Railroads Are the Big Stakes

Ups and Downs of Corporations—Disaster Follows Success.

Under pressure E. H. Harriman and others have been telling some mighty interesting tales about certain games, with railroads as the stakes, which have been played in the last few years, bigger games, no doubt, than any of the earlier ones in the history of railroad development and finance.

Yet none of the Harriman games has been more stubbornly contested or more closely followed by the public than the great game played and lost by A. A. McLeod a dozen years ago or more.

In this game, which was blocked by the Pennsylvania, the New York, New Haven and Hartford, and J. P. Morgan, the stakes were the control of the Lehigh Valley, the Central of New Jersey, and the Philadelphia and Reading, three of the seven so-called hard-coal lines, and, second, control of New England's anthracite trade through control of several New England lines.

Once these things were accomplished it was "in the air" to bring in the Baltimore and Ohio and thus rear on the foundation already laid a vast East and West trunk line system, equaling any then in existence, extending from Portland on the cosat to St. Louis on the Mississippi, and covering the Middle and New England States, the most thickly settled part of the country, with a veritable net of rails.

So far as the game was actually played, the East was affected chiefly, but the chance that the Baltimore and Ohio would be a part of the proposed big trunk line attracted the close attention of the West as well. The game was so well played for a while that success seemed assured, but the collapse was complete when it came.

Of the three coal roads involved the Philadelphia and Reading is the oldest, its charter having been issued in 1833, when steam locomotion was new. The Central of New Jersey was formed by the consolidation of several small lines in 1849. The Lehigh Valley, chartered in 1846, is a monument to Asa Packer, a noteworthy leader among railroad men of his day.

Packer was a Yankee by birth. In 1823, at 18, he left Groton, Conn., and started "West" to seek his fortune. He stopped in the mountains of Northeastern Pennsylvania, in the heart of the anthracite region, near what is now Mauch Chunk. No one then foresaw the future of hard coal or that young Packer was to be a great factor in its development.

Yet that turned out to be his work in the world. He did not take up coal transportation at once, however. He had worked in a tanyard "back East;" he now learned the less odorous trade of the carpenter. After mastering it he tried New York for a while, but soon returned to Mauch Chunk and went to building canal-boats for coal transportation. The Lehigh Valley Coal and Transportation Company was incorporated in 1832, nine years after the Delaware and Hudson Canal Company and one year before the Philadelphia and Reading Railroad Company. The canals dug by these two companies were the first artificial lines of water transportation for hard coal and the forerunners of the entire list of hard-coal canals and railroads.

When the Lehigh Canal was opened Asa Packer, then not far from thirty, was the joint owner with his brother of a boat which they put into the coal trade on the new canal and the Delaware River between the Lehigh region and Philadelphia. In 1838 Asa established himself at Pottsville, where he combined boat building with mine working.

By 1844 he had become quite a figure both locally and in his State, serving both in the legislature and as county judge. But the problem that year by year absorbed more of his thought was the transportation of anthracite to the seaboard. He saw that the canal must ultimately give way to the railroad. The almost immediate success of the Philadelphia and Reading—it was in partial operation by 1838—had taught him that lesson and he took advantage of it.

To-day coal can be transported by rail from the Lehigh region to the sea in five hours. It takes as many days to carry it by canal.

Beginnings of the Lehigh Valley.

Packer began the agitation for an outlet by rail from the Lehigh mines, which took form in the charter of the Delaware, Lehigh, Schuylkill and Susquehanna Railroad Company in 1846. He was then forty-one, and, although he had been the hardest kind of a hard worker physically in his youth and young manhood, his period of greatest, most effective activity began at that time.

He had not only to lay out the road so as to insure its commercial success, but he had to finance it as well. This could be accomplished only in the securing of subscriptions for stock, in small blocks mostly, in the region which the line was to serve; this he did by personal solicitation. He also undertook to obtain free right of way wherever he could, and for the next nine years practically all his time was devoted to those things and the building of the line.

He had a hard fight, since there were many who could not see with his prophetic eyes. Some were simply passive in their opposition, others fought him actively, and still others laughed at him, but Packer beat them all. In 1853 the name of his organization was changed to the Lehigh Valley Railroad Company, and two years later, when hew as fifty, the line from Mauch Chunk to Easton, with branches to Hazleton and Mahanoy, was completed. For years afterward the road's coal traffic was carried from Easton to tide water by canal and the Central Railroad of New Jersey.

Packer was now made president, the road grew, a branch at a time, from year to year, and gradually the enterprise which so many had derided became an established institution in its region and famous everywhere. At the same time Asa Packer grew in the respect of the people and in wealth, until he was concededly one of Pennsylvania's most important citizens and beyond all doubt the richest man in the State.

His reputation became national and, in 1868, the Pennsylvania delegation put him forward for the Presidential nomination on the Republican ticket. He was almost a world figure then, but the world had only just begun to hear of Rockefeller; J. J. Hill had already run away from home to become a "mud clerk," at St. Paul, but the Great Northern was still unbuilt; Harriman and his amazing career were yet undreamed of, and Grenville M. Dodge was still struggling with the construction of the Union Pacific.

