

this land, it will work more evil than any statute ever enacted in this Republic. Think of it! No one is to be allowed to work until he is eighteen. What are you going to do with those whose mental capacity is not beyond the eighth grade? Let them grow up in idleness, becoming softies or criminals? We have had altogether too much of this kind of thing already. I wonder what would have become of me if I had not been allowed to work before I was eighteen? Of course I am not in favor of the exploitation of children in factories—neither is any other decent man in this day. But this amendment, if it is adopted, will be used by sentimentalists to ruin our youth—absolutely ruin it.”

“I have two grandsons,” he continued, “and you know sometimes grandparents seem to love their grandchildren better than they do their own children. I don’t know what I would do to anyone whom I should hear praying this prayer for those boys: ‘O God never let them have any burdens to bear; any difficulties to overcome; any temptations to resist; make everything easy for them O Lord.’ I think I’d brain them. This is the prayer I pray for them: ‘O God, give them burdens to bear, difficulties to overcome, temptations to resist and strength and grace to conquer.’ ” His audience was on its feet, cheering. It was minutes before he could go on.

This was Shaw—hard-headed, logical, shrewd, yet kindly withal—a statesman of the very first rank. From the standpoint of intellectual power, I very much doubt if anyone from this state surpassed him.

Governor Shaw and a New Era

By EDGAR R. HARLAN*

In the campaign of 1897 there were five parties who put tickets in the field, including nominees for gov-

* Adapted from Mr. Harlan’s “*The People of Iowa*,” Chap. XXXIV, descriptive of Leslie M. Shaw’s entrance to Iowa’s public affairs.

error. The gold Democrats disappeared within two or three years after the campaign of 1896, but in 1897 they held together in Iowa and nominated for governor John Cliggitt. The regular Democrats nominated for governor F. E. White. The Prohibition candidate was S. P. Leland, and the nominee of the People's party was C. A. Lloyd. Because of the state of his health Governor Drake declined to be a candidate for re-election. The lieutenant-governor, Matt Parrott, had the largest support among the party managers, but a number of other candidates appeared, including Senator A. B. Funk, J. B. Harsh, W. E. Fuller, and also a small group of delegates came to the convention as loyal supporters of the candidacy of James Harlan.

The "dark horse" in the convention was Leslie M. Shaw, who had gained considerable distinction by his sound-money speeches in the campaign of 1896. A quiet but determined group of delegates fostered the Shaw candidacy so cleverly that after the results of the first ballot showed that Parrott, Funk and Shaw were the three leading candidates, votes were shifted rapidly to Shaw who on the third ballot was nominated. The Republican ticket was elected by pluralities of nearly 30,000.

Leslie Mortier Shaw, the seventeenth governor of Iowa, came to the office with little political experience. The only position he ever held before becoming governor as the result of popular election was that of school director. His home was at Denison, where he had practiced law and engaged in banking since 1876.

Governor Shaw was born at Morristown, Vermont, November 2, 1848, and came to Iowa in 1869. He taught school, did farm work, sold fruit trees to pay his way through college and was graduated from Cornell college at Mount Vernon, Iowa, in 1874, and in 1876 graduated from the Iowa College of Law.

A few days after he retired from the office of governor he was made secretary of the treasury in the cabinet of President Roosevelt on February 1, 1902, and

remained in the cabinet until March 4, 1907. Thus for five years Iowa had two representatives in the Roosevelt cabinet. After leaving the cabinet Mr. Shaw remained a resident of Washington and has since frequently written and lectured on financial and other economic subjects.

When Governor Shaw was inaugurated January 13, 1898, the nation was rapidly recovering from the panic of 1893. The industrial and financial skies were brightening. The governor's address is a commentary revealing many of the current ideas and topics of discussion and in some cases is suggestive of changes and improvements that were enacted into law in the years immediately following.

Governor Shaw's chief interest was in finance. The people, not only of Iowa but of the entire nation, he said, "are to be congratulated that they have at last learned the necessity of a single standard, and the supreme convenience at least of making that standard gold. . . . When each form of our money is directly or indirectly redeemable or readily exchangeable at par for gold it passes current under all flags, beneath every sky and in all ports. Anything short of this is an embargo on American commerce." At the same time he recognized the necessity of legislation to establish the principle of the gold standard and devise an adequate system for Federal finance. "It seems to be conceded by business men and statesmen as well that our national currency system needs reformation."

The adoption of the gold standard did not mean, in the opinion of the governor, a contraction of currency.

