and intrigue from beat the end gave to his m he had served so ught gift of a race problem that we have is to preserve the rights and these can only be if we remember that they tess jeopardy from the Social-the Anarchist than from the man of wealth. It has beident that to refuse to invoke er of the nation to restrain committed by the man wealth who does evil is not neglect the interests of the ut is to neglect the interests an of means who acts honorhis fellows. The power of nce. There can be no halt in the we have deliberately electpursue, the policy of asserting ight of the nation, so far as it power, to supervise and con-business use of wealth, espe-

n its corporate form. Tosh to say a word to you he first and most important he control of the common carabsolutely vested in the nabile in so far as the common | rs also transport the mails it my opinion probable that er their business is or is not State it is to the same extent et to Federal control, under use of the constitution grantthe national government power ablish postroads and therefore ssary implication power to commission.

ry Federal law dealing with rations or with railroads that in put upon the statute books n advance in the right direc-All action taken by the adminon under these and the pre-g laws has been just and propvery suit undertaken during of their roads efficient and honest are od has been a suit not merely the only ones who have cause to opited, but required, by the facts; in the interest of the people as e, and, in the long run, par-

in the interest of business property generally. There no swerving from the course for the new era of the widest puba been mapped out in the leg- licity, and of fair dealing on the part actually enacted and in the of railroads with stockholders, pasin which I have asked for sengers, and shippers. We ask the legislation. We best serve the consent of no man in carrying out of the honest railway men this policy; but we gladly welcome re announce that we will fol-the aid of every man in perfecting the precisely this course. It is the law in its details, and in securof real, of ultimate con- ing its enactment and the faithful obm. There will be no halt in servance of its wise provisions. We ward movement toward a full seek nothing revolutionary. We ask ent of this policy; and those for such laws as in their essence now ish us to take a step back-rito stand still, if their wishes wealth of Massachusetts; such laws callzed, would find that they as now obtain in England. The purvited an outbreak of the very m they fear. There must be legislative and adminis-way legislative and adminis-

ould be riminal accountability. It should e declared contrary to public polic enceforth to allow railroads to d tote their capital to anything but the transportation business, certainly not to the hazards of speculation. or the very reason that we desire to favor the honest railroad maniger, we would seek to discourage the activities of the man whose only conern with railroads is to manipuate their stocks. The business of railroad organisation and management should be kept entirely distinct from investment or brokerage busine especially of the speculative type, and property of the corporation should be devoted to the extension and betterment of its railroads, and to the tion must be exerted to stop tributary to the lines. These princidevelopment of the country naturally ples are fundamental. Railroads should not be prohibited from acquiring connecting lines, by acquiring stocks, bands, or other securities of such lines; but it is already well settled as contrary to public policy to allow railroads to acquire control over parallel and competing lines of transportation. Subject to first giving to the government the power of toing an inter-State business; a advocated above, the law should be amended so that railroads may be permitted and encouraged to make talized roads, are combined with traffic agreements when these are in the interest of the general public as

well as of the railroad corporations making them. These agreements should of course be made public in the minutest detail, and should be subject to securing the previous as-sent of the inter-State commerce them at the highest point of by law has come to stay. The people of this country have made up on the other hand our hearty comtheir minds-and wisely made up mendation is due those owners and their minds-to exercise a closer the last six years has been a vice corporations, including railways. control over all kinds of public-ser- the large majority-who have year Every honestly managed railway will ly, and honestly in building up our gain and not lose by the policy. The great system of rallways, which have men more anxious to manipulate knitted together in close commercial stocks than to make the management.

STANDS FOR PULICITY.

pose it.

