax rate.

The tax rate in Detroit for city and school purposes during the last ten years has been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1896</td>
<td>$15,596</td>
</tr>
<tr>
<td>1897</td>
<td>17,683</td>
</tr>
<tr>
<td>1898</td>
<td>15,902</td>
</tr>
<tr>
<td>1899</td>
<td>16,332</td>
</tr>
<tr>
<td>1900</td>
<td>15,403</td>
</tr>
</tbody>
</table>

The tax rate in Grand Rapids shows much greater fluctuations on account of the greater fluctuation in assessments. The valuation of property in Grand Rapids was less than $28,000,000 in 1899. By 1902, it had been "boosted" to $70,500,000. This was due to the activity of the State Tax Commission. The increase in valuations in Detroit has been much more gradual. In 1899, the valuation was $217,000,000. In 1902, it had increased to $249,500,000.

The total general tax rate for all purposes in Grand Rapids during the ten years from 1895 to 1904 inclusive was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1895</td>
<td>$33,450</td>
</tr>
<tr>
<td>1896</td>
<td>30,164</td>
</tr>
<tr>
<td>1897</td>
<td>31,477</td>
</tr>
<tr>
<td>1898</td>
<td>28,382</td>
</tr>
<tr>
<td>1899</td>
<td>30,331</td>
</tr>
</tbody>
</table>

While these figures do not give a basis for an accurate comparison of the tax rates in the two cities, it is evident that the Detroit rate is considerably higher. The investigators for the United States Department of Commerce and Labor found the true city tax rates in 1903 to be $16.57 in Detroit and $10.23 in Grand Rapids, school taxes included in both cases.

Detroit does not seem to consider itself heavily taxed, although every year there is a great ado over the estimates. The city is protected, however, by a peculiar system which insures very careful consideration of the budget. The estimates are first presented to the Common Council and worked over in detail by that body. They are then passed on to the Board of Estimates, a mixed body, consisting for the most part of representatives elected in the same way and from the same districts as the aldermen. The Board of Estimates has authority to cut down any of the items of the budget, but cannot insert new items or increase the allowances as passed by the Common Council.

In Grand Rapids, there has been in recent years a great deal of complaint about taxation. While the rate of taxation has been greatly reduced from the figures six or eight years ago, this was accomplished by an extraordinary increase in valuations, and many of the citizens think they pay more at the
present low rate than they did formerly at the high rates with lower valuations. Another cause of serious complaint has been the heavy special assessments levied on a large percentage of the property-holders for street improvements and sewers. It is believed that the Detroit system of putting upon the city at large the burden of repaving streets, although it tends to raise the general tax rate, causes less complaint than the Grand Rapids system where large numbers of citizens are very heavily hit for re-improvement taxes.

Reference should be made to the different methods of dealing with the taxation of street railways. The street railway system of Grand Rapids is taxed uniformly for state, county, and city purposes. The valuation of the personal property is $2,000,000. In Detroit, however, in lieu of ad valorem taxation for city and school purposes, there is a tax of gross receipts which netted the city last year $42,683. The personal property of the Detroit United Railway is valued at $10,250,000. As just noted, this property is exempt from city taxes, but is subject to state and county taxes. If it had been taxed on an ad valorem basis, like other property, Detroit would have received $150,000 last year, in lieu of the $42,683 received from the percentage of gross receipts.

In both cities, and everywhere in Michigan, under the general property tax, the effort to secure the assessment of personal property results in failure in a large percentage of cases. Aside from listing personal property which is visible, the assessors select such persons as they believe to have other personal property and require them to make sworn statements in regard to it. If the property owner neglects to make such a statement, the assessors guess at the amount of his property and he has to pay taxes on that amount unless he goes in and swears it off. The result is that when men having considerable personal property begin to be assessed on an uncomfortably large percentage of it, they go in and swear off the assessment.

MILWAUKEE, WIS.

JOHN A. BUTLER, Milwaukee, Wis.

The main sources of Milwaukee's revenue are direct taxation and license fees. About $3,755,158.00 are raised annually by direct taxation, and $675,170.00 from licenses. The ad valorem system is complemented by the license system in the case of such corporations, as the street railway, electric lighting companies, telegraph and telephone companies, and insurance and trust companies, and saloons. The statutes provide that "real property shall be valued by the Assessor at the full value which could ordinarily be obtained therefor at private sale." The total assessments for 1904 and 1905 are respectively as follows:

<table>
<thead>
<tr>
<th></th>
<th>1904</th>
<th>1905</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate</td>
<td>$146,604,786.00</td>
<td>$152,037,355.00</td>
</tr>
<tr>
<td>Personal Property</td>
<td>$37,216,905.00</td>
<td>$39,217,415.00</td>
</tr>
<tr>
<td>Total</td>
<td>$184,321,691.00</td>
<td>$191,254,770.00</td>
</tr>
</tbody>
</table>
Taxation in American Cities

Every effort within the limits of honesty appears to be made by Assessors to assess all property under the existing statutes, but the adequate assessment of personal property under present conditions is difficult if not impossible.

The city charter limits the rate of taxation for city purposes to 17½ mills on the assessed valuation of real and personal property. The following table gives the rate of taxation for the last ten years:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Total Valuation</th>
<th>Levy for all City Purposes</th>
<th>Average Rate for all City Purposes</th>
<th>State and County Levy</th>
<th>Rate for State and County Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1894</td>
<td>$142,926,395.00</td>
<td>$2,525,719.18</td>
<td>17.571465</td>
<td>$673,306.85</td>
<td>4.716804</td>
</tr>
<tr>
<td>1895</td>
<td>142,018,733.04</td>
<td>2,482,382.85</td>
<td>17.471887</td>
<td>852,553.14</td>
<td>5.083638</td>
</tr>
<tr>
<td>1896</td>
<td>143,771,519.48</td>
<td>2,479,585.95</td>
<td>17.246592</td>
<td>928,286.94</td>
<td>6.438693</td>
</tr>
<tr>
<td>1897</td>
<td>144,684,425.46</td>
<td>2,474,142.24</td>
<td>17.100315</td>
<td>871,456.07</td>
<td>6.023195</td>
</tr>
<tr>
<td>1898</td>
<td>147,220,428.05</td>
<td>2,577,770.31</td>
<td>17.508526</td>
<td>811,878.03</td>
<td>5.514373</td>
</tr>
<tr>
<td>1899</td>
<td>151,971,903.36</td>
<td>2,551,944.14</td>
<td>16.792220</td>
<td>802,506.87</td>
<td>5.281187</td>
</tr>
<tr>
<td>1900</td>
<td>158,174,873.15</td>
<td>2,772,313.51</td>
<td>17.568864</td>
<td>888,452.36</td>
<td>5.61689046</td>
</tr>
<tr>
<td>1901</td>
<td>165,222,987.00</td>
<td>2,642,654.92</td>
<td>15.904290</td>
<td>1,068,649.37</td>
<td>6.467847</td>
</tr>
<tr>
<td>1902</td>
<td>171,881,364.00</td>
<td>2,741,537.48</td>
<td>15.977181</td>
<td>1,271,059.25</td>
<td>7.394980</td>
</tr>
<tr>
<td>1903</td>
<td>180,018,546.00</td>
<td>3,040,352.12</td>
<td>16.889104</td>
<td>1,127,504.11</td>
<td>6.263264</td>
</tr>
<tr>
<td>1904</td>
<td>184,321,691.00</td>
<td>3,213,449.98</td>
<td>17.433919</td>
<td>1,004,859.49</td>
<td>5.4516616</td>
</tr>
<tr>
<td>1905</td>
<td>191,254,770.00</td>
<td>3,379,304.52</td>
<td>17.669590</td>
<td>1,285,886.35</td>
<td>6.72342107</td>
</tr>
</tbody>
</table>

WASHINGTON, D. C.

By George S. Wilson, Secretary Board of Charities of the District of Columbia, Washington.

The main sources of revenue in the city of Washington are taxes on real and personal property, licenses, fines, and fees. There is also an income of nearly $400,000 from water rents, the water supply being a municipal function; but this income is not, in these notes, considered as a part of the revenue, because the income is used for the maintenance and operation of the system. The policy in conducting the water department is to make it just about self-supporting, and not to make it a source of city revenue.

The total revenues of the District of Columbia for the fiscal year ended June 30, 1905, exclusive of the water fund and some special trust funds, were as follows:
The Annals of the American Academy

Taxes on real property ............................... $3,285,161.59
Penalties thereon ................................. 30,577.85

$3,315,739.44

Taxes on personal property ........................ 662,698.22
Penalties thereon ................................. 3,336.94

666,055.16

Special reimbursable taxes ........................ 388.57
Penalties thereon ................................. 27.36

416.33

Sundry receipts as follows:

Licenses ............................................. 647,684.50
Rents .................................................. 34,279.61
Fines .................................................. 29,485.58
Fees .................................................... 66,238.84
Miscellaneous collections .......................... 82,068.20
Taxes on property purchased by the D. C. ........ 76.69

859,853.42

Total .................................................. $4,842,064.35

The system of taxation includes, as indicated above, real and personal property. In the case of real property, the value of the land and improvements are assessed separately. No exemptions on account of improvements are allowed.

Property of churches, charitable institutions and certain educational institutions is exempt. More than half of all the real property in Washington is owned by the United States Government, and of course this is exempt from taxation. In lieu of taxes, however, the Federal Government pays one-half the expenses of maintaining the local government, so that the amount available for local government purposes is exactly double the amount indicated above as the total revenue of the District of Columbia.

