
Franklin D. Roosevelt — “The Great Communicator”
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**Series 2: “ You have nothing to fear but fear itself:” FDR
and the New Deal**

File No. 772

1935 March 4

**Message to Congress re Adequate Merchant
Marine**

~~DRAFT~~
~~Shipping Message to the Congress~~

Original
March 4-1935-

To the Congress of the United States:

I present to the Congress the question of whether or not the United States should have an adequate merchant marine. ^A To me there are three reasons for answering this question in the affirmative. The first is that in time of peace subsidies granted by other nations, shipping combines, and other restrictive or rebating methods may well be used to the detriment of American shippers. The maintenance of fair competition alone calls for American flag ships of sufficient tonnage to carry a reasonable portion of our foreign commerce. ^A Second, in the event of a major war ⁱⁿ which the United States ^{is not involved} ~~would not be a party~~, our commerce, in the absence of an adequate American merchant marine, might find itself seriously crippled because of its inability to secure ^{neutral} bottoms for peaceful foreign ^{trade} ~~commerce~~. ^A Third, in the event of a war in which the United States itself might be engaged,

American flag ships are obviously needed not only for naval auxiliaries, but also for the maintenance of reasonable and necessary commercial intercourse with other nations. *We should remember lessons learned in the last war,*

In many instances in our history the Congress has provided for various kinds of disguised subsidies to American shipping. *In recent years* ~~Recently~~ the Congress has provided this aid in the form of lending money at low rates of interest to American shipping companies for the purpose of building new ships for foreign trade. It has, in addition, appropriated large annual sums under the guise of payments for ocean mail contracts.

This lending of money for ship-building has in practice been a failure. Few ships have been built and many difficulties have arisen over the repayment of the loans. Similar difficulties have attended the granting of ocean mail contracts. The government today is paying annually about thirty million dollars for the carrying of mails which would cost, under normal ocean rates, only three million dollars. The difference, twenty-

seven million dollars, is a subsidy, and nothing but a subsidy. But given under this disguised form it is an unsatisfactory and not an honest way of providing the aid that government ought to give to shipping.

I propose ^{that we} ~~end~~ _N this subterfuge. If the Congress decides that it will maintain a reasonably adequate American merchant marine I believe that it can well afford honestly to call a subsidy by its right name.

Approached in this way a subsidy amounts to a comparatively simple thing. It must be based upon providing for American shipping government aid to make up the differential between American and foreign shipping costs. It should cover first the difference in the cost of building ships; second, the difference in the cost of operating ships; and finally, it should take into consideration the liberal subsidies that many foreign governments provide for their shipping. Only by meeting this threefold differential can we expect to maintain a reasonable place in ocean commerce for ships flying the American flag, *and at the same time*

maintain American standards.

In setting up adequate provisions for subsidies for American

shipping the Congress should provide for the termination of existing ocean mail contracts as rapidly as possible and it should terminate the practice of lending government money for ship-building. It should provide annual appropriations for subsidies sufficiently large to cover the differentials that I have described.

I am submitting to you herewith two reports dealing with American shipping; a report of an interdepartmental committee known as the Committee on Shipping Policy, appointed June 18, 1934, by the Secretary of Commerce ~~with my approval~~, and a report to me from the Postmaster General on ocean mail contracts prepared pursuant to an executive order of July 11, 1934.

Reports which have been made to me by appropriate authorities in the executive branch of the government have shown that some American shipping companies have engaged in practices and abuses which should and must be ended. Some of these have to do with the improper operating of subsidiary companies, the payment of excessive salaries, the engaging in businesses not directly a part of shipping and other abuses which have made for poor management, improper use

of profits and scattered efforts.

Legislation providing for adequate aid to the American merchant marine should include not only adequate appropriation for such purposes and appropriate safeguards for its expenditure, but a reorganization of the machinery for its administration. The quasi-judicial and quasi-legislative duties of the present Shipping Board Bureau of the Department of Commerce should be transferred to the Interstate Commerce Commission. *for the present* Purely administrative functions, however, such as information and planning, ship inspection, and the maintenance of aids to navigation should, of course, remain in the Department of Commerce.

An American merchant marine is one of our most firmly established traditions. It was, during the first half of our national existence, a great and growing asset. Since then it has declined in value and importance. The time has come to square this traditional ideal with effective performance.

Free competition among the nations in the building of modern shipping facilities is a manifestation of wholly desirable and wholesome national ambition. In such free competition the

American people want us to be ^{properly}~~splendidly~~ represented. The

American people want to use American ships. Their government
owes it to them to make certain that such ships are in keeping
with our national pride and national needs.