We who believe in steady and healthy progress stand unalterably

ment of a sufficient force of experts, to understake the physical valuation whenever and so soon as in the opinion of the commission such a valuation of any road would be of value to the commission in its work. There which it would be an advantage, from the standpoint of the business of the commission, to have such a physical valuation as soon as possible PHYSICAL VALUATION.

opment.

that physical valuation is no panaout and its progressive cea; it is no sufficient measurement of anties as to railroad securities which action for the correction of development, is in no sense punitive a rate; but it will be ultimately need-is which every sincere man or vindictive. We would be the first ed as an essential instrument in ad-dmit to have existed in rail-to protest against any form of con-ministrative supervision. It will be tion with the duty of determining zation, both as one element to enable betterment of the railroads. such a body to come to a right conclusion in the matter, and also as an element to be placed before the investing public, to enable this public in its turn to reach a conclusion; though of course capitalization must be determined in large measure by future need rather than past invester of supervision and con- sweeping scheme of vengeance. Our ation will prove as one of the factors to assist in fixing equitable rates opinions of the inter-State commerce ing such a physical valuation as decisive on its side in a rate controbe as important from the standpoint from the standpoint of the protection of the public; and of course it is necessary to the enduring prosperity and development of the country that the railroads shall yield reasonable profits to investors. It is from one standpoint quite as important to know the original cost of the building of the road as to know what it would now cost to reproduce it; from another standpoint the human equation-that is, the management of the road-is more important by far than the physical valuation; and the physical valuation of the road in one region may have an entirely different relation to the real value of the road in another region where the conditions are utterly different. Therefore the physical valuation can never be more than one of many ele-ments to be considered; but it is one element, and at times may be a very important element, when taken in connection with the earning power, franchises, original cost, character of management, location, and, business possibilities, in reaching an esa corporation as a going concern. CANNOT BE RETROACTIVE. The effect of such valuation and supervision of securities cannot be retroactive. Existing securities should be tested by the laws in existence at the time of their issue. This nation would no more injure securities which have become an important part of the national wealth than it would consider a proposition to repudiate the public debt. But the public interest requires guaranty against im-proper multiplication of securities in the future. Reasonable regulations GRAVE ABUSES. for their issuance should be provided for their issuance should be provided so as to secure as far as may be that the proceeds thereof shall be devoted to legitimate business purposes. In providing against overcapitalization we shall harm no human being who is honest; and we shall benefit many, for overcapitalization often means an infiation that invites business panic; it always conceals the true relation of the profit carned to the capital invested, creating a burden of inter-est payments which may redound to the loss alike of the wage-carmer and

is will be to use that the on, tend to show that as a whole th ailroad property of the country is worth as much as the securities repth the rules laid down by the co Thus the means are already ing it, and that in the con hand and the machinery already us of opinion of investors the total value of stocks and bonds is greater reated which, when perfected, will han their total face value, notwith-standing the "water" that has been out the public in position to know the acts, so that the small investor can njected in particular places. The se an intelligent judgment when trusting his money to the prome uge value of ferminals, the immense xpenditures in recent years in f great rallway enterprises. We hope as one of the chief means for betterdouble tracking, improving grades. roadbeds, and structures, nent of conditions to secure as combrought the total investments to a lete publicity in the affairs of railoint where the opinion that the res ads as now obtains with regard to value is greater than the face value is probably true. No general state-ment such as this can be accepted as ational banks. There need be no fear on the part of investors that this movement for having more than a general value; ational supervision and control over there are many exceptions; but the allways will be for their detriment. evidence seems ample that the great mass of our railroad securities rest If they doubt this, let them study the history of the railway-control moveupon safe and solid foundations; if ment in such a State as Iowa. It would they fall in any degree to command complete public confidence, it is because isolated instances of unconcionable stock-watering and kindred offenses arouse suspicion, which

be hard to find anywhere a more prosperous or more intelligent community: a community of thriving farmers and thriving townspeople. Iowa did its share in the work of building railroads naturally extends to all other corporwhen the business was one that deate securities so long as similar manded men of the utmost darpractices are possible and the tenand resourcefulness; ing dency to resort to them is unrethat gallant soldier and like strained by law. While there have captain of industry, Grenville M. been many instances of gross and Dodge: men who ran risks and perflagrant stock inflation, and while, of formed feats for which it was difficult course, there remain cases of overto make the reward too high; men capitalization, yet when the statiswho staked everything on the chances tics of the weaker roads, the overcapiof a business which to-day happly involves no such hazards. Iowa was at those of the stronger roads, and conlength forced to undertake the work sidered in the aggregate, in my judgment they will not be found to borders. There was great outcry impair the wholesome financial against it. It was proclaimed that standing and position of the 'railsuch effort would ruin roads already roads as a whole; and while those built, and prevent building more. But railway owners and managers who Iowa proceeded with the task, and it have enriched themselves by loading their properties with securities represulted, not in ruin and stagnation, but in increased safety and profit to resenting little or no real value dethe honest investor. Instead of putserve our strongest condemnation, ting roads into the hands of receivers, it was followed by a prosperity that rescued many of them from receivermanagers-representing. I believe,

