

Let us try as a people to... the same qualities as we deal... industrial and social prob... to-day that Abraham Lin... showed when with indomitable... but with a kindness, pa... and common sense quite a... able, he faced four years... of open war in front of calum... and intrigue from be... and the end gave to his... man whom he had served so... the blood-bought gift of a race... and a nation forever united... a great problem that we have... us is to preserve the rights... operty; and these can only be... ved if we remember that they... less jeopardy from the Social... of the Anarchist than from the... tory man of wealth. It has be... eident that to refuse to invoke... ver of the nation to restrain... rongs committed by the man... wealth who does evil is not... to neglect the interests of a... but is to neglect the interests... a man of means who acts hono... by his fellows. The power of... tion must be exerted to stop... of cunning no less than crime... ence. There can be no halt in... course we have deliberately elec... pursue, the policy of asserting... of the nation, so far as it... power, to supervise and con... the business use of wealth, espe... in its corporate form. To... wish to say a word to you... the first and most important... the control of the common car... doing an inter-State business; a... absolutely vested in the na... in so far as the common... no transport the mails it... my opinion probable that... their business is or is not... State it is to the same extent... ct to Federal control, under... use of the constitution grant... the national government gran... establish postroads and therefo... necessary implication power to... all action necessary in order to... them at the highest point of... y Federal law dealing with... or with railroads that... on put upon the statute books... the last six years has been a... in advance in the right direc... All action taken by the admin... under these and the pre... laws has been just and prop... every suit undertaken during... period has been not merely... ted, but required, by the facts;... in the interest of the people as... ble, and, in the long run, par... in the interest of business... of property generally. There... no swerving from the course... been mapped out in the leg... actually enacted and in the... es in which I have asked for... legislation. We best serve the... of the honest railway men... we announce that we will fol... precisely this course. It is... of real, of ultimate... ward movement toward a full... ment of this policy, and those... lah us to take a step backw... to stand still, if their wishes... realized, would find that they... vited an outbreak of the very... they fear. There must be... legislative and adminis... action for the correction of... which every sincere man... admit to have existed in rail... management in the past.

ADDITIONAL LEGISLATION AS THAT... which I have asked in the past... ecially that for which I asked... message at the opening of the... sion of Congress, is not mere... interest of the public, but... raphically the interest of... onest railway manager and of... estors or would-be investors in... securities. There must be... in the Federal government a... ver of supervision and con... the railroads doing inter... business; a power in many re...

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AS TO OVER-CAPITALIZATION.

There has been much wild talk... to the extent of the over-capital... sation of our railroads. The census... reports on the commercial value of... the railroads of the country, together... with the reports made to the Inter... State commerce commission by the... railroads on their cost of construc... tion, tend to show that as a whole... the railroad property of the country is... worth as much as the securities rep... resenting it, and that in the consen... sus of opinion of investors the total... value of stocks and bonds is greater... than their total face value, notwith... standing the "water" that has been... injected in particular places. The... huge value of terminals, the immense... expenditures in recent years in... double tracking, improving grades, roadbeds, and structures, have... brought the total investments to a... point where the opinion that the real... value is greater than the face value... is probably true. No general state... ment such as this can be accepted as... having more than a general value;... there are many exceptions; but the... evidence seems ample that the great... mass of our railroad securities rest... upon safe and solid foundations; if... they fall in any degree to command... complete public confidence, it is be... cause isolated instances of uncon... scionable stock-watering and kindred... offenses arouse suspicion, which... naturally extends to all other corpor... ate securities so long as similar... practices are possible and the ten... dency to resort to them is unre... strained by law. While there have... been many instances of gross and... flagrant stock inflation, and while, of... course, there remain cases of over... capitalization, yet when the statis... tics of the weaker roads, the overcap... italized roads, are combined with... those of the stronger roads, and con... sidered in the aggregate, in my... judgment they will not be found to... impair the wholesome financial... standing and position of the rail... roads as a whole, and while those... railway owners and managers who... have enriched themselves by loading... their properties with securities rep... resenting little or no real value, do... serve our strongest condemnation, on... the other hand our hearty com... mendation is due those owners and... managers—representing, I believe, the... large majority—who have year after... year worked faithfully, patientl... y, and honestly in building up our... great system of railways, which have... knitted together in close commercial... and social intercourse widely re... moved sections of the country and... stand second only to the great busi... ness of agriculture itself in contribu... tion to national growth and develop... ment.

STANDS FOR PUBLICITY.