Assessment.

(a) The law requires that real property be assessed at not less than two-thirds of its actual value. The assessment is revised triennially. The total assessed valuation of real estate in the District of Columbia, for the fiscal year ending June 30, 1905, was $217,608,296.

(b) The law provides that all tangible personal property, with certain specified exceptions, shall be assessed. The exceptions are, (1) library, benevolent, charitable and scientific institutions, not conducted for private gain; (2) libraries, school books, wearing apparel, articles of personal adornment, family portraits and heirlooms; (3) household and other belongings not held for sale to the value of $1,000.

The general rate provided for personal property is 1½ % on the assessed value.

Dealers in general merchandise are assessed 1½ % on the average stock in trade.

Hotels are assessed 1½ % on the assessed value of their furniture.
Banks and trust companies 6\% on their gross earnings.
Gas companies 5\% on gross earnings.
Electric lighting and telephone companies 4\% on gross earnings.
Street railroad companies are assessed 4\% per annum on gross receipts.
Insurance companies 1\% \% on premium receipts.
Bonding companies 1\% \% on gross receipts.
Savings banks having no capital stock, 1\% \% on their surplus and undivided profits.
General corporations 1\% \% on the value of their capital stock, except that newspaper, real estate and mercantile companies are assessed as individuals.
Building associations 4\% on gross earnings.

As to the extent to which personal property is actually reached by taxation, I am unable to furnish information other than the fact that the total assessed valuation of personal property for the fiscal year ending June 30, 1905, was $26,575,819.66. As indicated above, the rate on this varies from 1\% \% to 6\%. The total amount of taxes being $665,247.20, the average rate is about 2\% \%.

The rate of taxation on real estate is 1\% \% per annum. This rate is fixed by Congressional enactment, the local authorities having no power to fix or modify the tax rate. This rate has not increased during the last ten years, except that up until 1903, the law provided that agricultural land should be taxed at a rate of 1\% per annum. The rate of taxation on personal property varies as indicated above. The personal property tax has been in effect only since July, 1902. Prior to that time, there was a personal tax law, which had become inoperative because there was no machinery for its enforcement, and for many years, scarcely any personal taxes had been paid. There was very strenuous opposition to the revival of the personal tax law.

SEATTLE

BY PROF. J. ALLEN SMITH, University of Washington

The revenue which Seattle collects for general municipal purposes is derived mainly from two sources, the general property tax which brought into the city treasury in 1905, $853,193.77, and liquor licenses which amounted to $208,717.70. Other sources of income are the profits of the city water works and the city light and power plant, the tax on gross earnings of street railways, fees, fines, etc.

All property subject to taxation is supposed to be assessed at about 60\% of its market value. But as a matter of fact the valuation for this purpose is not uniform. The small property owner has to pay more taxes than he would if all property were assessed at a uniform percentage of its true value. This disparity between the assessed and the market value is greatest in the case of the larger and more valuable pieces of property. The large blocks of unplatted land held for speculation seem to be quite generally favored in
this respect. The most flagrant discrimination, however, is seen in the case of the public service corporations which are invariably unvalued for purposes of taxation. The Seattle Electric Company is a good example. This corporation which controls the street railway system of the city is assessed for taxation at only about one-seventh of what it claims to have invested in the business.

The total assessed value of all property real and personal in 1905 was $70,026,728.00, of which $13,003,182.00 was personal property. All street railway tracks, however, are assessed as personal property and the same is true of all tide lands leased from the state. The latter are in many cases of great value, yet they are together with the improvements thereon assessed at an insignificant sum. That personal property very largely escapes taxation is beyond question.

The rate for municipal purposes last year was 15½ mills on the dollar. This is three mills higher than the rate of taxation in 1895. If all real estate were assessed at 60% of its market value, as it is supposed to be, and all personal property subject to taxation could be made to contribute its due proportion of the municipal revenue, the nominal rate would be very much lower.

The city council fixes the rate of taxation for municipal purposes and in exercising this power is limited neither by constitutional nor statutory provisions. There does not seem to be any disposition on the part of the people generally to oppose a moderate increase in the rate of taxation when it is really needed for the purpose of meeting necessary public expenditures. The complaint most frequently heard is not of high taxes but of unequal assessment.

DULUTH, MINN.

By W. G. Jørgens, Duluth, Minn.

The main sources of revenue in the City of Duluth are general taxation and miscellaneous sources, such as liquor licenses, general licenses, court fines and fees, etc. From direct taxation there was received in 1905, in round numbers, about $441,000, from liquor licenses $173,000, and from other miscellaneous sources about $42,000 more, the aggregate for the year being about $656,000. About $20,000 in addition were collected as "Department Earnings," being fees in different offices, service receipts, etc. The figures of the Water and Light Department are not included in the above.

The system in vogue is the usual one of the general assessment of real and personal property, the franchise value of public service corporations being included in such assessment. The assessment within the corporate limits of the city is made by the city assessor, subject to review by a local Board of Equalization and later by a County Board and finally to equalization by a State Board. The final product is the basis of all taxation, city, county, school and state. The city tax levy is made by the Common Council which, however, is inhibited by charter provision from exceeding in this regard the previously reported estimate of the so-called City Conference Committee.
The levies for county, school and state purposes are made by the duly con-
stituted authorities in the several branches of administration and are subject to limitation by statute.

In the Assessment of Real Property for taxation it has been the local policy to assess the land itself at approximately one-half of its market value, the improvements thereon, however, at only about one-third the actual value. The personal property is also assessed at only one-third its actual value. It is well understood that the personal property assessment is a very unequal one, bearing most heavily in proportion on the small householder and man of moderate means. To quote the words of a competent and reliable public official: "It is comparatively easy to reach a fairly accurate estimate of the personal estate of people of moderate means. A mere glance will often suffice for fairly accurate results. In the returns also of this class there is little to cover up. It is wholly different, however, as to the homes and property of the rich. The rich, as a class, avoid taxation by every means at their command. They cover up and they will not disclose; and it is almost impossible in the vast majority of cases to reach even an approximately correct estimate. It is fair to say that but a very small fraction of the personal property of the rich is ever reached for taxation purposes."

The assessed valuation of the City of Duluth on January 1st, 1906, was $30,636,328.00. This was made up of Real Property $23,768,800, and Personal Property $6,866,528.

The 1905 Rate of Taxation for all purposes was 32.90 Mills, divided, as follows: City 14.90; County 3.57; School 11.40; and State 3.03. Going back for nine additional years, to-wit: from 1904 to 1896, both inclusive, we find the Total Rate at respectively 33.50, 31.40, 34.40, 29.50, 30.00, 24.90, 28.10, 31.40, and 31.40; while the City Rate for the same years was respectively 14.90, 15.10, 17.60, 17.70, 17.70, 13.70, 13.70, 12.30, and 12.80.

The general public, of course, welcomes a tax reduction. It also is inclined to look with favor upon anything that has merely the appearance of such reduction. Therefore a reduction of the tax rate is usually regarded with favor, while an increased assessment is viewed with more or less suspicion and disfavor. It is easily overlooked that the net result may be the same and that the real difficulty, if there be one, usually lies farther back. There is at present some agitation in the City of Duluth in favor of an increased assessment, to the end that the tax rate may be reduced to an equivalent amount.

Perhaps it may be just as well to call attention here to an imposition against which there is agitation at the present moment and as to which there has been more or less of an angry murmur for some time. I refer to the manner in which the railroad corporations of the state have managed to escape local taxation (even to the extent of evading the payment of local assessments for special improvements) by the payment of a more or less inadequate gross earnings tax into the State Treasury.

The contributions that the railroads thus make to the public revenues are notoriously inadequate. But even if the amount thereof were increased
to a proper proportion, there would remain another element of grave injustice, to-wit: the one of the grossly inequitable distribution of the proceeds.

At the present time the resulting revenue from the gross earnings tax is applied in reduction of the general state tax, regardless of where the revenue is produced. Thus the three ore-carrying railroads of St. Louis County, with terminals at the Head of the Lakes, pay an annual gross earnings tax of approximately $750,000.00. The other roads with terminals at Duluth pay about $250,000.00 more. There is thus paid into the State Treasury on railroad business in Duluth and St. Louis County the enormous aggregate of $1,000,000.00. Of this amount St. Louis County receives back (in the shape of a reduction of the general state levy) but a mere bagatelle and all sections of the state, except the larger terminal cities, receive a hugely disproportionate benefit.

When it is considered that the railroad property in the City of Duluth comprises in value one-third of all the property and is exempt from all local taxation even to the extent of the special assessments for street improvements, that the public expenditures for police, fire department and other purposes are greatly increased by virtue of the presence of such railroads and property in the city, and that the remaining two-thirds of the property is thus charged with the entire burden of local taxation, the grave injustice of the imposition becomes at once apparent.

The present agitation in the matter is directed to the point of securing for St. Louis County and the City of Duluth that proportion of the railroad taxes now paid into the State Treasury as would be justly and fairly due them if this railroad property were assessed for local taxation and contributed its share of the local taxes like other property. It has been estimated by competent authority that the additional amount which would thus flow into the city and county treasuries, in proportionate reduction of local taxation, would be approximately ninety per cent. of the railroad gross earnings taxes originating at this point.

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MUNICIPAL TAXATION IN HOLLAND.

Prof. H. Kiersch, Rotterdam, Holland.