ships after year worked faithfully, patient-WHAT WAS DONE FOR BANKS. No State, of course, can do for the railways what the national government has already done for the banks, and social intercourse widely re-moved sections of the country and and that government should do something analogous for the railways. stand second only to the great busi-National bank stocks are bought and ness of agriculture itself in contri- sold largely on the certificate of charbution to national growth and develacter which the government as a re-

sult of its examinations and supervis-Ample provision should be made ion, gives to them. To give another by Congress to enable the inter-State illustration from Iowa's experience, commerce commission, by the employwhen the national banking law was amended to allow small banks to take out national charters, great numbers of each and any road in the country. of the State banks of that State were re-organized into national institutions. The investing public was ready to back with unlimited confidence the instituare undoubtedly some roads as to ment had set the seal of its confidence and approval. The railways have not been given this certificate of character, under the seal of the national government, and therefore many people who invest freely in the shares of about an improved service.

At the outset let it be understood banks are reluctant to buy railroad should not be unduly high: against accidents; there should be no of use to the commission in connec- and thus opening a new reservoir from which to draw the capital now the reasonableness of future capitali- so much needed for the extension and All this, my friends, is substantially what I have said over and over again. Surely, it ought not to be necessary to say that it in no shape or way represents any hostility to corporations as such. On the contrary, it means a frank recognition of the fact that combinations of capital like labor, are a natural result of modern conditions and of our national development. I am not able to judge; but that it As far as in my ability lies my enwill be of a certain importance can deavor is and will be to prevent abuse be safely assumed because of the of power by either and to favor both so long as they do well. The aim of commission and of the courts, and the national government is quite as because of the recent action of the much to favor and protect honest cor-Northern Pacific Railroad in advanc- porations, honest business men of wealth, as to bring to justice those individuals and corporations representversy. Such a valuation would neces- ing dishonest methods. Most certainsarily help to protect the railroads ly there will be no relaxation by the against the making of inadequate and unjust rates, and would therefore to get at any great railroad wrecker of the protection of the railroads as devices robs investors, oppresses wage -any man who by clever swindling workers and does injustice to the general public. But any such move as this is in the interest of honest railway operators, of honest corporations, and of those who, when they invest their small savings in stocks and bonds, wish to be assured that these will represent money honestly expended for legitimate business purposes. To confer upon the national government the power for which I ask would be a check upon overcapitalization and upon the clever gamblers, who benefit by overcapitalization. But it alone would mean an increase in the value. an increase in the safety of the stocks and bonds of law-abiding, honestly managed railroads, and would render it far easier to market their securities. I believe in proper publicity. There has been complaint of some of the investigations recently carried on, but those who complain should put the blame where it belongs-upon the misdeeds which are done in darkness, and not upon the investigations which brought them to light. The administimate on the property and rights of tration is responsible for turning on the light, but it is not responsible for what the light showed. I ask for full power to be given the Federal government, because no single State can by legislation effectually cope with these powerful corporations engaged in in-ter-State commerce, and, while doing them full justice, exact from them in return full justice to others. The condiditions of railroad activity, the conditions of our immense inter-State commerce, are such as to make the cen-The grave abuses in individual cases of railroad management in the pass of railroad management in the past represent wrongs not merely to the general public, but, above all, wrongs to fair-dealing and honest corpora-tions and men of wealth, because they excite a popular anger and distrust which from the very nature of the case tends to include in the sweep of sentment good and bad alike