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TO THE CONGRESS OF THE UNITED STATES:

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To me there are three reasons for answering this question in the affirmative. The first is that in time of peace subsidies granted by other nations, shipping subsidies, and other restrictive or rebating methods may well be used to the detriment of American shippers. The maintenance of fair competition alone calls for American flag ships of sufficient tonnage to carry a reasonable portion of our foreign commerce.

Second, in the event of a major war in which the United States is not involved, our commerce, in the absence of an adequate American merchant marine, might find itself seriously crippled because of its inability to secure bottoms for neutral peaceful foreign trade.

Third, in the event of a war in which the United States itself might be engaged, American flag ships are obviously needed not only for naval auxiliaries, but also for the maintenance of reasonable and necessary commercial intercourse with other nations. We should remember lessons learned in the last war.

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An American merchant marine is one of our most firmly established traditions. It was, during the first half of our national existence, a great and growing asset. Since then it has declined in value and importance. The time has come to square this traditional ideal with effective performance.

Free competition among the nations in the building of modern shipping facilities is a manifestation of wholly desirable and wholesome national ambition. In such free competition the American people want us to be properly represented. The American people want to use American ships. Their government owes it to them to make certain that such ships are in keeping with our national pride and national needs.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE
March 4, 1935

11-11-35
P.P.F.
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message
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I present to the Congress the question of whether or not the United States shall have an adequate Merchant Marine.

To me there are three reasons for answering this in the affirmative. The first is that in time of peace subsidies granted by other nations, shipping combines and other restrictive or rebating methods may well be used to the detriment of American exporters or American importers. Maintenance of fair competition alone calls for American Flag ships of sufficient tonnage to carry at least a reasonable portion of our foreign commerce. Second, in the event of a major war in the West or in the East -- a war to which the United States is not a party -- it is entirely possible that we should find ourselves unable to secure bottoms for our peaceful foreign commerce. The necessity of American Flag ships in such a case is clear. Third, in the event of a war in which the United States itself is engaged, American Flag ships are obviously needed, not only for Naval auxiliaries, but also for the maintenance of reasonable and necessary commercial intercourse with other nations.

In many instances in our history the Congress has provided for disguised subsidies to American shipping, and during late years the Congress has loaned money at low rates of interest to American shipping companies desiring to build

new ships for foreign trade and has, in addition, appropriated large annual sums under the guise of ocean mail contracts.

The lending of money for ship building has been a failure. Few ships have been built and the matter of repayment of the loans has caused never-ending trouble.

In the case of the ocean mail contracts, the Government today is paying approximately \$30,000,000 for the carrying of mails which would cost, under normal ocean rates, only \$3,000,000 to carry.

The difference -- \$27,000,000 -- is a subsidy and nothing but a subsidy, but given under this disguised form it is an unsatisfactory and not wholly honest way of giving the aid that Government ought to give to shipping.

I propose the end of this subterfuge. If the Congress decides that it will maintain a reasonably adequate Merchant Marine for foreign commerce, I believe that it can well afford honestly to call a subsidy a subsidy.

Such a subsidy amounts to a comparatively simple proposition. We know that the cost of ship building is definitely higher in the United States than it is abroad. We know also that the cost of ship operation for American Flag ships is higher than it is for foreign Flag ships. In addition

to these two factors it is well known that many foreign governments give liberal subsidies to their shipping.

Therefore, an American subsidy, in order to equalize the cost of ship building, the cost of ship operation, and the value of foreign subsidies should be based, in large part, on the difference between such foreign costs and similar American costs.

It is my belief that existing ocean mail contracts should be terminated as rapidly as possible; that the lending of Government money for ship building should be ended, and that we should cease to appropriate for disguised ocean mail contracts.

In place of present methods, I recommend that annual appropriations be made representing differentials in cost of building and operation as between American and foreign ships.

At the same time reports show that some American shipping companies have engaged in many practices, such as the operation of subsidiary companies, the payment of excessive salaries, the engaging in businesses not directly a part of shipping, and other abuses which have made for poor management, improper use of profits and scattered efforts. These abuses should be ended.

Further, I recommend legislation which will transfer

the major duties of the Shipping Board Bureau of the Department of Commerce to the Interstate Commerce Commission, setting up the necessary machinery in the latter to carry out the functions of a new law. Purely administrative functions, however, such as ship inspection, planning, the maintenance of aids to navigation, should, of course, remain in the Executive Departments of the Government.

