THE SERVICE THE UNIVERSITY MAY RENDER IN THE DEVELOPMENT OF FOREIGN AND DOMESTIC COMMERCE

ADDRESS BY
EDWARD N. HURLEY
VICE CHAIRMAN OF THE FEDERAL TRADE COMMISSION

BEFORE THE
ALUMNI ASSOCIATION OF THE UNIVERSITY OF ILLINOIS, AT URBANA, ILLINOIS,
JUNE 15, 1915
The Service the University May Render in the Development of Foreign and Domestic Commerce

The first commencement of Harvard College was held in the summer of 1642, prior to the confederation of the Colonies. It certainly was not very much later when the graduating student acquired the habit of confidently surveying the world and determining what he would do with it. The problems of this life look very much smaller from beneath the student's cap than they do from any other viewpoint. This graduate point of view should not be ridiculed or discouraged for it develops the imagination. Never has the country more needed men of vigorous and practical imagination. The possibilities that open before the young men about to go from this University into the world of work are so vast that there is little danger of any mental conception proving extravagant. Imagination, accompanied by the horse sense which is our middle-western heritage, is a tonic which spurs ambition to a greater individual efficiency.

THE FIELD OF CHOICE FOR A COLLEGE GRADUATE

The field of choice for a college man was never so varied. I am not informed as to the precise number of young Americans receiving college diplomas this month but the number is so large as to suggest that a college education, while better fitting its recipient for the workaday world, does not give him the flying start it did when the sheepskin was more rare. The college graduate will find the sharpest competition from other
college men. More and more, business is becoming a science. Education and training are requisite for it fully as much as for the learned professions. The bulk of this education must come in practice, and I hope the day will never arrive when an American boy, deprived of a college training, will not be able, in the rough school of experience, to gain an education which, though acquired with less ease, is not less effective than that of the class-room. Dean Gay of the Graduate School of Business Administration of Harvard University, has well said:

"It is not to be forgotten that the fieldmarshals who have led American enterprise to its present position in the world, have been for the most part promoted from the ranks, not from the cadets of the academy."

Professional and business activities were once limited by national boundaries but to-day the pursuit of any profession or occupation is likely to lead into the foreign field. Only political boundaries now remain; economic and industrial frontiers have been swept away. The business man, more frequently than any other now, becomes a citizen of the world. The leisure-class globe trotter no longer, among American citizens, monopolizes the distinction of being cosmopolitan, for the man who travels far and wide on a business quest learns more than the idler.

It is of the opportunities that lie beyond our own shores that I shall venture to speak today. If present tendencies continue, a certain number of the graduates of the University of Illinois this year will ultimately be drawn into some phase of the foreign trade or international relations of our country. They may not set out deliberately to engage in import or export commerce,
the shipping business or international banking, but they will either enter or be drawn into some current of our national life which is likely to take them into contact with other nations. The greater their success, the greater this possibility. Within the year, many persons within a radius of twenty miles from this spot, men who thought their whole interest bound up in the State of Illinois, were made to feel their identity with the business of the world as a whole. When war swept the social and economic structure of Europe away from industry and into strife, the shock was instantly felt upon the prairies of the Mississippi Valley. First, the paralysis of transportation and dislocation of exchange created a domestic crisis, and when those agencies were practically restored and Europe developed an unprecedented demand for our riches of the soil, this very region reaped and is reaping benefits, the evidences of which are apparent.

PREPARATION FOR FOREIGN CAREERS

It is fifteen years since a great American declared that the era of exclusiveness had passed, but as a nation we have made little systematic preparation for effective participation in world trade. What foreign trade we have—and we stand third among the nations in volume and value of oversea commerce—is largely due to our wealth in natural resources and agricultural products. For that we should thank nature. Only a minor part of our export trade consists of manufactures, articles sold in competition with other industrial nations. For the bare foothold that our manufactures gives us in the world markets, we should accord full credit to those great industrial enterprises which have marched far ahead of public opinion and government support in appreciation of the
need for an outlet for the surplus output of American labor, inventive genius and business skill.