Planned a Great University.

Packer had been obliged to get along without college training, and for that reason, perhaps, he valued education. At all events he decided that the valley of the Lehigh ought to have a great institution of learning, and forthwith he created it.

He was the first in the long line of multimillionaires who have devoted a large share of their wealth to the cause of learning. In 1865 he gave fifty-six acres of land at South Bethlehem, which has since become a great steel center, and $500,000 in money for the establishment there of the Lehigh University. It was then the largest sum ever given in a lump by a single individual to further education.

This made him one of the best known men of his times, but little is now remembered about him in detail outside the Lehigh Valley, while no volume has been devoted to the things he accomplished. The university which he founded—with rare modesty he did not ask that its title should perpetuate his name—and the railroad which he built are still institutions of vitality, although both have passed through plenty of adversity since his death, but his great fortune melted away long ago.

Asa Packer died in 1879, at seventy-four. The Lehigh then extended from Waverly, N. Y., on the north, whence its coal was taken west to Buffalo, for the lake trade over the Erie, and to Perth Amboy, N. J., opposite the southern point of Staten Island, where it was transhipped by water to New York City and New England. The road was a marvel as a dividend payer for more than a dozen years after he had passed away.

But times were changing and competition in coal transportation was increasing. An outlet to the sea had been opened during his lifetime; the need for an outlet to the Lakes became apparent in the '80's, and the line to Buffalo, built under the title of the Lehigh Valley Railway, was opened in 1892. This made the Packer railroad one of the five which directly connect New York with Buffalo, thus adding it to the factors in the country's trunk line business.

Packer's total gifts to the university, in addition to buildings and grounds, were about $2,000,000, all in Lehigh Valley stock. He left two sons, but neither was able to take his father's place in the railroad world. Robert A. Packer was a division superintendent for years, but not an especially brilliant one. Harry Packer located in New York, but his personal achievements were not worth mentioning.

It was fourteen years after Asa Packer's death and a year after the opening of the Buffalo extension, before the Lehigh Valley was generally known to be in serious trouble. The heavy expense attendant upon the building of the Buffalo line proved a great burden; other big expenditures necessary to save the very life of the line had been incurred, and the 10 per cent dividends, which, with occasional extras, had made the Lehigh famous, began to dwindle. Dividends were stopped in 1893, a year after the new line was opened, and the first year of the depression.

It was then that the Lehigh's fortunes became temporarily linked with those of the Philadelphia and Reading. The Reading, under the presidency of Angus Archibald McLeod, whose sun was rising at that time, needed the Lehigh to round out the great system he was planning. The Lehigh was in trouble; its stockholders were angry and discouraged, and all hands agreed that it would be well to accept McLeod's proposition for a combination, which was to take the form of a lease. Undoubtedly there were elements of sanity and promise in the plan, which was entered upon with great enthusiasm by everybody concerned, but it brought disaster all around.

Reading's Many Vicissitudes.

The Philadelphia and Reading is one of the oldest railroads in the country. It has brought three remarkable men to the front, in this order: Franklin B. Gowen, A. A. McLeod, and George F. Baer. It was in partial operation by 1838, four years after its charter was issued. Its main line from Philadelphia to Reading is less than 100 miles long, but in its sixty-nine years of life it has added other lines, both by lease and purchase, until its total track mileage is now more than 3,000.

Until 1875 the road was managed conservatively. From 1849 to 1876 it paid dividends on its preferred stock, and from 1863 to 1876 on its common, without a break. Ten per cent was the usual rate, 15 was not uncommon. The stock was at the top of the list. Men invested in Reading feeling that the income from it would be assured to their families forever, and Reading dividends furnished the chief support of many widows and fatherless children. Savings banks held huge blocks of Reading and felt secure. It was a "glorious property" then. After that, for the greater part of a generation, its vicissitudes were a constantly disturbing factor.

Franklin B. Gowen became president in 1869. He adopted a policy of expansion. Great tracts of undeveloped and partially developed coal lands were bought up. Although the provision of the Pennsylvania State constitution prohibiting railroad companies from mining coal was not yet in existence, it was not thought desirable for the road to buy openly, and the Laurel Run Improvement Company was secretly organized in 1871 to do it under cover. This company gathered coal properties in right and left.

Apparently price was no object. When nearly $34,000,000 had been invested the company came out into the open as the Reading Coal and Iron Company, with the railroad company its acknowledged owner. The interest charges on the new company's bonds soon ate up all the railroad's earnings, and in five short years the "glorious property" which it had taken nearly forty years to build up was wrecked. In July, 1880, the road passed into the hands of "friendly" receivers, President Gowen himself being one of them. Despite their "friendliness," their investigation showed that whereas the company had reported profits of nearly $18,000,000 from 1871 to 1875, inclusive, there really had been no profits, and that $15,000,000 which had never been earned had been paid out in dividends.

