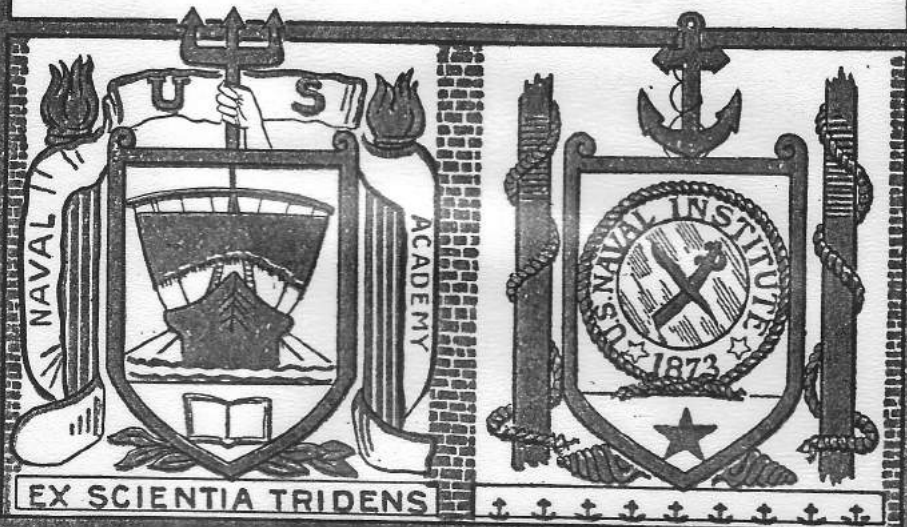


The Revival of the American Merchant Marine

By EDWARD ELLSBERG, Midshipman, 4th Class, U. S. N. A.



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THE REVIVAL OF THE AMERICAN MERCHANT
MARINE.¹

By EDWARD ELLSBERG, Midshipman, 4th Class, U. S. N. A.

The American Merchant Marine of the present day exhibits a curious spectacle. While an immense amount of exports and imports annually passes through the harbors of this country, only nine per cent of them is carried in American bottoms. An American cargo carried in an American ship is the exception and not the rule. While in every other branch of business and manufacturing, the perseverance and enterprise of the United States have made her preeminent, in this branch, which was formerly one of our main resources, we have been admitting ourselves unable to compete with foreign nations.

At one time, ninety per cent of our commerce was carried in our own ships; our merchant tonnage was equal to that of Great Britain and exceeded that of every other nation; and the products of this country were spread over the entire globe. Shipbuilding was then the chief industry of the most prosperous section of the country; every effort was made by law to protect and encourage our foreign carrying trade; and by means of discriminating tonnage dues and other devices, American ships were more than enabled to hold their own, in spite of the competition of other nations.

This condition, however, lasted only to the beginning of the Civil War. The activities of the Confederate cruisers and privateers swept a large part of our commerce from the seas, and drove a larger part to the protection of foreign flags. At the conclusion of the war, shipbuilding was strangled by a heavy duty on all its materials. American capital, especially that of New England which formerly had been almost solely invested in shipping, now turned its attention to developing the natural

¹ The medal offered by The Admiral Trenchard Section, No. 73, Navy League of the United States, to Midshipmen of the 3d and 4th classes for the best essay on a topic either naval or patriotic in character, was awarded for this essay.

resources of the West, to building factories in the East, and to constructing a network of railroads across the continent. Under these conditions, American ships, without government aid or protection, were left to sink or swim, and were unable to hold their own against the more cheaply built and manned ships of other countries. At this time, the substitution of the steel steamer for the wooden sailing vessel placed our shipbuilders under a tremendous disadvantage, for as England then had the more accessible deposits of coal and iron, she was able to construct the new class of vessel more cheaply than we were, and so gathered to herself the greater part of the world's trade. For a short time, our sailing vessels had a slight advantage in the China trade, as they did not have to give up cargo space to coal, but the opening of the Suez Canal, which enabled steamers to recalc en route, gave the last blow to our struggling foreign shipping. Our present merchant fleet, as an aid to this country, has little value.