The villages and towns in the Kingdom of the Netherlands are known as communes. While they have a government of their own, they are nevertheless subject to the administrative control of the provincial authorities as exercised through a standing committee of the Provincial States. This standing committee supervises the management of the communal property and finances, but in case of a conflict of decisions the final determination of the dispute rests with the central government.

The communes possess but a limited power of taxation. They are forbidden to levy taxes on articles for consumption, articles in course of transportation and on means of communication. Nor can they levy a tax on any
property which is subject to a tax of the central government. But they are allowed to put a surtax, up to a maximum of 50%, on the amount of taxes on realty and on the individual expenses paid to the central government.

The income of the communes is mainly derived from two sources:

1. From receipts for the various services rendered by the institutions, establishments, and public works, of the commune.

2. From a capitation tax, a tax on incomes and a tax on dogs.

The early form of tax on incomes was to levy the tax on a supposedly certified income, so far as it was liable to be ascertained. But this loose method of taxation was too unproductive and precarious and so was abandoned for a more rigorous income tax. The old method still prevails in only one large city, the Hague, and this circumstance coupled with its other attractions has made the capital city the resort of our millionaires.

The two large cities of Amsterdam and Rotterdam with their large masses of workmen and therefore great demand for communal expenditure to supply their social needs, were forced by their necessity for increased revenue to abandon the old form of taxation. The rate of the tax on incomes from realty has risen from 3.4% to 4% in Rotterdam and to 5½% in Amsterdam. Although their needs were greater, the hostility of the taxpayers to the income tax forced these two cities to resort to a new form of taxation instead of increasing the rate on incomes. So a resort was had to a street-tax, a tax levied on buildings in proportion to their frontage on the street and their rental value.

But the efforts of the cities were insufficient to supply them with enough revenue and it was impossible for the cities to meet the difficulties of their situation. And so the central government to relieve the communal governments from the apparent necessity of violating the fundamental law on taxation was forced to pay large sums to uphold the enfeebled blood-drained corpses of these modern communities. And it is the opinion of many that the state contributions are still too low in view of the increasing burden imposed on the cities by the unshaken, steadily accruing influx to the cities of the country people who are to some extent at least unemployable.

The total actual revenue of Amsterdam was in the past year (1905) more than 20 million gulden and in the same year the revenue of Rotterdam was nearly 13 million gulden. The approximate figures for their revenue from the state — contributions, surtaxes and real taxes — are:

Amsterdam: fl. 3,200,000 fl. 2,200,000 fl. 5,800,000.
Rotterdam: fl. 1,000,000 fl. 847,000 fl. 2,100,000.

Ascending to a provision of the law in Rotterdam, in the interest of the lower and middle classes, 500 gld., is deducted from all incomes before the tax is imposed, and in addition all balances so found, with a maximum of 800 gld., are subject to only 50% of the rate, while in Amsterdam there is no general deduction but the rate on incomes from 6000 — 2,300 fl. is progressive from 4% to 9½%. And in this latter city a deduction is made according to the number of children so as to especially favor the recipients of the lower incomes, it being possible to secure a maximum reduction of 96.4%.
The rate of taxation for all incomes is the same, whether for a large or a small income. But for convenience sake the various incomes have been divided into classes. In Rotterdam there are 45 classes between the amounts of income from 600 fl. to 12,500 fl. and one class for each additional 1,000 fl. income. And in this city the tax-payer pays the lowest sum in the class in which he falls. In Amsterdam there are fifty classes between the incomes of 600 fl. to 100,000 fl. and one class for each additional 10,000 fl. income. Here the taxpayer pays in proportion to amount of his income, unless he refuses to give a detailed account of his income, under which circumstances he pays a tax on the highest sum of his class, without regard to the fact whether he indicated his income or the tax-assessor. From the decision of this officer, an appeal lies in the first instance to the communal council and for a final decision to the standing committee of the Provincial States.
BOOK DEPARTMENT

NOTES


The sub-title of this little booklet is "The First American Anarchist, a Sociological Study." In calling Josiah Warren an anarchist, the author means only to imply that "anarchism is a tendency, moral, social and intellectual, which questions the infallibility of statute laws, and the divine right of authority." His development from the earlier years when as a member of the New Harmony Community, founded by Robert Owen, he sees the failure of certain social theories is traced, and those who are interested in the growth of social theories in this country, will welcome this little volume.

The vivacity of a Frenchman coupled with a Frenchman's search for motives and philosophies, has been applied to the British fiscal question, "British Imperialism and Commercial Supremacy" by Victor Bérard. It is translated into English by H. W. Foskett so that England may profit and that the strong criticism of a disinterested student may be taken to heart by the British nation. The analysis in the book is keen, its style lively, and it is interesting reading. The book is almost an economic history of England for the period of J. Chamberlain's activity. That statesman comes in for the lion's share of attention; free trade and protection are thoroughly analysed and the illustrations used show wide reading.
There is some reference to American competition, but it is Germany that the writer is chiefly holding up for English study and emulation. His personified account of Germany's 19th century transformations borders on the dramatic.


173
The Annals of the American Academy


Carroll, B. H., Jr. Political History of Europe, from 1815 to 1848. Pp. 221. Price, paper, $2.00; boards, $2.50. Waco, Texas: Baylor University. Reserved for later notice.

Carver, Thomas N. Sociology and Social Progress. Pp. vi + 810. Price, $2.75. Boston and New York: Ginn & Co., 1905. The author is Professor of Political Economy at Harvard University, and although in this volume he wanders far from the field of ordinary theoretical economics, he has given us a volume of very great value in sociology. It is not a monograph, but a collection of readings most carefully selected and arranged.

The volume is divided into three parts. Part I, The Nature, Scope and Method of Sociology, containing long abstracts from Comte, and as regards the general distinction between sociology and the specific social sciences, from Stuckenberg. Part II, Sociology as a Study of Social Progress,—the Direction of Social Progress—with abstracts from Comte, Ward, Fiske, Patten, Robinson. Part III deals with the Factors of Social Progress with four sub-heads—A, The Physical and Biological Factors. B—Physical Factors. C—Social and Economic Factors. D—The Political and Legal Factors. Under A we find a discussion of the physical laws over the individual and the organization of society. Under B, moral and intellectual laws, religious beliefs, genius, and imitation are discussed. Under C, the influence exercised by religion, literature and government, the struggle for the life of others, natural selection and social selection, crime and degeneration; while under D, the forms of government and the limits of the authority of society over the individual are among the leading factors treated, with quotations again from the most prominent authors in the various fields.

The compiler has produced a volume which will be of very great service to those of his readers who wish to get a general conception of the ideas of the best thinkers and students of society, but who have not the time to read the works in extenso, nor the wisdom to choose well. It will likewise be of great service in schools and colleges, having already been adopted in the University of Pennsylvania.


This valuable addition to "The Questions of the Day Series" is a translation of the original report. The translator's name is not given, but the publishers say that the translation is complete and accurate. This official report has already been widely commented upon and will be welcomed by those who wish to see to what extent the administration of the Free State is criticised by the King's own commissioners. A large part of the abuses pointed out, in the opinion of the committee, could have been avoided for "almost all had as their primal cause, the difficulty of securing work from the negro."


Mr. Crosby is an American army officer and therein lies one of the important features of the book. We have had a succession of explorers and travellers in the same region and plenty of European representatives of one side or the other of the British-Russian contest for Asia. Mr. Crosby claims to be an impartial observer but he was apparently considerably impressed by his sojourn in the luxurious and much-used private car which the Russian minister of railways always has on hand to carry into Central Asia any foreigner of title or supposed influence.

Mr. Crosby lays small claim to being an explorer. He had some difficult travelling in crossing from Russian Turkestan to Chinese Turkestan and thence across Western Tibet to the headwaters of the Indus and the Indian railway system whence he went to Bombay. He gives an interesting narration of the journey but the book is mainly a discussion of questions and problems rather than an account of exploration and travel. Mr. Crosby seems to be a philosophically inclined anti-imperialist. He thinks that Turkestan is soon to be all Russia, and that the Younghusband trip to Lhasa was a great blunder in that it broke down a bulwark of Asia and started Russia and England on a parallel race to the back door of China. This he thinks has merely increased the complications of England, a country which may overtax herself because she rules foreign races by the sahib quality of some of her people, and he fears that she may overreach herself.

Although Mr. Crosby did not, according to the small scale map that the book contains, get within 550 miles of Lhasa, the Younghusband expedition and the Tibetan question come in for a large share of attention. He also suggests and starts an interesting speculation into the social and political effects of irrigation on Asiatic (and probably other) peoples.


Reserved for later notice.


It is a pleasure to record the publication of this biography written by one who belongs to the Catholic Church. In many ways it does not com-
pare favorably with the well-known biography of Sabatier, to which the author gives high praise. But inasmuch as Sabatier was a Protestant, this will be all the more appreciated by the Catholic co-religionists.


Reserved for later notice.


These four volumes of school histories have been prepared in consultation with Professor Albert Bushnell Hart, of Harvard University.