This receivership lasted until 1883. It was conservatively managed, and the road got on its feet. Then, under the presidency of George De B. Keim, it was decided again to "branch out." The first expansive move was the leasing of the Central of New Jersey. This was followed by so many others that in fifteen months the company was again in receivers' hands. The first Drexel, Morgan & Co. reorganization committee was appointed to assist the receivers. By 1887 the road had a heavier bonded debt than ever and the famous Morgan voting trust, to last five years, was established.

Austin Corbin was the first Reading president elected under the trust. He managed the property more conservatively than had Gowen, and more to the liking of the security holders, but Gowen and his friends fought to get him out. After Gowen's death a syndicate, formed by Isaac L. Rice and consisting of John Wanamaker, Henry Gibson, W. W. Gibbs, and Thomas Dolan, all fairly well known among Philadelphia millionaires, bought up more than 400,000 shares of the stock, and at the electon in 1889 tried to vote more than 600,000 of the road's 800,000 shares. The inspectors of election rejected the syndicate's vote, holding that the voting trust alone had the right to cast the ballot.

The row that followed is still remembered as one of the bitterest in the country's financial history. It was compromised by allowing the syndicate to name two of the six men composing the board of managers. Then Corbin resigned as president in favor of A. A. McLeod, first vice president, who was supposed to represent Corbin policies.

McLeod, Railroad King.

It was through the leasing of the Lehigh Valley and the Central of New Jersey by the Philadelphia and Reading that McLeod became temporarily one of the most prominent men in the country. The McLeod star set several years ago, however, and he now is little more than a memory in the world of high finance and transportation.

McLeod began his railroad career, after receiving a common school education, as a rodman, before he was twenty-one, on the Northern Pacific Railroad, while it was a-building. One day, when in the West, Corbin, chiefly remembered from his connection with the Long Island, now a Pennsylvania property, met young McLeod in a Northern Pacific eating house. McLeod talked so well about the railroad business in general that Corbin asked him to transfer his activities to the East and become manager of the Utica, Ithaca and Elmira Railroad. This suited McLeod, and he established himself at Elmira, where he made a lot of friends and did a lot of hard work. The road is now an unimportant branch of the Lehigh Valley system.

Corbin liked McLeod's work so well that when elected president of the Philadelphia and Reading he made the young man president's assistant. This was in 1886. The general manager being away from his post, McLeod was really acting manager; after two years he was raised to the vice presidency. Corbin's retirement and McLeod's advancement to the headship of the railroad and allied properties took place in 1890.

McLeod at once began to cut ice in huge blocks. He became a favorite with Russell Sage, the Goulds, and the Vanderbilts, as well as with Corbin. Apparently he made the Reading pay. He not only brought about the lease of the Lehigh and the Central of New Jersey, but he got the Central New England Railroad under Reading control and connected the two systems by way of the Poughkeepsie Bridge. He also made a direct deal with the Boston and Maine, and an indirect one with the New York and New England for the transportation of the so-called "coal combine's" product. He connected the New England systems with his Pennsylvania systems by arrangements with short lines via the Poughkeepsie bridge over the Hudson, thus cutting out water transportation at New York and on Long Island Sound.

Through the New Jersey Central he got Reading to New York. There the Reading and the Long Island railroads were to be connected by a system of tunnels under the East and North rivers somewhat similar to that which the Pennsylvania Railroad, the New York Rapid Transit Commission, and the "McAdoo" corporations are now completing. Corbin had the plans for his projected tunnels all made; they fitted in exactly with his schemes to construct a deep water harbor at the eastern end of Long Island, whence steamers should sail two or three times a week for Europe, and cut the trans-Atlantic voyage by two or three days.

By a combination between the Jersey Central, the Reading, and the Baltimore and Ohio, the famous Royal Blue passenger trains between New York and Washington were established. Through the Lehigh's lines to Buffalo a Western connection was made. There was open talk that the Baltimore and Ohio might eventually be swallowed by the Reading. In time it was to be the greatest link in a trunk line extending from the Middle West to Portland, Me., and to Montauk Point, the most easterly end of Long Island.

This great trunk line was to reach several of the big Western centers of population, and practically all the great cities of the Atlantic seaboard—Washington, Baltimore, Philadelphia, New York, and Boston. McLeod was made president of the New York and New England, as well as of the Boston and Maine.

In those days McLeod was a railroad king. Neither Hill nor Harriman is better known to the public to-day than McLeod was then. His portraits were in all the periodicals, his name was one to conjure with in Wall Street, and, according to a vivacious chronicler of the day, he "lived sumptuously in a swell Philadelphia hotel."

Downfall of McLeod.

This was the situation in 1892. It can readily be seen that it was not altogether a pleasing one in certain quarters. The success of so gigantic a new trunk line scheme might unjoint more than one other big scheme engineered by men quite as clever as McLeod and with more money at their command. Anyway, the bottom dropped out of all his plans just when he was supposed to be on the crest of the wave.