The revival of our merchant marine brings forward two questions: Are we now able to build and operate a merchant marine? and, Does our need of a merchant marine justify the labor necessary to bring it into existence?

The United States is at the present time able to build and operate a merchant marine, for the conditions which were instrumental in destroying our foreign tonnage, with one exception, no longer exist.

While it is still frequently asserted that we cannot build ships as cheaply as England can, on account of the higher cost of materials, Mr. Cramp, the head of Cramp's Shipbuilding Company of Philadelphia, said before a committee of Congress which was considering the question of removing the existing duties on shipbuilding materials,² "If our shipbuilders could be relieved from that [tariff], they could compete successfully with foreign builders." The tariff on materials entering into the construction of modern ships has been removed, but even this is unnecessary. Foreign steel is no longer cheaper than ours. We have developed the steel industry, until now we supply the world with American steel products. On account of their quality and lower price, American steel rails now find a market in England itself. We are able to manufacture steel here more cheaply than it can be done anywhere else in the world.

² Nation, 71:183.

American shipbuilders are certainly able to build modern vessels as cheaply as European builders, for in a recent competition for the building of two Argentine battleships, in which bids were received from English and German yards, the contracts for both vessels were secured by American builders.

Another cause of the decline of our marine, lack of capital, has also disappeared. The opportunities offered at home for the profitable investment of our surplus capital are becoming limited, and a large part of this capital will undoubtedly be invested in shipping if the necessary incentive is given.

There still remains, however, one obstacle in the path of the revival of American shipping. The cost of operating ships under foreign flags is undoubtedly less, and in order to offset this difference, something will have to be paid to shipowners. We have a tariff to protect our industries on shore, and it is but simple justice that some compensation be paid to shipowners to enable them to operate under the American flag. Some such bounty as this is also necessary in order to bring about the investment of capital in this new channel.

There are various methods proposed of raising and distributing these bounties. The one most frequently discussed is a direct ship subsidy. There are, however, too many objections to direct subsidies to permit their being used. Former direct subsidies resulted only in corruption and failure. The public is generally opposed to direct subsidies, and it is altogether unlikely that any such system could again be established in this country.

There is another method of providing these bounties, based on tonnage dues, which is feasible, though it has never received much publicity. The system first used by Congress to build up our marine, by laying discriminating tonnage dues upon shipping, fifty cents per ton upon foreign ships and six cents per ton upon American ships, was without doubt useful and helped to accomplish its purpose; but on account of existing treaties with foreign nations, we cannot now make use of this method without upsetting all of our commercial relations.

The proposed method differs from the original in that it lays a tax, say of fifty cents per ton, upon every ton of shipping, foreign or domestic, which enters our ports. As this is not discriminating between our own ships and those of foreign nations, no complaints can be made by foreign shipowners. As at the present time, but nine per cent of our commerce is carried in

American ships, the bulk of the money thus raised would be contributed by foreign ships. The fund thus raised would be distributed among our ships, a proper ratio being observed between sailing and steam vessels. The method of raising the fund would determine the proper amount to be given to each vessel, through the record of its payments into the fund.

This sum, raised without any drain on the public treasury and distributed among our vessels, would make it possible to operate profitably a merchant fleet sufficient for our needs. As over 6,000,000 tons of foreign shipping entered our seaports during 1909, the sum of \$3,000,000 would be available for distribution—a sum more than sufficient to offset the lower cost of operating foreign ships.

This system would thus provide the stimulus necessary to enlarge our marine, and at the same time it would automatically prevent the building of unnecessary ships; for as the number of our ships increased, the proportion of the fund paid by foreign ships would decrease, and owing to the larger number of ships participating in the fund, the amount paid to each ship would decrease.

As the above facts show that the United States has the means necessary to build a merchant fleet, and the foregoing system provides a method of profitably operating such a fleet, the only question remaining is whether our need of a merchant marine is sufficiently pressing to employ the means necessary to bring about a revival of shipping.

The effects of leaving our carrying trade in the hands of others in this present age of production for a world market, are becoming felt. At this time, when American manufacturers must have foreign markets to take their surplus products, the value of a safe and efficient method of distributing those products is evident.