The publication the last two or three years in the New York "Independent" of a number of life-stories, largely of humble people, told or written by themselves with as little editing as possible, has attracted considerable attention. The editor of the "Independent," Mr. Holt, has done a genuine service in presenting sixteen of these stories in the present volume. It is doubtful if the life-story of an equal number of distinguished Americans would have more human interest or real worth than these. When it is remembered that the majority of these are the stories of immigrants, many of them of the type commonly considered as problems, its value at the present time is accentuated. These stories are as interesting as any novel with the additional advantage that they are stories of actual life, so the Polish sweatshop girl, the Italian bootblack, the Greek peddler, the Swedish farmer, the French dressmaker, the German nurse-girl, the Japanese servant, the Chinese laundryman deserve wide reading. Included in the number are a few of native Americans—the life-story of an itinerant minister, of a negropeon, of an Indian, and of a farmer's wife. Of these, only one fails to ring true, and that is the story of the farmer's wife which is more or less sour because she is not and cannot be what she would be. It strikes a sadly discordant note because it is the one story of failure to overcome obstacles which have made the writer bitter.


See "Book Reviews."
Book Department


Volume VII of the Histoire de France, published under the editorship of M. Lavisse, describes the reign of Louis XIV from 1643 to 1685. Part I discusses La Période Mazarine, L'Installation du Roi, Le Gouvernement Économique, Le Gouvernement Politique, and Le Gouvernement de la Société. It is written by M. Lavisse himself. Excellent are the character sketches of Mazarin, Colbert, and "le grand Roi." M. Lavisse adds, "Ce surnom, il faut le lui laisser, mais il est remarquable que personne n'ait dit que Louis XIV fut un grand homme." The general reflections on La Fronde (pp. 42-44), the statements concerning the national character of the French (p. 263), and several passages about the economic conditions deserve quotation; but better yet the whole volume should be translated. It is a masterly sketch, told in fitting manner, and it holds continuously the eager interest of the reader. It is certainly the equal of any volume in this remarkable coöperative work.


Reserved for later notice.


The author of this volume is instructor in Zoology in Crane Manual Training High School, Chicago. His chief purpose is "to prove and interpret the kinship of the human species with the other species of animals." The first eleven chapters are devoted to "a proof of the physical kinship," that is, a statement of the idea of evolution leading up to man. In the second group — five chapters — the physical kinship is traced, and much that exists in modern society is but a holdover from more primitive conditions. "(Instead of the highest, man is in some respects, the lowest of the animal kingdom. The most unchaste, the most drunken, the most selfish, the most conceited, the most miserly, the most hypercritical, and the most bloodthirsty of terrestrial creatures.)" Human nature, therefore, is in large measure, the product of the jungle. And from the provincialism of modern times, with its man-centered ethics, we must turn to a more permanent conception. Ultimately the author believes peace, justice, and solidarity will rule.


Reserved for later notice.


Reserved for later notice.


Reserved for later notice.
The Annals of the American Academy

Reserved for later notice.


This book is a discussion of nine administrative problems and the solutions adopted by the principal colonial powers. The author devotes to his task an extensive knowledge of the colonial records and laws and brings into each chapter a digest of a vast amount of material. The problems discussed are: Education and Social Improvement, Colonial Finance, Currency and Banking, Commerce, Communication, Agricultural and Industrial Development, Land Policy, Labor, Defence and Police.

Reserved for later notice.


See “Book Reviews.”

This second volume of the papers read before the Sociological Society of London, England, deserves the careful attention of American social students. The method followed in the book is to have a particular paper followed by the report of the original discussion together with written communications from experts the world over and various contributed notes, the author being given a chance for the final reply. Mr. Francis Galton contributes three papers, first, Restriction in Marriage—second, Studies in National Eugenics—third, Eugenics as a Factor in Religion. These essays are extremely valuable and suggestive. Prof. Patrick Geddes continues a discussion begun in volume I on Civics as Concrete and Applied Sociology in which he gives some most interesting tables that are well worth the careful attention of any one dealing with social problems. Prof. M. E. Sadler contributes an important article on The School in some of its Relations to Social Organization and to National Life. Dr. Emil Westermarck discusses The Influence of Magic on Social Relationships. Prof. Hoeffding treats of the relation between Sociology and Ethics. Dr. J. H. Bridges states
Some Guiding Principles in the Philosophy of History. Mr. J. S. Stuart-
Glennie contributes three papers — first, The Place of the Social Sciences in
the Classification of Knowledges. Second — The General Sociological Laws
and the Anthropological Bases of Science and Socialization. Third, Applica-
tion of General Historical Laws to Contemporary Events.

See "Book Reviews."

This is the third volume of the valuable year-book gotten out under the
auspices of the American Institute of Social Service. In his preparation, Dr.
Strong has been assisted by Mr. William H. Tolman and Mr. William D. P.
Bliss. The volume on the whole is a decided improvement over the earlier
volumes particularly as regards freedom from typographical errors which,
owing to peculiar conditions, were unusually conspicuous last year. It is,
of course, impossible to get accurate statistics of all the various topics under
discussion, and some of those given are of very little value. More careful
editing would probably improve the volume in this respect. The bibliogra-
phies are likewise open to criticism, containing much that is compara-
tively worthless along with much that is of very great value, with very
little to indicate relative worth. It is, however, the most useful work we
have, and will therefore be widely used.


The Two Hundred and Fiftieth Anniversary of the Settlement of the Jews
tive Society, 1906.
This volume contains the addresses delivered at Carnegie Hall, New York
City, Thanksgiving Day, 1905, together with addresses delivered elsewhere
in commemoration of the two hundred and fiftieth settlement of the Jews
in the United States, and includes in the appendix numbers of editorials from
the leading papers of the country relative to the Jews in America. It em-
body therefore, in appropriate form, the exercises connected with the anni-
versary celebration, and will serve as an interesting reminder that the Jews
have been in this country almost from the first and have borne their full
share in its development.

No lover of American literature can fail to be pleased — unless he totally
despises Walt Whitman — with this most interesting story by a man who
knew Whitman intimately. Mr. Traubel kept notes of his conversations and
talks with Whitman, and these notes, with practically no editing, he has
reproduced in this volume. The period covered by this book is from March
28 to July 14, 1888. Particularly to be commended in the volume are the
excellent portraits of authors and contemporaries of Whitman, together
with letters and other manuscripts from noted people.

Wenstromarch, Edward. The Origin and Development of the Moral Ideas.
   Reserved for later notice.

   Reserved for later notice.

Woods, Frederick Adams. Mental and Moral Heredity in Royalty. Pp. viii
   Not since the publication of Hereditary Genius by Mr. Francis Galton, have
   we had so complete a study of this most interesting and important topic.
   The author, formerly instructor in the Harvard Medical School, is now lec-
   turer in the Biological Department of the Massachusetts Institute of Tech-
   nology. Believing in the profound importance of inherited characteristics, he
   has undertaken to show what part heredity really plays in the make-up of the
   human being. Inasmuch as the royal families of Europe have been most
   clearly in the public eye, and therefore as the facts regarding each member
   of these families are more easily available than from any other group of
   modern society, he has taken them as a basis of study. Dr. Woods has
   avoided some mistakes of Galton and other predecessors by including
   every person of blood relationship about whom anything could be found, and
   in counting inheritance through the mother as of as much importance as
   inheritance through the father. 3,312 distinct persons are embraced in the
   study and the author has attempted to grade in groups numbered from 1
   to 10, these different individuals as regards their intellectual and moral
   traits. This grading is evidently the key of the whole work, and the author
   believes he has been approximately successful, although from a scientific
   standpoint, the student can scarcely regard the failure of mention in Lippin-
   cott's Biographical Dictionary as an absolutely trustworthy index either of
   capacity or attainment. Without going into the details of the method, the
   author shows, to his own satisfaction, at least, that the development of
   great men in the history of Europe has been largely the product of heredity;
   that is, the great opportunity has not always produced the great man. We
   may understand his position by assuming that we have six families — 1, 2,
   3, 4, 5, 6. Of these families, 1 and 2 possess unusual physical and mental
   ability; 3 and 4 are average; 5 and 6 are mediocre. Whenever family 1
   intermarries with family 2 the result is a line of strong men and women.
   When 5 and 6 intermarry, the result is almost beyond question, a line of
   inferior people, and where the lines cross, the various elements have exerted
   just about their proper proportion. Whether the author has satisfactorily
   proved his contention will be questioned by many people, but his volume is
   of very great value in calling attention to an important though often neglected
Book Department

field of inquiry. It is worthy, therefore, of careful study. In arrangement and presentation the author has been very successful, while numerous portraits of the individuals studied, add to the interest of the work.

REVIEWS


Mr. Colquhoun's book is a study of the race question in South Africa, and a plea for the imperialistic idea. As first Administrator of Mashonaland, he spent twenty months (1890) in South Africa. Fourteen years later he returned to visit all colonies and protectorates.

The subjects taken up are those dealing with actual conditions and present day affairs; geographical and historical matter are merely incidental. Four maps and a good subject index are included.

The book is divided into three parts:

I. Black South Africa.
II. White South Africa.
III. On the Knees of the Gods.

Part I deals with the Black Problem "as being the first, the greatest and the most pressing of all the difficult questions that arise." The author avoids theories concerning the ethical rights of the negro unless the theories have an economic basis. The virtues and vices of the Kaffir are impartially set forth; his economic value in mining, farming and domestic labor is enormous and the question of inducing him to work is interestingly discussed. He must be, in some measure educated—but "to what end?" It is difficult to work out a scheme of education for the native while it is still undetermined what place in the national scheme shall be his. Industrial education is urged. Land tenure, the future of the black races, the British Indian in Africa, missionary influences and other subjects are presented.