We who believe in steady and... healthy progress stand unalterably... for the era of the widest publi... city, and of fair dealing on the part... of railroads with stockholders, pas... sengers, and shippers. We ask the... consent of no man in carrying out... this policy; but we gladly welcome... the aid of every man in perfecting... the law in its details, and in secur... ing its enactment and the faithful... observance of its wise provisions. We... seek nothing revolutionary. We ask... for such laws as in their essence now... obtain in the state old Common... wealth of Massachusetts; such laws... as now obtain in England. The pur... pose of those of us who so resolutely... believe in the new policy, in its thor... ough carrying out and its progressive... development, is in no sense punitive... or vindictive. We would be the first... to protest against any form of con... fiscation of property, and whether we... protested or not, I may add that should... any event to see that there should... be nothing done under the guise of... regulating roads to destroy property... without just compensation or with... out due process of law. As a matter... of course, we shall punish any crim... inal whom we can convict under the... law; but we have no intention of... unroofing the innocent many and... the guilty few by any ill-judged and... sweeping scheme of vengeance. Our... aim is primarily to prevent these... abuses in the future. Wherever evil... does can be, they shall be, brought... to justice; and no criminal, high or... low, whom we can reach will receive... immunity. But the rights of... innocent investors should not be... jeopardized by legislation or execu... tive action; we sanction no legisla... tion which would fall heavily on... them, instead of on the original... wrongdoers or beneficiaries of the... wrong.

PHYSICAL VALUATION.

At the outset let it be understood... that physical valuation is no panacea;... it is no sufficient measurement of a... rate; but it will be ultimately need... ed as an essential instrument in ad... ministrative supervision. It will be... of use to the commission in connec... tion with the duty of determining... the reasonableness of future capitali... zation, both as one element to enable... such a body to come to a right con... clusion in the matter, and also as an... element to be placed before the in... vesting 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 invest... ment. How important physical valua... tion will prove as one of the factors... to assist in fixing equitable rates, I... am not able to judge; but that it... will be of a certain importance can... be safely assumed because of the... opinions of the inter-State commerce... commission and of the courts, and... because of the recent action of the... Northern Pacific Railroad in advanc... ing such a physical valuation as de... cision on its side in a rate contro... versy. Such a valuation would neces... sarily help to protect the railroads... against the making of inadequate and... unjust rates, and would therefore... be as important from the standpoint... of the protection of the railroads as... 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 equa... tion—that is, the management of the... road—is more important by far than... the physical valuation; and the... 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 busi... ness possibilities, in reaching an es... timate on the property and rights of... a 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 in... terest requires guaranty against im... proper multiplication of securities in... the future. Reasonable regulations... 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 man; we shall benefit... who are honest; and we shall benefit many... who are dishonest. The nation often means... an inflation that invests business panics;... it always conceals the true relation... of the profit earned to the capital... invested, creating a burden of inter... est payments which may reduce to... the loss alike of the wage-earner and... the general public, which is concern... ed in the raising of the money.

THE COMMISSION ON THE CONTROL OF THE ACCOUNTS OF RAILROADS.

The commission has just issued an order... to the effect that on July 1 next all... the railroads of the country subject to the... jurisdiction of the commission must... standardize their accounting methods, and... the commission is now organizing a... bureau of special examiners, whose... duty it will be to see that the books... of the carriers are kept in conformity... with the rules laid down by the com... mission. Thus the means are already... at hand and the machinery already... created which, when perfected, will... put the public in position to know the... facts, so that the small investor can... exercise an intelligent judgment when... entrusting his money to the promoters... of great railway enterprises. We hope... as one of the chief means for better... ment of conditions to secure as com... plete publicity in the affairs of rail... roads as now obtains with regard to... national banks.

THE NATIONAL SUPERVISION AND CONTROL OF RAILROADS.

There need be no fear on the part... of investors that this movement for... national supervision and control over... railroads will be for their detriment. If... they doubt this let them study the... history of the railway-control move... ment in such a State as Iowa. It would... be hard to find anywhere more pros... perous or more intelligent community;... a community of thriving farmers and... thriving townspeople. Iowa did its... share in the work of building railroads... when the business was one that de... manded men of the utmost daring... and resourcefulness; men like that... gallant soldier and real captain of... industry, Grenville M. Dodge; men... who ran risks and performed feats for... which it was difficult to make the... reward too high; men who staked every... thing on the chances of a business which... to-day happily involves no such haz... ards. Iowa was at length forced to... undertake the work of regulating the... railways within her borders. There was... great outcry against it. It was pro... claimed that this effort would ruin... roads already built, and prevent build... ing more. But Iowa proceeded with the... task, and it resulted, not in ruin and... stagnation, but in increased safety and... profit to the honest investor. Instead... of putting roads into the hands of... receivers, it was followed by a pros... perity that rescued many of them from... receiverships.