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Review of

*Shipping
Manager*

TO THE CONGRESS:

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An American Merchant Marine is one of our most firmly established traditions. American shipping was, during the first half of our national existence a great and growing asset. Then for the fifty years before the World War, it suffered a steady decline. When we entered the World War we were compelled almost overnight to create a new Merchant Marine with all of the consequences that attend such a hasty emergency effort. Since then, we sought rather ineffectively to foster a more continuous and steady growth in order that we should not again be caught unprepared. Despite these efforts, we still have much to do in order to prevent our Merchant Marine from declining to a point where the fine traditions of the past will mock our present achievements. The time has come to square a cherished ideal and an urgent need with effective performance.

An adequate Merchant Marine is indispensable to our agriculture and industry as well as to our defensive military and naval forces. In the event of a war to which we are not a party our trade might suddenly

find itself without the means of transportation unless we have a Merchant Marine of our own. Moreover, in a war in which we are involved, the necessity of ships of our own is obvious. There is the further important fact that without our own ships our trade is always in danger of discriminating action by combinations of foreign carriers.

An American Merchant Marine should be composed of modern, suitable, and safe, ships and it should be manned by well-trained and well-disciplined officers and men. In order to have it built on a permanent and proper basis, it should be sufficiently attractive as a business enterprise to command a high type of ownership and management in keeping with the requirements of so significant an aspect of our national life.

Nothing is so well recognized among the nations of the world as the need for proper subsidies in order to provide parity in ship building and operating costs. We have been providing the substance of subsidies although we have avoided a frank recognition that we were doing so. We have spent large sums of money to that end, but because of our disjointed, and sometimes furtive policies, we have to an important degree frustrated our efforts and wasted some of our money. As has been shown by the investigations of the Senate Committee on this subject and more recently by the Post Office Department, there have been some injudicious mail and loan subsidy allocations and, in addition to these factors, the large decrease in foreign trade has helped to hamper the development of a sound Merchant Marine.

I recommend to the Congress legislation which will frankly recognize the fact and the necessity of subsidies adequate for the creation of a Merchant Marine in keeping with our commercial and military needs. Our ships should be built in this country with American labor and they should be operated under the American flag. At least half of our foreign commerce should be carried in ships under American registry. Safety at sea should be assured in accordance with the highest recognized standards of seamanship.

A reasonable annual subsidy to assure the necessary Merchant Marine for our commercial and military needs should be authorized. The amount necessary need not be more than the thirty millions now spent for this purpose but for the most part disguised in various ways. This amount is economical when we consider the great cost of such sudden emergency expenditures as were required during the World War. Our capital expenditure then has since required an annual interest charge far greater than I am recommending for subsidization.

Legislation should be enacted authorizing adjustments of the mutual obligations arising under present forms of financial aid, including mail contracts, in order to permit them to be altered, amended, modified or terminated in a fair and equitable manner with due consideration of the essential trade routes and the public convenience and necessity in each case. Two forms of financial aid should be recognized; first, a fair differential between American and foreign costs in building; and second, an amount equal to the differential in operating costs.

This government should withdraw from ship operations. It is unnecessary and unsound to subsidize privately owned companies and at the same time to subject them to competition with government owned ships. In this form of business activity the public interest can be conserved quite adequately under private operation and ownership through the power and authority that exists in the government, based largely upon its control over subsidization. Shipping, being a form of utility, should be limited in profits to an amount consistent with the public interest. Such protection to the public should be incorporated in the legislation contemplated.

In the broad planning of our shipping facilities, a number of voluntary consolidations or mergers may under economically sound conditions be encouraged. Adequate protection to shippers should be emphasized in legislation permitting such mergers and consolidations and efficiently operated independent units should be safeguarded against monopolistic encroachments.

It should be noted that shipping companies have most inadequate banking facilities. Provision for reasonable loan funds should be made through an amendment to the Reconstruction Finance Corporation Act. In furtherance of the general purposes to be attained through the American Merchant Marine, I shall make certain that in trade agreements with various nations provision be made for the protection and encouragement of American shipping.

The administration of the government's responsibilities in the field of shipping involves purely administrative functions which can well be concentrated in the Department of Commerce. The quasi-legislative functions authorized by the Congress should be vested in a centralized

transportation authority. On this subject I shall make definite recommendations shortly.

Friendly competition among the various nations in the building of modern shipping facilities is not a manifestation of undesirable national ambition. The merchant ships of a nation may as a former president has well said be "messengers of peace and amity." In such friendly competition, the American people want us to be splendidly represented. The American people want to use American ships. Their government owes it to them to see to it that such ships are in keeping with our national pride and our national needs.