"Political rights," the author uncompromisingly states, "do not belong to the conquered race but we can all the more afford to grant them "privileges." He does not suggest how these privileges shall be secured to them; nor how the "conquered races" shall be insured against exploitation.

In Part II the reader becomes intimately acquainted with the Dutch Africander. His language, school and church; his part in private and public life; his agricultural prospects and the mineral wealth of his land—these questions and many more are presented at length.

"My observations in various parts of the world lead me to believe that imperfect as is the Imperial method of governing subject races, it has proved so far the best yet devised"—the development of this idea constitutes Part III.

The style is easy. The ideas are clear cut and well arranged. The problems pressing for solution are almost hopelessly intricate and the reader feels that they have been well presented by one who knows.

Philadelphia

Henrietta Stewart Smith.
This book is the second of a series of works consisting of selections on economic subjects, and is essentially a compilation of various articles and papers dealing with labor problems. These are selected largely from economic and trade journals, and each one is intended to illustrate one or more phases of the subject. The book comprises twenty-eight chapters and thus permits an extensive discussion of this many sided and intricate problem. The editor has with judgment and discrimination endeavored to collaborate the best of recent literature available for his purpose. Rapidly changing conditions necessitate this: hence but a single paper antedates the year 1900. The plan of arrangement of the book is apparently somewhat obscure. Nevertheless we are fortunate in possessing such a compilation of the thought and painstaking work of many thorough investigators.

The book is another attempt to apply the "case method" to the study of economic problems. Intended as a text, it is not designed, however, for use as an elementary work but rather in connection with a lecture course, to which it is certainly better adapted.

A large portion of the material of the book is descriptive in character and, therefore, enables the reader to secure a good understanding of the actual conditions existing, and of the methods in vogue, in the different industries described which typify the labor movement. This impressive view of a cross section of the current of labor history is gained indeed at the partial expense of the view both up and down the stream.

The editor’s introduction is very valuable, being a short but careful analysis of the book. He points out its salient features and by adding numerous foot notes enables the reader more readily and effectually to trace principles discussed in different chapters of the book. The several chapters contributed by the editor are strong portrayals of labor conditions and of the methods and policies of labor unions. Special mention should be made of the discussion of trade agreements and the illuminating facts in regard to the relation of the various foreign elements to American industry and to the associated labor problems.

Two articles of more than ordinary importance are those discussing the negro artisan and the printer’s health. The significance of the negro as a factor in the realm of labor has hitherto received but scant attention in a general discussion of labor problems. Omitting him, however, no such discussion can be complete. The health of the laborer, whatever be the nature of his employment, is a matter of serious interest. Both our individual and social welfare are involved. Americans have been insufficiently disturbed over this problem, and a chapter discussing the health of the employee will, it is hoped, produce a wholesome effect by encouraging a study of this subject.

Important features of the labor problem, such as: the sweating system, employment of women, hours of labor, and systems of benefit and insurance, are well treated, but the question of child labor might have been afforded additional space. Labor legislation and the attitude of the courts toward
certain questions involving the conditions of labor are given appropriate
attention.

A book consisting wholly of selected papers can with difficulty cover
the entire field of a subject adequately, without becoming somewhat bulky.
This difficulty the editor has largely overcome. Still it is to be regretted both
for the benefit of the student and the lay reader that such subjects as
wages, unemployment, standard of life, and the relation of immigration to the
general conditions of American labor did not receive more specific attention.
The book, however, is invaluable to the student; it places in accessible form
a mass of most important material, and heartily commends itself to the
reader.

G. B. MANGOLD.

University of Pennsylvania.

Literature on the Railway Rate Question.


Meyer, Hugo R. Government Regulation of Railway Rates. Pp. xxvii,

Ripley, William Z. The Trunk Line Rate System: A Distance Tariff.
February, 1906.

58. Price 75 cents. Boston: The Quarterly Journal of Economics,
November, 1905.

The earnest effort that is being made by the American people and by Con-
gress to solve the problem of governmental regulation of railway transporta-
tion has resulted in the production of several books and papers by technical
and academic writers. This review is concerned with three books and two
papers whose importance demands more than a passing notice.

Mr. Henry S. Haines, the author of the volume entitled "Restrictive
Railway Legislation," is an engineer and railway manager of high standing.
For a number of years Mr. Haines was vice-president and general manager
of the Plant System of railroad and steamship lines. For a while Mr.
Haines was commercial manager of the Southern States Freight Associa-
tion and for some time he was president of the American Railway Associa-
tion, for the development of which organization, he, more than anybody
else, is entitled to credit. The volume on American Railway Management,
published a few years since, contained a number of valuable and influential
papers. The past record of Mr. Haines gives him a high rank among writers
on railway transportation.

The present volume contains twelve lectures delivered in April and
May, 1905, before the Boston University School of Law. The fact that the
chapters were written to be delivered as lectures accounts, in part at least, for the general and somewhat superficial treatment of the subjects considered. The lectures dealt with railway corporations, railroad finance, construction, operation, traffic, and rate making, and discussed the theory and practice of governmental regulation of railway rates in the United States.

The book is eminently fair and impartial. The work is not scholarly in the sense of being the result of the study of literature, but is practical in that it presents the results of a long and varied experience as railroad manager. Of the three books considered in this review, the book by Mr. Haines is unquestionably the best, despite the fact that the subjects discussed in the volume are not treated systematically. The historical portions of the book suffer from the author's inadequate study of the literature of transportation. The history of traffic associations and pooling is especially brief and superficial, and the account of the granger legislation is inadequate. Mr. Haines's views upon the burning question of Federal regulation of railroads are sound and conservative. He is of the opinion that a law empowering the Interstate Commerce Commission to adjust rates will not work to the detriment of the railway interests, nor that such a law will transfer to the railway officials or to the commission the general business of rate making.

"The very fact that there were filed with the Commission in 1903 some 160,000 tariffs and over 250,000 concurrences in joint rates demonstrates the fallacy of such a notion. The Commission could assume no such general rate-making power, simply because it would be impracticable. Only in the cases in which the railroad companies acquiesced would the ideas of the Commission as to exact rates have any immediate effect; for in the other cases, in which the railroad management felt that the orders of the Commission were erroneous, they would have all the protection afforded to any other interest which may be affected injuriously by restrictive legislation."

"Indeed, the action taken by the railroad management recently, in voluntarily submitting the adjustment of differentials at the North Atlantic ports to arbitration by members of the Interstate Commerce Commission, rather precludes them from questioning the competency of the Commission, in bono, to fix just and reasonable rates, since this is one of the rate problems most difficult of adjustment,—one which the managers of our most important lines had confessedly been unable to determine among themselves."


Judge Noyes's book is sound in principle, impartial in spirit, and clear in statement, but its value is lessened by the fact that it is in greater part an elementary presentation of what has been more fully stated by more
than one previous writer. Indeed, it is difficult to understand why the volume was written, except upon the theory that many books upon the same subject are better than a few.

The discussion of freight classification constitutes a good feature of the book and is the best presentation that has yet been made of that subject. General students of railroad rates are under obligations to Judge Noyes for the information contained in this portion of his volume.

The most interesting chapters of Judge Noyes's book, and indeed the only part of the volume which may lay claim to originality, is that in which he discusses the power of the State and Federal governments as regards the regulation of railroad rates. The author draws a sharp distinction between reasonable and confiscatory rates. He holds that the courts have the power to condemn a rate fixed by a carrier if the rate is unreasonable, but when the rate is one fixed by legislation the courts can only decide whether or not the charge thus fixed is confiscatory. In the discussion of this question he uses the following language:

"The courts, under the common law, have power to pass upon the reasonableness of the charges of common carriers. In determining the question of reasonableness, the courts must consider all the factors entering into the rate. They may substitute their judgment of a just and proper charge for that of the carrier. But the courts cannot substitute their judgment of a reasonable rate in place of that of the legislature or the legislature's subordinate body. The act of the legislature in fixing a rate is a law that such shall be the rate. The courts can no more question its expediency or propriety than in the case of any other law. It is immaterial whether they think, under all the circumstances, that it should have been greater or less. The courts have nothing to do with legislative-made rates except to determine whether they violate constitutional provisions. The inquiry is whether the rates prescribed by law are so unreasonably low as to infringe the property rights of the railroad. The duty of the courts is to determine whether the rates are confiscatory, not whether they are fair between shipper and carrier."

"... And it makes no difference that the statute empowering the commission to act provides that rates shall be reasonable and just. This is a general rule for the commission, but the discretion to be exercised in determining what rates are reasonable and just is the discretion of the commission upon which the discretionary power has been conferred, and not of the courts upon which the power has not been conferred. If a definite standard were prescribed according to which rates should be made by a commission — e.g. that they should be two cents per ton-mile, the courts might be called upon to determine whether the commission had departed from the rule and thereby exceeded its delegated powers. But the courts could not substitute their opinion of reasonableness — where there is no definite standard — for that of the commission unless the limit of confiscation were reached. And this for two reasons based upon the same principles:

"(1) The courts cannot participate directly or indirectly in the exercise of the legislative rate-making function."
"(a) The courts cannot interfere with the exercise of legislative power except upon constitutional grounds."

Judge Noyes takes the ground that a commission cannot be given the power to pass upon the reasonableness of an existing rate because the determination of a controversy involving "the reasonableness of an existing rate" is a judicial function, and "judicial and legislative functions cannot be combined." This exposition of the law is in accordance neither with the practice of the American States nor with the theories of the powers of the Congress as expounded by Senator Knox and other leading lawyers of the United States Senate.