Not long before he had issued a statement which made it appear that Reading was rolling in wealth, and that it would be no trouble at all to pay the full 5 per cent—about $3,000,000 a year—on all the three series of income bonds which had been issued. This statement put Reading stock away up. Speculators and others bought freely, and there was plenty of talk about big money made in Reading.

There was plenty of talk, too, that Reading was in peril. Under the McLoed plan it was alleged that what was called the "coal combine" had already put up the price of coal repeatedly when he needed money; the newspapers said he would have to boost prices a few more notches in order to see himself through. Naturally this sort of talk, whether justified or not, made McLeod decidedly unpopular, and may have hastened his downfall.

But its direct cause always has been believed to be a suddenly developed antagonism on the part of Drexel, Morgan & Co., who had been in complete sympathy with him. This was followed by a general and unexpected withdrawal of credits, and McLeod had to prepare to shut up shop.

In order to perfect his trunk line scheme he had tried, among other things, to secure the Old Colony Railroad in Massachusetts, now a part of the New York, New Haven and Hartford, for one of his links. In this he bucked up hard against Drexel, Morgan & Co. As if by magic all his money sources were dried up. His call loans were promptly terminated. Banks which had hitherto been ready to lend to him were no longer accommodating. There even was trouble in getting cash enough for the pay roll, let alone carrying out the big plans for further expansion or meeting the interest charges. A panic ensued and Reading dropped twenty points over night. Three receivers—McLeod himself, E. P. Wilbur, and Judge Paxson—were appointed.

On April 5, 1893, McLeod had to resign the presidency, and in February, 1894, he was being questioned severely as a witness before an examiner into his methods, who had been appointed by the courts. Isaac L. Rice was the leading spirit in the investigation and McLeod was a railroad king no longer. Like Gowen and Keim before him, he now was only a man who had dreamed a big dream and had failed of making it come true. But suppose he had won!

Through McLeod the Reading got its control of the Lehigh and the Jersey Central, on leases of 999 years, on February 11, 1892, thereby gaining dominance over the greater part of Pennsylvania's anthracite coal output. By the terms of its lease the Lehigh was guaranteed 5 per cent interest until May 31, 1892, and half its own net earnings, in excess of 5 per cent, up to 10 per cent; any excess over this was to revert to the Reading. After May 31, 1892, the guarantee was for 6 per cent, and after December 1, 7 per cent.

The guarantee to the Central of New Jersey was for 7 per cent at once; otherwise the terms to the two roads were exactly similar. The selling agencies of all three roads were consolidated, and this, McLeod said, would effect enormous economies.

In the fight against McLeod which followed the collapse suits were brought to dissolve both leases. The lease of the Jersey Central was decided invalid by the courts, but the Lehigh lease stood the court test. It was terminated a few months after McLeod's downfall, however, on the ground that it had been automatically broke when Reading failed, as it did, to pay the guaranteed 5 per cent—August 8, 1893, being the exact date of the dissolution.

It was the Lehigh people who ordered the dissolution at a directors' meeting. Their action came to the financial world as a stunning surprise. Dissatisfaction among the stockholders of both roads was known to exist, but it was believed that it would be left to the courts to cut the bonds that bound the roads together.

Since McLeod's Day.

By 1896 the Reading plan now being successfully worked out was well under way. Most of the supposed profits under McLeod's management, as under Gowen's and Keim's, were demonstrated to be bookkeeping figures, and the company was shown to have a floating debt of from $15,000,000 to $20,000,000. An attempt was made to readjust the company's affairs by floating a collateral trust loan, but this was impracticable, and J. P. Morgan & Co. were asked to plan another reorganization. This involved assessments enough to cancel the floating indebtedness. Just after one assessment of $10 had been paid the stock sold at $6.87½. The rise in Reading since then has been at the rate of 2,600 or 3,000 per cent, its high record last year being 164, and its low 112.

George F. Baer, who has been president of the Reading since 1896, and now is the recognized leader of the hard-coal interests, both in times of strikes and financial stress, was Reading's attorney before and during McLeod's best years. Baer has agreed generally with Morgan, and the two have played the game in harmony all through Baer's presidency. Like McLeod, Baer is a self-made man. A farmer boy, he fought in the civil war, studied law, and got the attention of the Reading by clean-cut work at the bar.

The dominating corporation of the Reading system to-day—which now includes the Jersey Central, as in McLeod's day, but by purchase, Baer being the president of both roads—is the Reading Company. Through stock ownership, it controls more than seventy-five transportation, bridge, terminal, selling, and mining corporations, including the Reading and Jersey Central railroads, the Reading Coal and Iron Company, and the Lehigh and Wilkesbarre Coal Company.