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is which those feeling it have in are those who have the the determina-There will not be the slightest. unish every dishonest man. But the ilk of our business is honestly done. n the natural indignation the pe cel over the dishonesty, it is all-es ential that they should not lose their eads and get drawn into an indisriminate raid upon all corporations, all people of wealth, whether they do well or ill. Out of any such wild movement good will not come, can not ome, and never has come. On the ontrary, the surest way to invite rection is to follow the lead of either

demagogue or visionary in a sweeping assault upon property values and upon public confidence, which would work incalculable damage in the busness world, and would produce such distrust of the agitators that in the revulsion the distrust would extend to honest men who, in sincere and same fashion, are trying to remedy the evils. The great need of the hour, from the standpoint of the general public -of the producer, consumer, and shipper alike-is the need for better transportation facilities, for additional tracks, additional terminals, and immen provements in the actual handling of the railroads; and all this with the least possible delay. Ample, safe and rapid transportation facilities are even more necessary than cheap transporttation. The prime need is for the investment of money which will provide better terminal facilities, additional tracks, and a greater number of cars of regulating the rallways within her and locomotives, while at the same time securing, if possible, better wages and shorter hours for the employes. There must be just and reasonable regulation of rates, but any arbitrary and unthinking movement to cut them down may be equivalent to putting a complete stop to the effort to provide better transportation.

There can be no question as to the lesirability of doing away with rebates or any method of favoring one shipper at the expense of a competitor, and direct dealing with the rates is sometimes the only method by which this favoritism can be avoided; but where favoritism is not alleged. of getting alower rate, it must be re-membered that it is often possible that those demanding it may be diametrically opposed in interest to those who demand a better, safer, and more rapid transportation service, and higher wages and shorter hours for employes. If the demand for more taxes, for higher wages, for shorter hours for employes, and for lower rates becomes so excessive as to prevent ample and speedy transportation, and to eat up the legitimate profits; if popular and legislative movements take a shape so ill-directed as not only to threaten honest investments and honest enterprises, but also to prevent any effort for the betterment of transportation facilities, it then becomes out of the question to secure the necessary investment of capital in order to bring Rates

there should be a thorough

return public opinion is right in holding them to a rigid accountability for the way they perform their public du- ed of ties. For several months past some, if insist on the not all, of our roads have been in a them condition of extreme congestion, doing ext Doubtless this is mainly due to the Let the b fact that the country has outgrown refrain fro its railroads, that our prosperity has increased at such a rate that the most the duty of sanguine and optimistic railroads have gitimate ways been unable to keep pace with its itics and gov growth. But it is also true that or- as a whole, in dinary methods of operation, which hold good in a placid time of steady the sharpest y and regular movement, should at a way man who time of crisis yield to the imperative way man who necessities of public need.

The experience of the past winter proves how great is our dependence on the railroads and how serious the responsibility of those who undertake blackmalling a big to care for the public in the matter of transportation. I believe that there is sufficient ingenuity and executive

genius in the operating officials of the roads greatly to diminish the troubles complained of. The most effective way to

lessen the demands for unreasonable legislation is for the railroads acting individually and collectively to remedy as many as possible of the abuses and shortcomings for which there really are remedies, and for which remedial laws are demanded by the shipping public.

The admirable national legislation of recent years, in taking away from the railroads the power of giving illegal favor, has taken away from them one of the illegitimate methods by which they used to protect themselves from improper attack; and it is therefore necessary that upright public servants should be as vigilant to protect them against harm as to prevent them from doing harm. Undoubtedly many high officers among the railroad men have followed the extremely unwise course of endeavoring to defeat the enactment of proper laws for their own control, and of endeavoring to thwart, obstruct and bring into discredit the administration of the laws. But the folly of some of their num-

ber in no way alters our duty, nor the wisdom of preforming this duty in a spirit of absolute justice alike to the railroad, the shipper, and the general public.

A MATTER OF MORALS. Finally, friends, let us never forget that this is not merely a matter of business but also a matter of morals. The success of our whole system of government depends upon our discrimnating between men, not with reference to whether they are rich or poor, whether they follow one occupation or another, but with reference solely to whether they act as honest and up-right citizens should act. Let the local attorneys of the big roads keep out of politics; and when they have to appear before the national or any State Legislature let their names be put on a special register, and let their business be above-board and open. There