WHAT WAS DONE FOR BANKS.

No State, of course, can do for the... railways what the national govern... ment has already done for the banks, and... that government should do some... thing analogous for the railways. National... bank stocks are bought and sold... largely on the certificate of character... which the government as a result of... its examinations and supervision, gives... to them. To give another illustration... from Iowa's experience, when the... national banking law was amended to... allow small banks to take out national... charters, great numbers of the State... banks of that State were re-organ... ized into national institutions. The... investing public was ready to back... with unlimited confidence the institu... tions on which the Federal government... 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 govern... ment, and therefore many people... who invest freely in the shares of... banks are reluctant to buy railroad... securities. Give them the same guar... anties as to railroad securities which... we now give them as to national... bank shares, and we would presently... see these people investing in railroads... and thus opening a new reservoir... from which to draw the capital now... so much needed for the extension and... betterment of the railroads.

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 com... binations of capital like labor, are a... natural result of modern civilization... and of our national development. As... far as in my ability lies my en... deavor is and will be to prevent abuse... of power by either and to favor both... so long as they do well. The aim of... the national government is quite as... much to favor and protect honest... corporations, honest business men of... wealth, as to bring to justice those... individuals and corporations represent... ing dishonest methods. Most certainly... there will be no relaxation by the... government authorities in the effort... to get at any great railroad wrecker... —any man who by clever swindling... devices robs investors, oppresses wage... 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 overcap... italization 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, honest... 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 in... vestigations 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 adminis... 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 govern... ment, because no single State can by... legislation effectually cope with these... powerful corporations engaged in inter... State commerce, and, while doing... them full justice, exact from them in... return full justice to others. The con... ditions of railroad activity, the con... ditions of our immense inter-State com... merce, are such as to make the cen... tral government alone competent to... exercise full supervision and control.

BELIEVES IN RESTRAINT.

I emphatically believe that positive... restraint should be imposed upon rail... way 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 nec... essary to recognize the need of an im... mense outlay of money from private... sources, and the certainty that this... will not be met without the assurance... of sufficient reward to induce the... necessary investment. It is plainly in... advisable for the government to under... take to direct the physical operation... of the railways, save in wholly excep... tional cases; and the supervision and... control it exercises should be both... entirely adequate to secure its ends, and... yet no more harassing than is neces... sary to secure these ends.

I BELIEVE THAT THE RAILROAD MEN...

I believe that the railroad men of... the United States are coming to a... more perfect sense of the responsi... bility 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...

GRAVE ABUSES.

The grave abuses in individual cases... 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... its resentment good and bad alike. From... the standpoint of the public it can... not be too earnestly said that as soon... as the natural and proper resentment... aroused by these abuses becomes in...

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are those who have the determina... tion of railroad policies. These men... are entitled to great rewards, and in... return public opinion is right in hold... ing them to a rigid accountability for... the way they perform their public... duties. For several months past some, if... not all, of our roads have been in a... condition of extreme congestion. Doubtless this is mainly due to the... fact that the country has outgrown... its railroads, that our prosperity has... increased at such a rate that the most... sanguine and optimistic railroads have... been unable to keep pace with its... growth. But it is also true that ordi... nary methods of operation, which... hold good in a placid time of steady... and regular movement, should at a... time of crisis yield to the imperative... 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... 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 il... legal favor, has taken away from them... one of the illegitimate methods by... which they used to protect themselves... from improper attack; and it is there... fore necessary that upright public ser... vants 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 dis... credit the administration of the laws. But... the folly of some of their number... in no way alters our duty, nor the... wisdom of performing 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 discrim... inating between men, not with refer... ence 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... upright 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 busi... ness be above-board and open. There... are blackmailers in public life, and... the citizen who is honest will war... against the man who tries to black... mail a railroad or a big corporation... with the same stern determination to... punish him as against the man who...

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corruptly favor... But let the railroads... do to purchase illeg... doing or to defeat... ed is the worst and... of policies. Let us... insist on the one... themselves and on... doing exact justice... Let the big railroads... refrain from any... politics or governm... the duty of every... legitimate ways to... lics and governm... as a whole, in their... that it is their duty... the sharpest way... way man who does ill;... to remember that the... al harm done to the... corruption is just as... the corruption takes... blackmailing a big...

(Continued on Page 2)

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