The above interpretation of the powers of Congress and the courts leads Judge Noyes to advocate an interesting plan of governmental regulation of railroad rates. His method would be the creation of a special court to try complaints regarding railroad charges. If rates thus complained of were found to be reasonable, the complainants would have no further action. "If the rates were found to be unreasonable, the court would be empowered to enjoin further collection of the rate, and it would become the duty of the court to send the papers in the case, together with the evidence, to the Interstate Commerce Commission which should be empowered, upon inspection of the papers, to then make a maximum rate to take the place of that found unreasonable by the court. The rate prescribed should remain in force a prescribed time, but should be subject to modification by the commission. No hearing before the commission would be necessary or expedient. Speedy action would be possible and should be required."

This plan of governmental regulation is open to the criticism not only of being based upon a questionable interpretation of the powers of the Congress under the Constitution, but also of being a method that would probably not work satisfactorily. To compel a complainant to establish the fact of an unreasonable rate by the ordinary processes of the courts, and then to wait for the commission to pass upon the questions of fact that had been before the court and to reach a decision, would so delay the settlement of the controversy as to deter most shippers from endeavoring to seek a remedy. Moreover, the functions of the commission would become so unimportant that the court would become the real investigator of the facts, whereas the law intends that the facts should be investigated by a non-judicial body such as the commission.

Professor H. R. Meyer's book on "Government Regulation of Railway Rates" has attracted wide attention, and has been much discussed because it presents a vigorous argument against the extension of governmental authority at a time when that subject is the leading public question. The author is one of the few economists who believe in the "regime of individualism," or governmental non-interference. Unfortunately the author is temperamentally a doctrinaire and an advocate. His book evinces a great amount of study, but the results of his labor are greatly injured by the author's unscientific spirit.

The general problem of governmental interference in the matter of railroad charges is excellently stated in the opening paragraph of the
Introduction to the book: "The problem of the public regulation of railway rates is threefold. It involves: first, the question of personal discriminations by means of secret departures from the published rates; secondly, the question of the reasonableness of rates per se; and, lastly, the question of the relative reasonableness of rates. Lack of space compels the dismissal of the first and second questions with a few brief statements."

Professor Meyer is altogether correct in saying that the great problem of governmental regulation is that of securing the relative reasonableness of rates. Professor Meyer's book, however, is written not to state all the facts upon both sides of a controverted question, but rather to prove the following thesis, also contained in the Introduction of his book: "Every effective effort to regulate railway rates in general will arrest the decline of rates, by producing a dead-lock of conflicting sectional interests, will prevent the railways from developing a volume of traffic sufficiently large to justify the maintenance or the building of railways of the highest attainable efficiency, will check the development of the resources of the country, and will demoralize the politics of the country."

The first half of the volume is devoted to a survey of the methods and results of governmental regulation of railways in foreign countries—Germany, France, Austria-Hungary, Danubian Principalities, Russia and Australia. About one half of the space given to foreign countries is taken up with a discussion of the Prussian railway policy.

The author's vigorous condemnation of the railway policy of Prussia and other foreign countries loses much of its force from the fact that the author has never visited any of the countries under consideration; he has never seen what he is discussing. Doubtless the polemic would—in spite of the author's preconceived antipathy to State interference—have been much milder had he studied foreign railway management on the ground, and had he gotten his information regarding each country directly from the lawmakers, state officials, and railway managers who are responsible for the railroad policy under investigation. This method of study would also have enabled the author to avoid numerous errors of fact and judgment contained in his volume. Prof. B. H. Meyer of Madison, Wis., who is the best informed man in the United States regarding the German railway management, has pointed out in a long article in the Journal of Political Economy for February, 1906, a large number of mistakes in the facts contained in Prof. H. R. Meyer's book. In view of the criticism by Prof. B. H. Meyer it is unnecessary to enumerate in detail the errors contained in Part I of the volume under review.

Part II of the book is concerned with the railroad problem in the United States. The first four chapters of this half of the book are unquestionably the best in the volume. They contain a concise and in most respects an accurate, account of the geography of American industry and trade. The last six chapters of the book deal with the work of the Interstate Commerce Commission and are the weakest portion of the volume. From a literary point of view these chapters are especially defective, because of inexcusable padding. Page after page is devoted to quotations from the decisions of the
Supreme Court when a brief statement of the conclusion reached by the Court would have been preferable. The discussion contained in the two hundred pages devoted to the Interstate Commerce Commission would have been greatly improved had it been reduced to one hundred pages in length.

Method of treatment, however, is unimportant as compared with the content of what is said. The author's bias distorts his view, causes him to state only such facts as bear out his contentions, and leads him to misrepresent totally the work of the commission. The following paragraph near the end of the volume will illustrate the character of the author's discussion of the activity of the Interstate Commerce Commission.

"The foregoing review of the decisions of the Interstate Commerce Commission has shown that the commission has condemned all but one of the rate practices by means of which the railways have made themselves the most powerful single factor in the development of the resources, industry and trade of our country. That single exception was the approval of the practice of giving Philadelphia, Baltimore, and the other northern Atlantic ports differentials which permitted those ports to become competitors of New York City in the export of agricultural products and of manufactures. It is important to note that that approval came after the Supreme Court had completely reversed the commission in Interstate Commerce Commission vs. Texas and Pacific Railroad Company (162 U. S. 197) and Interstate Commerce Commission vs. Alabama Midland Railway Company (168 U. S. 144) and had instructed the commission that the Act to Regulate Commerce was enacted for the purpose of promoting trade, not for the purpose of throttling it. In the interpretation of that act, the court had said that due consideration must be given to all the interests affected, and that attention must not be fixed exclusively upon the interest represented by the complainant."

A grosser misrepresentation could hardly be made of the work of the Interstate Commerce Commission and of the policy it has followed in dealing with the great question of the adjustment of rates.

The chapters in Prof. Meyer's book that have attracted the most attention are those in which he condemns the railway rate policy followed by the Prussian Government. He contends that Prussia has enforced distance tariffs, that the rates have been inflexible, and that the industrial growth of the country has greatly suffered thereby. The most complete answer to this indictment is made by Professor William Z. Ripley in his admirable paper on "The Trunk Line Rate System: A Distance Tariff."

"The trunk line freight rate system effectively demonstrates certain principles in railway economics which are of importance at the present time in connection with the problem of Federal regulation." . . . "The fallacy of certain objections to governmental control is revealed with corresponding clearness. Three principles in particular deserve mention in this connection. These are (1) that the element of distance should be a prime factor in the final adjustment of rates between competing localities; (2) that co-operation and agreement between competing carriers are essential to any comprehensively fair system; and (3) that permanency and stability of rates are of equal importance with elasticity. . . . "That distance tariffs, modified
in part to suit commercial conditions, are not only theoretically sound, but entirely practicable, this study aims to prove. The bogey of German rate schedules vanishes into thin air when it appears that the greatest railway companies in the United States have for years adopted the same principles in working out their tariffs."

Prof. Ripley's essay is an important contribution to the discussion of railway rates in the United States. The paper states the causes which led to the system of rates prevailing in trunk line territory; explains and charts the rate percentages prevailing in different parts of this section of the country; and shows that the rates on classified freight in this, the most important traffic territory in the United States, in reality rest upon a zone distance basis. This system of tariffs was worked out many years ago and only minor changes in detail have since been made.

Prof. S. J. McLean of Leland Stanford Jr. University is well known to students of transportation as a result of the investigations which he made for the Canadian Government concerning the governmental regulation of railroads. His paper on "The English Railway and Canal Commission of 1888" is in reality a short monograph fifty-eight printed pages in length. It contains the first thorough presentation in English of the work of the British Railway and Canal Commission. The essay opens with an account of British legislation from 1873 to 1888, and then discusses the manner in which the British Commission, acting under the law of 1888, has dealt with "terminals, reasonable facilities, and through rates." The third part of the essay discusses the question of "undue preference," while the fourth part of the essay explains the nature of the British Commission's "control over actual rates." The fifth and sixth parts of the essay discuss the personnel and work accomplished by the commission. Tables appended to the paper present in detail the "subject matter of the applications" made to the commission, the "cases withdrawn or settled either in court or outside," and the "cases appealed from the railway and canal commission." The essay ends with a brief comparison of the British and American railway commissions.

Scientific impartiality characterizes Prof. McLean's paper in every part. The author's investigation has been thorough, and the publication of the essay at the present time is most opportune.

Emory R. Johnson.


The general character and ideals of this series have been already discussed in a review of the first volume that appeared,¹ and our present task, therefore, is restricted to a notice of volumes one, two, and three of the series, which have appeared during the last few months. These three volumes cover the period from the earliest times continuously to the year 1377, thus

¹Annals Vol. xxi, p. 437.
re-establishing the chronological order which it is so desirable to follow in any historical work.