It is needless to point out that the sale abroad of a natural product which takes a toll from the wealth of our land, is not so profitable to the nation as the sale of a manufactured article, in which labor represents a high percentage of the value. We are consuming at home an increasing proportion of our food stuffs and of our natural resources, such as minerals, lumber and oil. If our international credit is to be preserved in the face of progressive decrease in this class of exports, we must progressively increase our foreign sales of manufactures. Here we come to the question of industrial efficiency and of the fitness of the business man of today and tomorrow. This touches the college student, the graduate of today, to whom the business man of the present, versed in the requirements of the domestic market, must eventually pass over the reins. A manufactured article never sells itself abroad as does a bushel of wheat. It must either fill a new demand or displace a like product from another country. And the early detection of the new demand requires as much, if not more, skill and organization than does the attainment of superiority in quality over the rival British or German article. To those who think of foreign trade as a tropical fruit, ready to drop into the lap of an American salesman, I would commend the following declaration of that wide-visioned American, James J. Hill:

"Markets, prices, wages, remuneration of capital—every element that enters into the production, distribution and exchange of commodities, everything that forms the material of commerce or makes commerce possible, every price-making factor—are undergoing a world-wide leveling process. Advantages, natural or acquired, are being banished from the world as certainly as contagious diseases. Trade
hereafter will stand like a colossus, with one foot on either hemisphere, and on the banner that it holds will be written, with a new force and meaning, the old motto of democracy: 'Equality of opportunity.' Men have for a long time demanded no less. The problem of the world's future is to make them content to take that and demand no more."

To improve the opportunities that open to the individual in world trade our youth must possess a spirit as resolute and adventurous as that of the boy who runs away to sea. I think that, thanks to literature rather than to our negligible foreign-going American merchant marine, no boy of fifteen has ever escaped at least a temporary desire to run away to sea, but it is a fact that homesickness is the greatest foe to American enterprise abroad. That is what makes Americans the worst colonists and the best home-keeping folk on the globe. The foreign manager of a great industry tells me that 80% of Americans sent abroad on business return at the end of the first year. The Germans and English have a vigorous tradition of foreign trade service which springs from necessity, from the fact that there is not enough work to go around at home. The English or German father with a large family gets a billet abroad for one or two of his boys, hands him his steamer ticket, reading only one way, and says: "God bless you. Go to that country and make your career. There is no job for you at home."

That is what scatters Englishmen and Germans all over the world, not only in their own imperial possessions but under other flags as well, and creates a powerful agency for the extension of their trade. That day has not arrived in the United States. Population has not outgrown the Union, but certain of our industries have. Their commercial firing line encircles the globe. Men
are needed. Increasing numbers of lucrative positions are being offered to induce trained and trustworthy men to exchange the undeniable comforts of domestic business for the responsibilities of oversea trade.

The college man entering upon a foreign trade career, whether his individual task lies in the export department of a great Chicago industry or takes him into the heart of Asia, is sure to be under the spur of competition. Export trade is a balance wheel to recurring periods of domestic prosperity and depression. The older European industrial nations prize their export trade, won through sacrifice and effort, sometimes through war. They will not lightly let it go. All British statesmanship and industry for four centuries have bent toward the capture of distant markets. The very essence of German imperialism, as conceived by Bismarck, was an industrial Germany serving all the world markets. While the boys of the United States have been educated to the responsibilities of domestic trade, a large percentage of the youth of Europe has been specially trained for foreign commerce. In languages, in world-business practice, in banking and in shipping law, they have been painstakingly instructed, and thus each of our great competitors has a huge army of capable young foreign traders familiar with the rules and phraseology of world trade, subjects of which all but a comparatively few Americans are ignorant. Our fortunate situation in this bountiful country has rendered unnecessary the thoroughness which characterizes industry in Europe. Long sheltered by a tariff that reserved the prizes of the home market for home industries, the pinch of competitive necessity is only now being felt.

How can the college man aid in the development of foreign trade? This is a question applying not only to
the graduates of this year and the years to come but to the alumni, for the great quality of university training is that its possessor retains throughout life the ability further to educate himself.