The Lehigh University, next to the Lehigh Valley Railroad, old Asa Packer's greatest pet, was almost ruined by the stoppage of the bulk of its income after the Reading's failure to meet its guaranteed payments of 5 per cent on Lehigh's stock in 1893. The institution had already been greatly embarrassed; its condition now became desperate, and in 1899—six years after the collapse—the stock given to it by Packer was sold. Since then the university has been on the upward way again, and, from being as it was at its beginning a local and personal enterprise, it has achieved national reputation as a gret technical school, and has attracted to itself the support of many friends. During the past year Mr. Carnegie has given $100,000 to the university for dormitories, which now are being built.

The Lehigh Valley Railroad was refinanced in 1897, through a collateral trust mortgage which tided it over, and was canceled three years go. The line is sometimes spoken of as a member of the alleged "coal combine," but under the presidency of E. B. Thomas it really is operated as independently as any road in the country. The "interlocking ownership" principle has been adopted in its case, however, as in the case of many other roads, outside as well as in the coal regions, and it is hardly likely that it will ever again be used as a pawn in a big game with railroads as the stakes.

McLeod died some years ago. Had he restricted Reading's operations mainly to the hard-coal field he probably would have won out. His plan, if successful, would have taken from the New York, New Haven and Hartford most of its hard-coal tonnage, and those who objected to this were too strong for him. That was the milk in the cocoanut; under other auspices and somewhat modified, practically all the measures for the more direct transportation of passengers and coal between the East and West past New York are now being worked out. Some say McLeod was simply a man twenty years ahead of his times, but they add that a man ahead of the times is as likely to be unfortunate as one behind them.

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A CONGRESS OF GOVERNORS.

CONTINUED FROM SECOND PAGE.

be vitalized, transmuted into public sentiment manifesting itself in uniform State laws, yet the house of governors might accomplish it at a single session.

The lack of uniformity in State legislation to-day is so clearly recognized as an evil in our political system that further details in this article seem unnecessary. Any plan that even faintly foreshadows the possibility of bringing order out of this chaos of complexity and contradiction would seem worthy of really serious consideration.

No Opportunity for Graft.

The house of governors seems to offer no chance for graft, collusions, combinations, palring off, the working of private interests, bribery, jobbery, corruption, or any of the other diseases to which legislative bodies are liable. This immunity arises from the non-lawmaking character of the house. It is said to be easier to buy State legislatures than to purchase Federal action or Federal inactivity. The house would thus have the dignity, character, and poise of the Federal government. The governors here would be subject to no pressure; they would not be likely to be carried off their feet by a whirlwind of eloquence of one of their members advocating some Utopian scheme or some trust measure masquerading as a plan of public benevolence. But even if temporarily captivated they would probably cool on reflection, and there is no chance for the gold-brick fallacy proposed being able to stand the acid test of wide public discussion by press and people, and to pass the safeguarding process of forty-five legislators.

It seems advisable that the meetings of the house of governors should be annual, though the sessions of State legislatures are annual in only six of the States, while quadriennial in one and biennial in thirty-eight. In 1907 only six States have legislative sessions, but in 1908 forty-one States—or all but Alabama, Oregon, Virginia, and Wyoming—hold sessions. Were the house of governors to meet during the present year a splendid test of the value of their session could be made in January, 1908, all the forty-one State legislatures then meeting, except Florida (April), Louisiana (May), Georgia (June), and Vermont (October).

Meetings at State Capitals.

It may be objected that the governors could not spare time away from their official duties to attend sessions of the house, but as their bodily presence at home is not necessary, except when the legislature meets, this objection is more theoretical than real, and the State could for a term of two or three weeks be left to the lieutenant governor or to the secretary of state as acting governor.

The place of meeting of the house of governors should not be in Washington, D. C. (except, possibly, its first session), but successively in State capitals selected by vote of the house or by the decision of a committee, and giving the honor of the session successively to States in rotation on a general plan of choice, selecting for the first year, perhaps, an Eastern State, the following year a Western State, then a Northern, then a Southern, and last a Central State, repeating the order of choice till the forty-five (Oklahoma, the forty-sixth, not having been officially admitted to the Union at this writing) shall have been recognized.

The date of the session should be at a season that would avoid the time of the sitting of the State legislatures and the months directly preceding the November elections. The cost of the meetings of the house of governors should be little more to each State than the traveling and other necessary personal expenses of its governor for the brief period of the session. Any State selected for an annual meeting would gladly provide its legislative assembly room for the meetings of the house, with accommodations therein for visitors (perhaps by invitation) and press representatives at the daily sessions. The force of doorkeepers, pages, stenographers, and others needed for the brief term should be but a slight tax on the hospitality of the State.

Programme in Advance.

In order that the members of the house of governors should be fully informed in advance of the topics to be discussed and to save valuable time for the session, it is suggested that it shall be the duty of the chairman of the house or of the committee appointed therefor to invite the members, say four months before the session, to send in lists of suggestions of vital topics for consideration. These lists when received from all governors would be tabulated in the order of their importance and submitted as candidates of topics. The governors would then mark a given number of subjects, a number in excess of those likely to be covered during the session, and from these lists of preferences returned to the chairman, or committee, the resultant official list of elected subjects would then be sent to each member, thus giving him time for thoughtful preparation for the session.