The first impression made by these volumes is that the publishers of the series did not "put their best foot foremost," when they published the tenth volume first. Either of these three would have made a better impression, preferably, the first. Mr. Hodgkin, better than Mr. Hunt, fulfils the promise of the prospectus to make use of recently acquired material and to take advantage of recent teaching. His book is not so intensely English. He does not insist on beginning English history with the landing of the Anglo-Saxons, nor even relegate the earliest history of the island to a few perfunctory pages. On the contrary he has a suggestive outline of the results of investigation of prehistoric races, and a vigorous and adequate narrative of the Roman period. On the difficult question of the "two lost centuries," the fifth and sixth, of which we know so nearly nothing, Mr. Hodgkin also takes a liberal and judicial position. Indeed, his summing up of the testimony of the Roman, Teutonic and Celtic sources and his discussion of the probability that the English race is properly Anglo-Celtic, are as masterly as they are interesting. So through the volume we find scholarly, moderate, and wise treatment of the problems of the early history of England. There is moreover a constant flow of humor or at least of mental alertness which is almost as attractive as Green's fire and eloquence, and yet lends itself much better to accurate historical statement. For instance he speaks of the writers of the Saxon Chronicle as "trying to make the bricks of history without the straw of genuine chronology," and of the few facts that Gildas "imparts to us between sob and sob over the wickedness of the world." Altogether, the volume of Dr. Hodgkin is the most satisfactory single account now in existence of the period of English history up to the Norman Conquest. The usual two or three maps accompanying each volume are in this case two original maps of Roman and Saxon England respectively. There seems no sufficient reason for omitting the wide spreading forests of the Saxon period from the map of Roman Britain. As a matter of fact, the whole early history of the country until far through the middle ages, was the history of a few open spots intervening between vast areas of forest and swamp, and this was quite as true of Roman as of later times. And is it not an unfortunate anachronism to place on a map of Roman Britain such names for the roads as "Watling Street" and "Icknield Way," which were not used till centuries after the Romans had disappeared? Much other fault could be found with the maps, which are traditional and far from satisfactory.

The second volume of the series, covering the period from 1066 to 1216, by Professor George B. Adams, is the only volume written by an American author, but American scholarship is abundantly safe in his hands. His narrative has less ease of style than the preceding work, but it is clear and direct. Nowhere is there a better brief account of the movements of William the Conqueror after he entered England, and other narrative portions are equally readable and reliable. Incidentally he states the same disbelief
in William's intentional scattering of the estates of the Norman barons which has been affirmed by most recent students. In the institutional discussions, Professor Adams repeats views which he has already expressed and which have aroused controversy on a number of constitutional and economic questions. He is one of those writers on the feudal system who put more emphasis on the second word of that expression than do most of his modern colleagues. That is to say he supposes a more systematic and conscious conception of feudal law and institutions in the minds of the men of the medieval centuries than do most other students. Closely connected with this view is his tendency to minimize all the embryonic feudal growths of the Saxon period and to declare roundly that feudalism was introduced into England by the Norman Conquest. Nevertheless his statement of that position made here is very moderate and his distinction between the political and economic elements in the land tenure of the time is an illuminating and suggestive one. Professor Adams's discussion of the Great Charter also follows the lines of his earlier work, pointing out what is certainly true that we have read into that document much that was not in the minds of those who drew it up and agreed to it. Yet it is of great importance notwithstanding its negative character, perhaps on account of it. The fact that a reluctant king was compelled to confess that he had broken the law, to acknowledge that he was as much bound as any of his subjects to obey the law, to promise that in future he would obey it, and to agree that the nobles, the only other effective political body in the state, should compel him to do so,—this certainly was an occurrence of vast significance, even though the specific terms in which this result was attained were relatively insignificant. The author expresses this well, and points out that the grant of the Great Charter brings to an end the rapid development of an almost uncontrolled centralized monarchy that had been in progress during the last three reigns, and ushers in a period when constitutional growth of another kind becomes practicable and actual.

The third volume, by Professor T. F. Tout of the University of Manchester, includes the reorganization of the kingdom after the civil war and the interdict of John's time, the new struggles and civil war under Henry III, the great legislative, constitutional, and military reign of Edward I, and the first half of the Hundred Years' War. This is a time to which more study has been devoted by foreign students, especially those of France, than some others, and of these studies the author has made good use, as well as of his own detailed work within its bounds. It is a pity that the narrative has to be closed at such an incomplete period as that in which this volume leaves it, but the next author will unquestionably need his whole volume to cover the century still remaining in the middle ages.

A word must be said as to the bibliographical appendices to these volumes. They are unique in historical works of this kind, consisting not of a complete list of either primary or secondary authorities in their respective periods, nor yet of just the works actually used by the author in his writing. They are rather essays on the sources and writings for the period, accom-
panied by abundant titles and references. They show very clearly the mastery of the respective periods possessed by each author and are much more like French or American than like English work. Although somewhat inadequate for the professional historian and somewhat detailed for the general reader, they are on the whole of great interest and practical usefulness—which is probably quite the highest praise that can be given to a bibliography.

Indeed this must be the verdict on the whole series, so far as it can be judged from the one-third of it which has now appeared. It is certainly not an epoch-making work, it is certainly not a pioneer into new paths, it gives no new outlook into English history or new synthesis of its elements; but it is full, clear, scholarly, moderate, and useful.

Edward P. Cheyney.

University of Pennsylvania.


Professor Johnson has rendered a valuable service in his scholarly, and at the same time practical, discussion of the money problem. He has made a book which is simple in language and readable, and will therefore prove of high value in the class-room. His experience as a practical instructor has naturally qualified him to adapt his book to such needs, and his ability to do this has not been lessened by his early experience as financial editor of the Chicago Tribune and in practical affairs.

Professor Johnson follows the most careful writers by limiting the use of the word “money” to the metallic money of ultimate redemption and separating it, even in his title, from the more general term “currency.” He groups his definitions early in the work, instead of scattering them through the chapters where the various subjects are discussed. He agrees with other recent writers in qualifying the quantity theory of money by giving due recognition to the variable nature of the demand for money and subjects to careful analysis the influences upon which demand for money depends.

Among the best features of the book is the discussion of the interplay of the various forces which determine the rate of interest, with proper distinctions between capital and money, and between the rate of interest on permanent loans and on call loans. This is a subject which by many writers on money has not been very satisfactorily presented. The manner in which the rate of interest has been discussed has carried the implication, perhaps unintentionally, that rates for the use of capital and money were the same and influenced by the same causes. Probably few economists would really maintain such a view, but Professor Johnson is entitled to the credit of setting forth plainly the distinctions which exist between different forms of loans. It is the mark of a fine mind that it is capable of making closer and closer distinctions between things which appear roughly to be alike, but are in fact essentially different. The failure to make such distinctions has been the cause of costly and absurd errors by bankers and economists, and every step which serves to differentiate the different forms of demand for money and capital serves at the same time to give greater accuracy in reasoning from
cause to effect. Professor Johnson has rendered valuable service in this respect.

Like Professor Pierson in his admirable "Principles of Economics," and many other careful students, Professor Johnson is attracted by the economic harmonies of the theory of international bimetallism. If there is any criticism to be made upon the proportions of his book, it is in the emphasis laid upon this subject, but at the close of the discussion it is admitted that:

"Since 1900, however, these theoretic considerations have possessed no practical importance, for the increase in the output of gold has given gold-using nations such an abundance of money, and caused such a rise of prices, that international bimetallism as a political issue is dead. In 1905 the problem is, not how to keep prices from falling, but how to guard against the intoxicating influence of rising prices."

One of the subjects to which Professor Johnson gives special consideration is that of fiat money. His conclusion is that the greenbacks during the Civil War "were essentially fiat money, getting their value from the utility as money rather than from the Government promise they bore." This is in accordance with the best modern thought and is supported by diagrams and statistics, proving the fluctuation in the value of such money under varying conditions of demand. A sketch is given of the history of fiat money in Austria, Russia and other countries.

In this connection Professor Johnson makes an effort to connect monetary experience with token coins with the principles of bimetallism. There is indeed an approximation towards bimetallism in the management of the token silver money which is now the common medium of exchange in British India, Mexico, the Philippines, Panama and some other countries. There is a distinction, however, between bimetallism in its accepted theoretical form of the free coinage of either metal at the will of the holder, and the method of control over the output of token coins which is the essence of the gold exchange system of these countries. The more moderate opponents of bimetallism have never denied that the creation of a large market for silver, by throwing open the mints to its equal coinage with gold, would raise its value. Their reason for denying the possibility of continuing bimetallism has been based upon the principle to which Professor Johnson refers in his preface,—that the demand for certain forms of money is subject to wide variations. It is for this reason that definite rigidity of relationship between two forms cannot be assured by legislation. The policy of issuing token coins redeemable in gold or in gold exchange gives the demand for money free play, but puts a restraining influence upon the creation of a supply in excess of demand by limiting the issues to the amount which can be kept equal to gold. In this respect, it is a bastard bimetallism only, but it is its departure from the true bimetallic theory which constitutes its safety and advantage. Professor Johnson recognizes the importance of the extension to Mexico and other countries of the gold exchange standard, whose existence has been treated with so much heavy levity by some of the older-fashioned critics of recent works on the subject.

This work of Professor Johnson is limited to money as such. If it is
followed by a similar work on banking, as he proposes, the two volumes will afford a comprehensive and up-to-date presentation of the monetary and banking problem.

New York.

Charles A. Conant.