The preparation of business men for a greater foreign trade is no longer merely an occasional necessity. We have passed beyond the point where oversea markets were useful merely as a dumping place for surplus product, and the wise manufacturer now considers the foreign market as primary. To call our trade of four and one-half billions of dollars of exports and imports "foreign" is, to a degree, a misnomer for it is a part of the web and woof of our industrial life. The war has proved this, but thus far the country has not wholly awakened to the necessity of so shaping its policy as to develop the maximum governmental and commercial efficiency in world trade. The citizen of the interior is still inclined to consider the development of the merchant marine a problem of the sea coast. He is likely to consider the effect of the tariff upon our foreign trade as less important than the rates of duty on his own product. He is not yet accustomed to thinking in terms of world intercourse. He does not realize that the influence of international investment of capital, improved transportation and the intertwining of commercial interest has made the resident of India as much his neighbor as is the citizen of Indiana. He must be made to realize that, before we can effectively discharge our duty as one of the world's great industrial nations.

This is the great service the college man can render. If he has advanced to that age or condition which naturally precludes his engagement directly in foreign trade, the least he can do is to develop and to advocate an intelligent appreciation of the responsibility of every
citizen for sound national foreign trade policy. If the college man, either as a recent graduate or as an "old grad," is going into foreign trade, he owes it to the nation, no less than to himself, to become efficient. Whether as a salesman, as an engineer, laying out the course of a new railroad in South America or China, or as a banker, facilitating export and import business or advising judicious foreign investment, the American abroad is the custodian of our national prosperity. If he sells an American product abroad, he adds something to our national wealth, whereas in a transaction at home, he merely effects an exchange between individuals.

Unless, as a nation, we are prepared relentlessly to apply the test of efficiency to our ventures in foreign trade, we might as well give up the hope of being a great factor. To attain efficiency is no light task. It involves a complete revision and intensification of our habit of business life. We must abandon our happy-go-lucky methods.

Please remember that we have, for the most part, been a nation of pioneers and that our commercial system has been developed largely to serve the needs of a growing country, rather than to enable us to exist by barter with our neighbors. Entry into real world trade requires a development of the commercial or merchandizing spirit to an extent hitherto unknown, and will compel an exactitude of method altogether new. Our prejudice against letting our sons study bookkeeping, for fear they may be bookkeepers all their lives, has gone so far that our boys are not inclined to devote any time to this very important subject, with the result that today all the most important public accounting firms employ men educated and trained in England, Scotland and Germany.

In this country today many of our merchants and
manufacturers are selling goods and do not know what they actually cost to produce, with the result that they are cutting prices and demoralizing the industry that they are in. It is this practice that has helped to cause such a general demoralization of prices among a number of industrial concerns.

Thousands of small manufacturers and merchants who are receiving a meager line of credit from their banks would, if they could produce balance sheets in accordance with good business practice, receive a substantial line of credit that would enable them to buy goods and material at lower prices and have additional capital to develop their business.

One of the reasons for the success of the Germans, English and French in securing the opportunity to furnish South American and other countries with most of their electrical material and other manufactured goods is that the Europeans have been engaged in their respective businesses for a number of years, their plants are well organized and they are most thorough in arriving at the actual cost of producing their goods, as well as the cost of selling them. Having this information almost at their finger tips, whenever an order is to be placed in any foreign country, they know precisely what quotations to make. The American manufacturer has been busy at home making a substantial profit on a small gross business and has been rather indifferent about increasing it so long as his profits were reasonably large. But the day of large percentage of profits on a small gross business is over. Today competition is more keen, and if we want big profits, as I think we all do, we must create a large volume of trade. And to get this increase we must go into the foreign markets. All of us are anxious to increase our business, but too many of us are inclined to pay undue atten-
tion to the prices our competitors are quoting and basing the price we make on that, and to listening to our salesman give excuses as to why he is not receiving orders. If we shall pay more attention to the actual cost of producing our goods and the cost of selling them, put our house in order, get at the real facts regarding the cost of our products, establish an up-to-date method of accounting, charge off liberally for depreciation and present balance sheets to our banks in accordance with good business practice, we shall be in a position to compete with any country in the world, in any market of the world.

I thank you for your generous welcome and for your patient attention.