

By the more insidious method of commodity reclassification.

Beginning with the year 1890, hundreds and even thousands of articles have been reclassified by raising them from a lower to a higher price class.

Considering all reclassifications made during these years, it may be said that the number of articles reclassified did not greatly exceed the number nominally reduced, but Mr. President, the relative number of articles raised or reduced is comparatively unimportant.

These and like commodities which have been advanced by this process are articles of enormous production and consumption, constituting in the aggregate a large per cent of the total railroad tonnage of the country.

Mr. President, I have often thought if every commodity of commerce had attached to it a label showing the difference in its cost to the final purchaser on account of the high tariff schedules the rank and file of Congress would be unwilling to resist the overwhelming demand which would come to us for a reduction of these schedules.

Mr. President, the argument made by the railroads and in the past based upon a comparison of the present average rate per ton mile with that of a few years ago is as I said before, misleading and even if the contention of the railroads that there has been no increase in this rate should be admitted, it would not justify the conclusion sought to be drawn from it.

It is obvious if the high-grade commodities or articles which are charged are mixed or indiscriminately with low-grade commodities, upon which lower rates are charged, the average cost per ton mile will be influenced to a greater extent by the amount of tonnage which is charged the rate charged.

Now, Mr. President, it is a fact of common knowledge, shown by statistics and verified by the experience of the inter-State commerce commission during the period of our great prosperity and business activity there has been an increase in the volume of high-grade freight and other out of proportion to the increase in volume of low-grade freight, and that this fact has held down the increase in the average rate per ton mile.

For instance, Manufactures, which are high grade and high priced commodities, constituted in 1890 only 13.52 per cent of the total railroad tonnage of that year, and in 1904 13.41 per cent. Merchandise, which are high grade and high priced commodities, constituted in 1890 only 4.73 per cent of our total railroad tonnage, and in 1904 4.32 per cent.

nating on all railroads, or stated in figures, these products constituted in 1890 125,000,000 out of a total tonnage in that year of 270,000,000, while in 1904 they constituted 230,000,000 out of a total tonnage of 641,000,000 originating on all railroads.

With practically no increase during these years in the tonnage of manufactures and merchandise, and other like high grade and high priced commodities, contemporaneously with this enormous increase in the products of the mine and forest, and other like low grade and low priced commodities, it is not apparent if there had not been a great increase in specific rates there would not necessarily have been a small but a large decrease in the average rate per ton mile.

But, Mr. President, if, for the reasons I have just stated, there has been in recent years no increase in the average rate per ton mile, the records of the railroads themselves show that there has undoubtedly been a decidedly large increase in the average rate per ton mile.

For the year ending June 30th, 1901, the increase in this average rate per ton mile was 7.49 cents per ton, the aggregate increase in revenue to the railroads from this cause in that year, being in round numbers eighty million dollars.

Mr. President, it is not true that profits from capital invested in railroads in this country are relatively small. As a matter of fact, as I shall show, legitimate railroad profits have greatly increased in recent years.

There is a railroad in my own State whose stock was sold at one time since the war at \$100 per share of the par value of \$40. This road has recently sold its stock at a price of \$100 per share, two shares of preferred stock and two shares of common stock of the par value of \$100 each being issued for each and every share in the original capitalization of this railroad.

In 1887 the percentage of railroad stocks paying dividends was only 38.56 per cent, and the average rate of dividend paid on these stocks was only 5.28 per cent, the amount paid in dividends in that year being only a little over eight million dollars.

But, Mr. President, dividends do not correctly measure the profits of railroad investment. The true measure of these profits is the balance left after payment of operating expenses, interest charges and taxes.

Mr. President, what reason is there to justify the substance of the railroads that the legislation will bring disaster to them or the country? It is true, as contended, that our railroads cannot make money and prosper unless they are permitted, without undue interference, to make and enforce their own rates without regard to the interest and the rights of the people.

private switches, cars, refrigeration, ventilation and icing, have for some time past compelled us to-day in many instances to pay for the privilege of accepting such compensation as we are willing to pay for the transportation of commodities in which they deal.

This interference with their control over rates of large portions of their business has not proven disastrous to the railroads; it has neither bankrupted them nor prevented them from making money and paying dividends on their stock.

Mr. President, I do not wish to be misunderstood about this matter of rates. While I believe, indeed while I am sure, that rates have been greatly increased since the beginning of the year 1900, I do not believe that all rates, or even the larger part of them, are to-day unreasonably high, or that at present the trend of rates is upward.

REMEDY FOR THE EVIL. The remedy for these evils, in my judgment, Mr. President, consists not in such a general adjustment of rates, but in the extension of the railroad law to the extent that it is necessary to enforce there in response to commercial conditions there is little need for government interference as in effectively governmental control and regulation with limited force.

Mr. President, all laws must of necessity be interpreted and administered by men, and the argument that the law is not an admirable argument in a government like ours, if the personnel of a commission is unfit, the unworthy members of the commission will be found to legislate where legislation is needed for the welfare of our people for self-government.

Mr. President, during the ten years from 1887 to 1897, which the inter-State commerce commission actually exercised the power of fixing rates, forty-five thousand miles of railway was constructed in this country.

There is nothing in the history of these States, or in the history of the railroads or in the history of the people here, which would justify the contention that this power has been exercised vexatiously, arbitrarily or oppressively.

There can be no stronger confirmation of these statements, and there can be no stronger refutation of the calamity argument with regard to government interference with rates than that afforded by results in my own State.

Not only in North Carolina, but in Georgia, in Tennessee, in Mississippi and in a number of other States, certain inter-State commerce commission with rate-making powers, railroad mileage, the value of manufactured products and of farm property has increased at a rate so

rapid as to attract general attention and comment. In this connection I want to read and many of the letters from Hon. J. M. McNeil, chairman of the railroad commission of North Carolina. It furnishes a striking argument against the objection to the proposed legislation.

It is customary, Mr. President, to stigmatize rate-making by government boards as political rate-making, and to charge that either through ignorance or in response to popular clamor these boards cannot be trusted to deal wisely and fairly with the interests of the railroads.

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administrative agencies as it may employ to carry out its will. My chief apprehension concerning the measure is that the courts have not the constitutional right, as I see it, to review a lawful rate fixed and ordered by the commission, and while this bill by not conferring it de facto to them, still in actual practice, by means of interlocutory orders based upon expert showings of unreasonableness, these orders may be suspended pending litigation, and in this way many reviewable, as well as reviewable orders of the commission will be held in abeyance until final decree.

It is probable that the only escape from the danger will be found in taking from the courts the right to suspend the orders of the commission in any and all cases. If Congress can do this, would it be right to do it? Would it be good policy to do it? Whether or not the policy is good, it would be wrong or unjust to do it, we cannot, as individuals, or as a nation, afford to do it for mere profit's sake.

In answer to this argument, it is in behalf of the carrier that the constitution guarantees him against the taking of his property by the shipper without due process and without just compensation, and that if the rate fixed by the commission can be denied, the full benefit of this guarantee in case he is successful in his suit, and left without remedy as to that part of his property taken before final decree.

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