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NMENT MUST SUPERVISE. protested or not, I may add that the idditional legislation as that Supreme Court could be trusted in ch I have asked in the past, any event to see that there should cially that for which I asked be nothing done under the guise of message at the opening of the regulating roads to destroy property on of Congress, is not mere- without just compensation or withhe interest of the public, but out due process of law. As a matter mphatically in the interest of of course, we shall punish any crimest railway manager and of inal whom we can convict under the astors or would-be investors in law; but we have no intention of securities. There must be counfounding the innocent many and in the Federal government a the guilty few by any ill-judged and the railways doing inter-aim is primarily to prevent these aness; a power in many redoers can be, they shall be, brought to justice; and no criminal, high or

low, whom we can reach will re-ceive immunity. But the rights of innocent investors should not be jeoparded by legislation or executive action; we sanction no legisla-tion which would fall heavily on them, instead of on the original wrongdoers or beneficiaries of the wrong.

There must be no such rigid laws as will prevent the development of the country, and such development can only be had if investors are offered an ample reward for the risk they take. We should be the first to oppose any unreasonable restrictions being placed upon the issuance of stocks and bonds, for such would simply hamper the growth of the United States; for a railroad must ultimately stand on its credit. But this does not prevent our demanding that there be lodged in the government power to exercise a zealous care against the inflation of securities, and all the evils that come in its train. The man who builds a great rallway and those who invest in it render a great public service; for adequate transportation facilities are a vital necessity to the country. We favor full and ample return to such men; but we do not favor a policy of exploiting the many for the benefit of the few. We favor the railway man who operates his railway upon a straightforward and open business basis, from the standpoint of permanent investment, and who has an interest in its future; we are against only the man who cares nothing for the property after his speculative deal in its securities has been closed. We favor the railway manager who keeps in close touch with the people along his line rather than in close touch with the speculative market; who operates his line with a view to the advantage he can legitimately get out of his railway as a permanent investment by giving a fair return to the stockholders and to the public good service with reasonable rates; who does not operate his road with

a view to the temporary speculative advantage which will follow capitalizing an uncertain future and unloading the securities on the public. We wish to make it to the interest of the investor to put his money into the honest development of the railroads, and therefore we wish to discriminate against the man who, while enriching himself, lays upon the future owners and patrons of the road and above all upon the honest men whose duty it may become to operate the road, a burden of additional debt without adding correspondingly to its actual worth. Much is mid-

ut the inability of rallway

improper shirking of taxes; the shippers of the country must be supplied generously with cars and all other equipments necessary to properly care for our commerce, and all this means that the national government must be given full and effective power of supervision and control. But the interests of those who build, who manage, and who invest in the railroads must be no less scrupulously guarded than the interests of the public. It is urcently necessary at the present time, in order to relieve the existing congestion of business and to do away with the paralysis which threatens our expanding industries, because of limited and inefficient means of distribution that our railway facilities should be so increased as to meet the imperative demands of our internal commerce. The want can be met only by private capital, and the vast expenditure necessary for such purpose will not be incurred unless private capital is afforded reasonable incentive and protection. It is therefore a prime necessity to allow investments in railway properties to earn a liberal return, a return sufficiently liberal to cover all risks. We can not get an improved service unless the carriers of the country can sell their securities, and therefore nothing should be done unwarrantedly to impair their credit nor to decrease the value of their outstanding obligations,

BELIEVES IN RESTRAINT.

I emphatically believe that positive restraint should be imposed upon rallway corporations, and that they should be required to meet positive obliga-tions in the interest of the general public. I no less emphatically believe that in thus regulating and controlling the affairs of the railways it is necessary to recognize the need of an immense outlay of money from private sources, and the certainty that this will not be met without the assurance of sufficient reward to induce the ne-cessary investment. It is plainly inadvisable for the government to under-take to direct the physical operation of the rallways, save in wholly exceptional cases: and the supervision and control it exercises should be both entirely adequate to secure its ends, and yet no more harassing than is necessary to secure these ends.

I believe that the railroad men of the United States are coming to a more perfect sense of the responsibility of the relation which they bear to the public, and of the dignity of that relation. They are public ser-vants in the highest and fullest sense. Indeed ,there is not a brakeman nor a switchman upon the most remote road in the land who does not fill a public function and render a service of large public usefulness. We be grudge neither honor nor reward to these men to whom we entrust our lives and our property. Behind these active workers in the railroad field

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