Among the subjects of vital interest to the entire country, and on which free discussion tending toward uniform legislation is desirable, may be named: Marriage and divorce, rights of married women, corporations and trusts, insurance, child labor, capital punishment, direct primaries, convict labor, prison reform, contracts, uniform system of conveyancing, inheritance tax, income tax, mortgages, referendum, election reforms, and similar topics. The house of governors might have a consulting board of legal advisers, specialists in constitutional law, and Federal and State legislation, if such counsel were needed.

On every important question brought before the house it would be found that some one or two States had progressed farther than others in some direction. Each State working out its own problem has to a degree specialized, as Oregon with its referendum, by which the people direct their legislators and by which party machines have been abolished. Those States that have partially solved great problems in self-government have valuable material in the form of documents, reports, discussions, blue books, records, &c., giving in concrete form the results of their experiments and experiences which would be inspiring to governors desiring to look into those questions with the fullest light possible.

We have, annually, conventions of educators, of lawyers, of ministers, of doctors, of scientists, and of members of every profession, trade, and industry, meeting to become acquainted, to confer on matters of common interest, and to strike the fire of new wisdom or inspiration from mutual contact, yet two State governors may never meet except accidentally or incidentally at some dinner or political gathering. The newspapers report even these meetings only because of the opportunity they afford to spring again on the public a worn out epigrammatic colloquy between two Southern governors on the subject of thirst.

Would Mean No Conflict.

The Congress of the United States would in no wise be disturbed in its normal work as marked out for it by the Constitution by the institution of the house of governors. There need be no conflict between Congress and the new house, for the States, quietly working out their own problems by the light of their united wisdom, could not trespass on the specific legislation left by the Constitution to the sole and absolute charge of the Federal government.

The house of governors, even if it were merely a meeting place for the heads of our State governments, would be of value, but with regular conferences on the broad basis of mutual helpfulness in the unifying of our laws and of combined action in staying the insidious invasion of centralized government, with the sympathy and co-operation of the people of the country and with the lawmaking powers of the State legislatures led into harmony, shamed into activity, or forced to do the people's will, the house of governors, it would seem, should become in a few years a mighty force in the American government. It should give the people greater power, strengthen the States by granting them fuller liberty, unite and unify them more perfectly and make the united States more truly the United States.

Less Party; More Patriotism.

We need in our country to-day less politics and more statesmanship, less party and more patriotism. We need an awakening to higher ideals. We need a higher conception of America's place and destiny in the evolution of the world. We need something nobler as a purpose than our self-satisfied complacency at the material prosperity of the nation, for there is a moral and ethical success that is never rung up on a cash-register. We need the scourging of the money changers out of the temple of legislation—State and national. We need a purifying and ennobling of the body politic. We need the clear clarion voice of a great inspiration to rouse the States to their duty—not the gilded phrases of mere rhetoric, but the honest eloquence of a high and exalted purpose like that ringing speech of Patrick Henry's a century and a quarter ago, which breathes the very spirit of the present hour of need, when it is said that the States are too weak to do their duty and must surrender to government centralization—

"They tell us that we are weak, unable to cope with so formidable an adversary. But when will we be stronger? Will it be the next week or the next year? Shall we gather strength by irresolution and inaction? Shall we acquire the means of effectual resistance by lying supinely on our backs and hugging the delusive phantom of hope until our enemies shall have bound us hand and foot? Sir, we are not weak if we make a proper use of those means which the God of nature has put into our power."

Whatever tends to lessen the right of the American people to be absolutely self-governing, whatever tends to take from eighty million people their privileges and to hypothecate them in the hands of a few, is a menace in principle, hazardous in what it portends and makes possible.

The plan of the house of governors is simple, seemingly feasible, cannot possibly do harm, and may have within it the germ of great good. Is it worth a trial?

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Masons of the Orient

AMEER'S INITIATION, AND ROLE OF THE CRAFT IN ASIA AND AFRICA.

Habid Ulla Khan, Ameer and King of Afghanistan, is the latest addition to the long list of rulers of the Old World who belong to that immense fraternity known as the Freemasons, and his initiation constituted one of the most noteworthy episodes of his two months' visit to India which has just been brought to a close. Not that he is the first Asiatic potentate to join the craft. The latter includes many of the sovereign princes, rajahs, and nabobs of India among its members. It is at the lodge that Moslem and high caste Hindoo meet the Englishman on a common ground, on terms of equality and frinedship, and Freemasonry has accomplished more toward the creation of a sentiment of brotherhood between the European and the Oriental—two elements which are as difficult to blend as wine and oil—than anything else that has ever been devised. It is for this reason that the English authorities in India, far from opposing, on the contrary, view with satisfaction the spread of Freemasonry throughout King Edward's great Eastern empire, and do everything in their power to encourage the organization of new lodges. In all parts of the world secret societies seem to appeal to the dusky races. They abound not only in Asia but also in Africa. For the most part their object is of a fanatical or of a criminal order. It is therefore extremely judicious on the part of those Western powers which have dependencies on the Dark Continent and in the far and near East to take advantage of this craze of the natives for secret societies, to induce them to join an organization such as that of the Freemasons, the purpose of which is fraternal rather than homicidal.