This is a useful but hardly an authoritative work, by two English barristers, designed to discuss those questions of international law raised during the late conflict between Russia and Japan. Many such questions were brought to the front mainly by the action of Russia and some of which were entirely new. But the real significance of the war from the standpoint of international law, say the authors, was the indifference with which Russia treated the rights of neutrals as those rights had hitherto been understood. Her principal offenses were her refusal to recognize any distinction between absolute and conditional contraband, in placing coal, cotton and food stuffs on the contraband list and in making destination instead of use the test of liability to capture; her claim to destroy neutral vessels before condemnation by a prize court; her infringement of Chinese neutrality; her use of criminal convicts as volunteers; her indiscriminate planting of mines outside of territorial waters and her claim to treat newspaper correspondents as spies. In addition to these offenses against the law of nations she is charged with violating the Declaration of Paris and the treaties closing the Bosporus and Dardanelles, by sending volunteer cruisers through those straits to prey upon neutral vessels; with violating the provisions of the Hague Convention relating to the treatment of prisoners of war; and with violating the customary usages of modern warfare so far as they relate to enemy subjects. At the outbreak of hostilities all enemy subjects were expelled from the viceregency of the East without opportunity to wind up their business affairs and dispose of their property, and enemy merchant vessels were allowed only 48 hours to leave Russian ports. This illiberal policy may be contrasted with the action of Japan and with that of the United States during the War with Spain, although the authors make no reference to it. Where the Russian government allowed 48 hours for the departure of enemy vessels Japan allowed seven days and the United States allowed 30 days (Proc. of Pres. McKinley April 26, 1898) and the capture of such vessels on their return voyage to Spain was forbidden unless they carried contraband of war. Furthermore Spanish merchant vessels which had cleared for a port of the United States before the outbreak of hostilities were allowed to enter such port, discharge their cargoes and depart without molestation. Finally this already liberal rule was extended by a decision of the Supreme Court in the case of the Buena Ventura. Instead of expelling Russian subjects from Japanese territory the Japanese government allowed them to remain upon the sole condition that they register according to rules prescribed by the government. The only serious offense committed by Japan against the rights of neutrals during the war was the cutting out of the Ryeshetelmi from the neutral
port of Chefoo—an act which the Japanese attempted to justify, on the
ground that the Chinese government persistently allowed its ports to be made
harbors of refuge which the Russian ports did not afford. With the excep-
tion of this incident and the further charge that the Japanese were guilty of
violating the Geneva convention in firing upon a Red Cross train, a charge
which the Japanese emphatically denied, Japan's conduct throughout the war
was strictly in accord with the most enlightened usages of modern warfare.
The Russian charge that the Japanese were guilty of treachery as
well as a flagrant breach of international law in beginning hostili-
ties in advance of a formal notification was, as the authors clearly
show, entirely without justification and they might have added it was made
with ill grace, for Russia's own invasions of Finland in 1809 and of
Moldavia and Wallachia in 1877 were begun before a declaration of hostili-
ties. The truth is Japan's action in formally breaking off negotiations several
days in advance of hostilities was equivalent to a declaration of war and
was all and even more than the usages of war require. It deserves to be said
to the credit of the Czar, a fact which the authors overlook in their apparent
desire to make as black a case for Russia as possible, that shortly after the
beginning of hostilities he issued an order announcing that the govern-
ment in prosecuting hostilities would observe the Geneva convention, the De-
claration of St. Petersburg, two of the Hague Conventions and the three
Declarations of the Hague Conference relative to the interdiction of certain
implements of warfare. As a signatory of these instruments the Russian gov-
ernment was, of course, bound to observe them but in going out of the
way to make public proclamation of the fact (which the Mikado did not)
the Czar gave evidence of his desire that the war should be conducted in
accordance with the most humane usages of warfare. It should also be said
that there were no serious infractions of these rules by the Russians through-
out the war. The Russian doctrine of contraband is freely discussed by the
authors though not in an entirely satisfactory manner. It would have been
interesting to compare the Russian practice with that of the United States
during the war with Spain when coal was made contraband only when des-
tined for a naval station, a port of call or a ship or ships of the enemy,
and provisions were likewise to be condemned only when destined for the
ships of the enemy or for a besieged place, thus recognizing a clear distinction
between articles intended for hostile use and innocent use. Under the Rus-

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sian doctrine a cargo of soft coal intended for use in the cotton factories
of Osaka was liable to condemnation equally with a cargo of anthracite in-
tended for the Japanese navy and so was a consignment of cotton intended
for the manufacture of clothing for non-combatants equally with cotton in-
tended for the manufacture of explosives. The authors might have pointed
out Russia's inconsistency in putting coal on the contraband list in the late
war, for it is a matter of record that at the West African Conference of
1884 the Russian delegate went out of his way to protest vigorously against
the inclusion of coal among articles of contraband and declared that his
government would categorically refuse its consent to any convention which
should recognize coal as such.
The authors have included a chapter on wireless telegraphy in war, the greater part of which is devoted to a discussion of the action of the London Times correspondent in sending messages by this method. Curiously enough nothing is said of the action of the Russians while besieged at Port Arthur in communicating by wireless message with the Russian Consulate at the neutral port of Chefoo 75 miles distant, at which place a receiving station had been erected. The right of a neutral to permit the erection of a station within its territory for the receipt of messages for the use of a belligerent was thus for the first time raised in a war and should and probably will receive consideration from the forthcoming Hague Conference.

The chief criticism of the work under review is that it omits much that should be included and includes much that should be left out. There is an appendix of nearly one hundred pages although the rules of war issued by the two belligerents are not included. Nowhere is there any mention of the Hay note for the localization and limitation of the area of hostilities which was approved by all the great powers, including the belligerents themselves. There is a long chapter on international arbitration which contains an unsatisfactory review of the recent cases brought before the Hague Tribunal. This chapter might well have been omitted for there was no instance of arbitration during the war. The submission of the question of the Dogger Bank incident to an international commission of inquiry in pursuance of the Hague Convention was an important feature of the war but it was not a case of arbitration. There is also a hundred page chapter on the law of blockade although this branch of international law was not drawn in question during the war. Finally the work bears evidence of haste in preparation and carelessness of writing. Newspaper reports, chiefly dispatches to the London Times, are the main sources of information for the discussion of the international questions raised during the war. No treatise based on such sources can be regarded as final and authoritative.

University of Illinois,

JAMES W. GARNER.


"There have been many books written about the children of the poor, but, none of them gives us so impressive a statement as is contained here of the most important and powerful cause of poverty." This prefatory judgment of Robert Hunter will be passed on by every one who reads of underfed children as described by Mr. Spargo. The book will live and will set hundreds of teachers and social workers and philanthropists to work in villages and cities throughout the country.

Socialism has many aspects. We are accustomed to draw arbitrary lines between the socialism we approve,—public schools, hospitals, dispensaries, postal service and the socialism we abhor,—community ownership of means of production. When Mr. Spargo suggests compulsory free meals for school children, he is met with the cry of Socialism, which only calls forth a smile and a request for a substitute. Whatever our feeling as to the remedy for starved and half-starved children we are grateful for the vivid, scholarly way
in which this book marshals the experience of two continents in awakening to the physical needs of the children who are compelled to be in school though unfit for schooling.

As epidemics of cholera and plague and Paris fashions cross the ocean, so such agitations as that which elected labor leaders to Parliament on "School Meals" platforms will not spend themselves until we have taken up the problem in earnest. We must substitute systematic and thorough physical examination of school children for perfunctory "going over 2,000 in twenty minutes." When men like Dr. Cronin in New York have records of 40,000 children needing medical care, 25,000 seriously needing dental care, thousands rejected for tuberculosis, etc., we are going to demand that this information be used promptly for the benefit, not of science, but first of these children. If private philanthropy is unequal to the task of supplying shoes, clothing, home meals, eye-glasses, dental care, then, shall our cities pay the bills?

The experience of New York will probably be duplicated elsewhere as the American public is aroused to the condition of the children of the poor. The trustees of Bellevue and allied hospitals were recently asked by two charitable societies to establish dental clinics. The condition of 20,000 children was accepted, the experience of Strassburg and other foreign cities read, but the trustees did not believe they were justified in spending public funds for this purpose until every effort had been made to solve the problem in other ways, referring to family dentist and education of parents. So in American cities the chief immediate result of Mr. Spargo's graphic exposition of the needs of the American child of the poor and European methods of insuring a sound body, will probably be a series of investigations and experiments that will get together first-hand facts for each community regarding its own needs and its resources.

School teachers need this book, social workers, librarians, pastors, editors, all who want to understand the problem of poverty or education. It will help man find his brother even though man be an employer of child labor. It is not only readable, it contains illustrations and facts that are matters of record, absolutely proved. The appendices are valuable for their story of Europe's experience, even though this gives but the positive favorable testimony. Anyone wanting the other side may get it direct from Mr. Spargo or by writing the "Manchester Guardian." That Mr. Spargo presents the dominant need at present is evidenced by editorials in the London "Times," the "Spectator," etc., apparently accepting as proved the statement made in this book regarding Continental Europe. Where American facts are given the author states clearly the basis and the limitations. Such candor and such handling of data are rare, with chapter headings such as "The Blighting of the Babies"; "The School Child"; "The Working Child"; "Remedial Measures"; "Blossoms and Babies." Even though convinced that the remedy — school or communal meals, instead of better home conditions — is worse than the disease, malnutrition or undernutrition, the reader will be grateful for the presentation of the "Bitter Cry of the Children." Whether existing means will suffice is to be tested this next year in New York by a committee of the Association for Improving the Condition of
the Poor, known as Committee on Physical Welfare of School Children, which
has a special fund for cooperating with the Department of Health and De-
partment of Education in a thorough investigation of two neighborhoods,
securing adequate relief of every description and exhausting present means
of caring for children found to be needy. William H. Allen.

New York City.
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1890-91.


1891-92.


1892-93.


1893-94.


1894-95.


1895-96.


1896-97.

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