All that is claimed, and all that inheres in the verdict of 1896, is that the value of each dollar of United States currency, whether of coin or of paper, shall be the equivalent of 25.8 grains of standard gold. The government now assumes the responsibility of maintaining the parity of the greenbacks, and for the protection thereof redeems the same in gold on demand. A hundred millions of gold is retained in the United States treasury for the sole purpose of maintaining this parity. All have seen the evils of this condition. The government as soon as the reserve dropped below the admitted danger limit,

was compelled to borrow gold and thereby increase the national debt. If the national banks were empowered to issue currency to the full value of the bonds deposited for this security, with a reduction in the tax upon their circulation sufficient to make it profitable, and then made directly or indirectly responsible for the maintenance of the parity of this circulation and the redemption thereof in gold, it is difficult to conceive how the credit of the nation could be imperiled, whatever might become of the banks. . . . In some way our currency must be made elastic. . . . The only way that the government, under existing laws, can now increase its circulation is by borrowing upon an increased issue of bonds, which results in anything but the removal of the conditions rendering the expedient necessary. The government assumes to do a banking business upon credit rather than assets, and her board of directors are subject to sudden and capricious change, and are elected, not always because of peculiar fitness for this particular branch of business, but with various tendencies and predilections and pledged to represent the sentiments of widely diversified constituents, wise or otherwise.

Governor Shaw undoubtedly was thinking along the same lines as were other financial experts and economists. Ideas from men like Shaw shaped the financial policy of the nation which in 1913 adopted the Federal Reserve system. There were enough silver Republicans in congress to prevent the passage of a gold standard law in the first session of congress after McKinley became president; and it was not until March 14, 1900, that the currency act was passed specifying gold as the standard of value, fixing the gold reserve at \$150,000,000 and requiring the treasury to maintain all the lawful money of the United States at a parity with gold. However, this legal reserve was a mere fraction of the enormous amount of the ordinary money of exchange consisting of gold, silver, subsidiary coinage, gold certificates, Civil war greenbacks, Sherman act legal tenders and national bank notes.

These forms of currency aggregated considerably more than a billion dollars and they were maintained at par because of the promise of the government to redeem them. Out of this situation came the expert investigations carried on during the Roosevelt and Taft administrations which became the basis of the Federal

Reserve legislation. An essential feature of the Federal Reserve notes is that they are based upon their commercial securities and other assets, in contrast to the system which Governor Shaw described as the government doing a banking business "upon credit rather than assets."

The pioneer age was gone in America by the time of Governor Shaw's administration. "The independence of the individual farmer was an ideal increasingly difficult to realize as manufactures and transportation were reorganized. The great railroad company or manufacturing corporation provided occupation for a multitude of salaried subordinates who would have been their own masters under earlier American conditions. . . . The whole trend of organization was to reduce the number of men in positions of entire independence and to increase the number who operated as cogs in some machine."¹

Governor Shaw's inaugural affords a commentary on the subject, when he reviews how conditions had changed since the resumption act of 1879.

We then had large areas of as good land as the sun ever shone upon, either subject to homestead entry or for sale at nominal prices. These are now exhausted. No one will again be able to purchase land at less than five dollars per acre and in fifteen years see it advance to forty dollars. Complain as we will, these opportunities are gone.

The department store is fast superseding the ordinary retailer. True, it has brought the merchandise of earth within the reach of the consumer at the lowest possible cost. The factory has taken the place of the shop. Aggregated capital has supplanted the man of small means. Corporations are more than a match for the individual in very many departments. Nearly every industry is now prosecuted on gigantic proportions, and amid such intense competition as to render the probability of success for the man of limited resources decidedly remote. Business is also conducted on very small margin. The surplus eggs of Iowa are handled and disposed of in the markets of the world at a profit of less than a cent per dozen. . . . The producer of flour has been compelled to reconstruct his mill every five years or retire from the field, and his output competes for the tenth of a cent.

¹ Paxson's "Recent History of the United States."

A certain factory in Iowa sells over \$100,000 worth of cog wheels per annum in an adjoining state, and is able to do this because the Iowa factory does such an extensive business and has such extraordinary facilities that it can lay them down at the consumer's plant for the fraction of a cent per pound less than they can be made in smaller quantities.