Here in America, as in the United Kingdom of Great Britain, Masonry, as such, holds itself aloof from politics, which it regards as constituting a source of discord, and is therefore caluculated to defeat the objects which it has in view, namely, the establishment of fraternal relations among all its brethren. It devotes itself exclusively to philanthropy. It is possibly owing to this that little advantage has been taken as yet by the American authorities of the popularity of Masonry among the natives of the Philippine Islands. It was introduced there during the last two decades of the Spanish domination, and in spite of all the efforts of the government and of the clergy to arrest its growth it spread rapidly all over the archipelago. The principal leaders of the insurrections that characterized the closing years of the Spanish rule held high rank in the craft, which furnished them with the means of communicating rapidly and secretly with their adherents, besides constituting a guarantee of loyalty and discretion. I have before me as I write this a remarkable memorial addressed by the Spanish clergy in the Philippines to the home government at Madrid in April, 1898, that is to say, a few weeks only before the battle of Manila. Much of this memorial is given up to a denunciation of the authorities of the archipelago for not acting with sufficient energy in the suppression of Freemasonry, which, it declares, had built up a wall of separation between the natives and the Spaniards. The clergy demonstrate in the address that the entire revolutionary movement against Spain is engineered by the Katipunan Lodge at Manila, and predict that the supineness of the government in crushing out Masonry among the natives would inevitably culminate in the eventual loss of the islands to the Spanish Crown. Less than a month after this was written the prophecy was fulfilled, and to this day many Spaniards are firmly convinced that the sacrifice of these colonies was due far more to the machinations of the Masonic craft than to the force of American arms.

It has always been a source of amazement to those who, like myself, were aware of the role played by Freemasonry in the Philippines during the few years preceding the transfer of the archipelago to the United States, that no systematic attempt should have been made to turn to good account the Masonic tendencies of the natives, and to invoke the assistance of the craft in allaying the feelings of enmity, and in creating bonds of friendship and of brotherhood with the eight millions of shrewd and clever Malays brought under the rule of Uncle Sam by the treaty of Paris. Any one who has lived in the East, not as a visitor, but as a resident, will agree with me that is a matter of supreme difficulty to bind the Asiatic. Friendship, in our understanding of the word, between the white man and the native is impossible, no matter what may be said to the contrary. To rely upon the gratitude of an Oriental for services rendered is to lean upon a broken reed. There is but one thing by which it is possible to hold a native, namely, by means of his obligations to the secret society to which he belongs. His obedience and loyalty to all the behests of the latter are something beyond our conception. In deference to its commands he is willing to stifle all his racial resentment and prejudices, and if the statutes of the society require that he shall treat the white man as a brother, the latter can then, and then only, rely blindly upon his fidelity. Old-time white settlers in China, in the Dutch Indies, in the Straits of Malacca, in fact, all through the Orient, have stories to tell how in moments when foreigners have been in danger of massacre by the mob their lives have been saved through the use in their extremity of some Masonic sign, which, understood by some of their assailants, has had the instant effect of converting them from foes into defenders. Under the circumstances one cannot refrain from the opinion that the Americans could have spared themselves much treasure and bloodshed if, during the first few years following Admiral Dewey's victory, they had made use of Masonry to get into friendly touch with the moving spirits of the insurrection, and thus not only to allay their animosity and to inspire them with confidence, but also to secure their services in assuaging the hatred of the population to the American administration of the islands.

A curious fact, and one which it is well to bear in mind in this connection, is that Japanese Masons were very extensively represented among the Philippine Lodges prior to the acquisition of the islands by the United States. In fact, the Spanish secular and ecclesiastical authorities in the Philippines did not hesitate to allege that the Japanese nation made use of the lodges to foment the insurrection, and to furnish the rebels with revolutionary literature, with arms, and with supplies, in the expectation of eventually securing possession of the archipelago. The attitude of the Japanese government toward Masonry has always been rather strange. Until a year ago, at any rate, it declined to allow the existence of lodges in the dominions of the Mikado, though it not only permitted, but actually encouraged its citizens to join the craft abroad, and to attend foreign lodges. Thus, Viscount Hayashi, now minister of foreign affairs, and one of the chief authors of the Anglo-Japanese alliance, not only joined the craft while in England as ambassador, but likewise became one of the principal dignitaries of British Masonry. In fact, nearly all Japan's statesmen and diplomats who have served, or who are serving abroad, are Freemasons. The objection which the Japanese government formerly entertained to the existence of lodges within its borders, was its determination that no society should be established whose deliberations and proceedings were withheld from the authorities. But I understand that this attitude has now been modified, and that Freemasonry is no longer subject to any restrictions, and is extending with giant strides throughout the land of the Mikado.