At the present time, American manufacturers are complaining of a falling off in the volume of our trade with foreign countries, more particularly in regard to that with China. From a total of \$58,000,000 in 1905, our exports to China have decreased steadily year by year, until in 1910, they amounted to but \$15,000,000. Various reasons have been assigned for this decrease. It cannot be the result of a decreased demand in China for foreign goods, for every year, more of these goods are imported into China, but they are coming from Germany and England instead of from the United States. The reason for this is obvious.

Neither in price nor in quality are these goods superior to our own, but England and Germany, taking advantage of their superior transportation and distributing facilities, have been able not only to increase their own trade but also to grasp the greater part of ours. As a result of permitting our exports to be delivered in foreign vessels, we have lost our grip upon the trade, which these other nations, possessing their own shipping systems, that are naturally closely connected with their manufacturing interests, have been able to seize.

Our business relations with South America also show our need of a merchant marine. Our geographical situation makes us the logical supplier of manufactured goods to these at present undeveloped countries, but here again our lack of shipping has placed us at a disadvantage. Our export trade to South America is negligible. In spite of our proximity, the bulk of manufactured goods imported into South America comes from Europe. As the lines from the United States to South America are few, while the lines from Europe to South America are many, in its business and political life, South America is closer to Europe than to us. Even the mail destined for certain South American ports must first be sent to England, to be from there transmitted to its destination in English ships.

A second result of our lack of a marine is the annual loss to the country of the enormous sum which is paid to foreign ship-owners for carrying our commerce. The sum of \$100,000,000 in gold is annually shipped abroad to discharge this debt. An American marine, by keeping this amount at home, would yearly add greatly to the total wealth of the nation.

Beside the above-mentioned results of a lack of shipping, a new factor has recently developed. As almost all the ships trading at our ports are foreign-owned, the rates for freight are fixed outside of this country, and the recent action of the federal government in bringing suit against certain companies as monopolies in restraint of trade, shows that even in the matter of freight rates, American shippers cannot expect justice from foreign-owned ships.

It is sometimes argued that as long as there are enough foreign ships to carry our commerce we need none of our own and may employ our capital elsewhere. It is just as reasonable to argue that we should allow foreigners to own and operate our railroads, which are no more necessary to the national well-being than ships,

and then to expect that they would be managed in the best interests of the American people. In order that this country may secure its fair share of the foreign markets of the world, and that our shippers may obtain reasonable freight rates for the carriage of our commerce, it is absolutely necessary that we maintain a merchant marine of our own.

The foregoing are economic reasons for the revival of our merchant marine. But the military reasons for a revival are even stronger. In regard to the national safety, previous history shows our urgent need of shipping. During the Spanish war, the armies destined for the invasion of Cuba, at a distance of only a hundred miles, were badly hampered by the lack of suitable vessels for transports. At the end of the war hundreds of soldiers whom an immediate return to the United States would have saved, died of disease in that unhealthy climate, because no vessels were available to return them to this country. On the contrary during the Boer war, Great Britain was able to maintain uninterrupted communications, constantly sending troops and supplies to South Africa, at a distance of five thousand miles.

During the globe-circling cruise of our fleet in 1908, we showed our entire dependence upon foreign auxiliaries, for all the colliers which furnished the necessary supplies flew foreign flags. In time of peace, we may rely upon the ships of other nations for this aid; but in time of war, when not one foreign auxiliary could be obtained, our battle-fleet would lose the greater part of its fighting value, for our own merchant fleet is altogether too small to fill this imperative need. It is indeed curious that we have the second largest navy in the world, while we have no merchant shipping worth the name.

For this last reason alone, the United States should have its own merchant marine. Even though we required a merchant fleet for no other purpose than as an aid to our navy, the existence of the merchant marine would be justified, for the cost of sustaining it would be nothing in comparison to the injuries which might be inflicted upon us in time of war through our lack of such an auxiliary.

And therefore, since the United States is now able to build a merchant marine; since there is a method by which such a marine could be profitably operated; and, since the needs, both economic and military, of the United States require such a marine, we should take immediate steps to bring about the revival of our once magnificent merchant fleet.