The same principles pervade all lines of business. It is idle to complain. These conditions belong to our civilization and are here to stay. They are neither an unmixed good nor an unmixed evil. . . . It is the part of wisdom to prepare the citizen to meet these conditions, unpromising though they may be, for meet them he must. . . . It is estimated that steam costs per horse power about one hundred dollars per annum. He who can do only what a steam engine can must expect low wages and no power of legislation will grant adequate relief. Changes in our civilization cannot be prohibited by law, nor vetoed by executive authority. . . . The suppression of child labor, enforced sanitation and kindred efforts all tend to abate the hardships. The abolition of trusts and monopolies would relieve, but must not be expected to cure.

To meet the problems of an industrial age Governor Shaw could see nothing better than an education that would train the mind to coordination and mastery of the mechanical forces that were propelling industry and commerce. Education, in his opinion, must be carried beyond the rural or grade schools, but at that time Iowa's system of education was not prepared to bridge the "ever widening gap between the rural school and the college." The governor's words amounted to a recommendation for the establishment of a rural high school system.

Referring to the alarm that had been expressed over the floating debt of the state, and the complaint of high taxes, Governor Shaw said that the aggregate taxes collected for all purposes within the state was at that time approximately \$19,000,000, but of this sum only 8 per cent went to the state, while 92 per cent was absorbed at home. Taxes "are never too high when the affairs of state are economically administered." The governor commented upon a custom that had grown up as a result of which assessed valuations were being gradually lowered so that it was neces-

sary to maintain a tax levy at relatively the same scale, in spite of increased sources of value.

Thus, the governor showed, the average assessment of the cattle of the state had been reduced from about thirteen dollars in 1871 to about five dollars in 1895. "The live stock in Iowa was assessed nineteen million dollars less in 1897 than in 1889. . . . Assessed valuations must be maintained or increased levies must follow. The expenses of state administrations do not decrease simply because property is undervalued by the assessors. On the contrary, the expense of the state has grown constantly and in some items rapidly."

On this subject of the increasing expenditures of the state government Mr. A. B. Funk, who entered the Legislature in 1888, had some interesting things to say in an address to the Pioneer Law Makers Association in 1927.

We can remember when by state law the tax levy for state purposes was for many years fixed at two mills on the dollar. At several sessions of the General Assembly the product of this levy seemed inadequate, so the question of increasing by special statute an additional half mill became the issue upon which legislators risked and sought to achieve reputation at the roll call. Meanwhile, the valuation of property, real and personal, has multiplied and in spite of the fact that other sources of revenue have poured into the state enormous sums annually, levy upon property, real and personal, is now (1927) ten mills on the dollar. . . . But the demand upon public revenues has been inexorable. Expansion of the public service has been definitely due to popular pressure. The people have demanded better schools. The people have insisted upon increased public service in response to developing needs, real or assumed. Our progressive tendencies, our humanitarian impulses, our sense of justice, have all appealed for the development of state efficiency and state responsibility never suggested in the earlier years. Complain as they will, and as they must, over the increasing burden of taxation, the people should understand where to place the responsibility. They have rarely failed to endorse a bond proposition submitted to popular vote. They want the state and the county and the school district to provide ways and means to establish justice in industrial relationships, to regulate and restrain corporate activity, to afford the most sympathetic treatment to the unfortunate wards of society, to insure the enforcement

of law, to provide for the development of colleges and schools to the highest degree of progressive efficiency. . . . Because of these popular demands it has become necessary for the state to install public service unknown to a former generation.

When the Twenty-seventh General Assembly met in January, 1898, it had before it the report of a committee appointed by the preceding legislature for the purpose of investigating the state institutions. The conclusion of the committee was a recommendation for a State Board of Control and the creation of such a board was the outstanding act of the Twenty-seventh General Assembly. This board was to consist of three persons and to it was committed the management of thirteen state institutions, including all except those purely educational. The new board took control July 1, 1898. Its first members were men admirably constituted for such an important work. Governor Shaw called to the chairmanship former Governor Larrabee, who took the place on the condition that he might retire as soon as the organization work was completed. He remained chairman during the first two years. Associated with him were John Cownie, a farmer and businessman, and L. G. Kinne, the Democratic member, long prominent as a lawyer and jurist, a former supreme court justice. The first report of this board showed that in June, 1899, the state was caring for nearly seven thousand persons in the thirteen institutions and that the total expenditures for the two-year period aggregated over \$2,500,000.

The Twenty-seventh General Assembly also agreed to a proposed amendment to the Constitution and at the November election of 1898 this amendment was submitted to popular vote. The amendment provided an increase in the number of representatives in the lower house of the General Assembly. The maximum number had been one hundred, and by the new provision the maximum was set at 115 members. The membership of the senate remained the same, fifty.

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