It would be interesting to know whether the Japanese still display the same interest as formerly in the Masonic lodges of the Philippines, and whether they are as active and influential among the Filipino brethren. At any rate, the matter is worthy of the attention of the American authorities in the Philippines, who would do well to endeavor to substitute their influence for that of the Japanese among the Freemasons of the archipelago. Lest this letter should be construed as an invitation to misuse the philanthropic doctrines of Masonry for purposes of political intrigue, let me point out that anything that can tend to diminish the prejudice of the Orient against the Occident is calculated to prove of benefit to mankind. That the prejudice exists in a more or less acute form throughout the Orient no one in his senses can deny. It is a prejudice that has led to bloodshed, to wars and massacres, to the loss of boundless treasure, and to the arrest of progress and of civilization. Everything, therefore, that can tend to allay this race hatred, and to promote a fraternal spirit between the dusky nations and ourselves, must be regarded as fulfilling the loftiest aim of Masonry, namely, the institution of the universal brotherhood.

That the Ameer should have delayed becoming a Mason until he visited India, must not be taken as indicating that Masonry is unknown in Afghanistan. There, as elsewhere, it has many adepts, and as far back as thirty years ago there were lodges in Kabul and in other of the Afghan cities and towns. In fact, at the time of the deposition of Khedive Ismail, an Afghan Mason played so important a political role in Egypt, making use of the lodges for purposes of propaganda in favor of Ismail against the foreign powers, that at the request of the French, English, and German envoys at Cairo he was expelled from the Land of the Nile. His name was Djemal Khan. He held high rank in Masonry, afterward got himself expelled from France when Gambetta was premier, sought refuge in Russia, where he associated himself with the late Maharajah Dhuleep Singh, and was largely responsible for the trouble given by the latter to the English government, and finally wound up his days at Constantinople at the Yildiz Kiosque, where he spent his declining years in the entourage of the present Sultan. There is considerable reason to believe that he was a prisoner rather than a guest of Abdul Hamed.

For the latter entertains a very serious dread of the craft, in which his elder brother and predecessor on the throne, Sultan Murad, was very prominent. Murad, it may be remembered, was deposed after six months' reign, according to some, because his brain had become affected by drink; according to others, because, with his ideas of progress and enlightenment, which included the emancipation and enfranchisement of women, he was regarded as a danger by the all-powerful Moslem Ulema or clergy. The so-called young Turkey or reform party in the Ottoman empire, which includes many princes of the imperial house, are Masons to a man, and periodically during the lifetime of Murad they would appeal to those foreign sovereigns identified with the craft, demanding of them, in its name, to intervene in behalf of their Masonic brother, ex-Sultan Murad, with the object of securing his liberation from captivity, and his restoration to his throne. The last appeal of this kind was addressed to King Edward about a year after his accession to the crown. One of the reasons, too, why the late Prince Halim, of Egypt, far and away the most brilliant and accomplished member of the Khediveal family, was kept by the Sultan in quasi imprisonment, and under the closest kind of surveillance in Constantinople for the last fifteen or twenty years of his life, was because of the fact that he held extremely high rank as a Mason, and was suspected by the Padishah of making use of his influence and power as such for political purposes. Ex-Sultan Murad and Prince Halim have both been gathered to their fathers, whether by natural causes or through violence, no one knows to this day. But Sultan Abdul Hamed remains as apprehensive as ever of Freemasonry, convinced that as far as his empire is concerned its activity is directed toward political emancipation and reform, which, of course, means the overthrow of his rule.

Masonry, in a word, flourishes throughout the Orient, where, as I have stated above, it appeals to the love of the natives for secret societies. That this should be the case is after all not astonishing. For if the traditions of the craft are to be believed, it came to us originally from the East, and to this day the Supreme Council in most European countries is known as "the Grand Orient."

EX-ATTACHE.

SALVATION ARMY FINANCES.

Full Report from an Auditing Company of New York.

From the New York Tribune.

In the annual financial report of the Salvation Army, now ready, the balance sheet shows that the assets last year amounted to $3,604,250. These included: Cash on deposit, $6,169; freehold and leasehold property, $2,975,788; investment in the Reliance Trading Company and Salvation Industrial Homes Company, including the total issue of the common stock of both companies, $402,441; accounts receivable, $73,258; colonization loans, $58,584, and furnishings and fixings in national headquarters, training homes, and the Metropole Shelter outfit, $88,206.

The other side of the balance sheet shows that the Salvation Army liabilities are as follows: Loans and mortgages, $1,504,811; loans for fixed periods, $56,000; provincial loans, $1,493; special funds (disabled officers, funeral funds, &c.), $49,754; corps deposits for building purposes, legacies and annuities, $46,782. Additions to the army fund for the year ended September 30, 1906, were $1,715,930, and additions to the balances transferred from the income and expenditure accounts, $56,792.

It often has been charged that the Salvation Army makes no accounting of the moneys