PRESIDENT OUTLINES ISSUES OF THE DAY

Important Recommendations as to Legislation Made in Annual Message to Congress—Large Part of Document Devoted to Corporations and Railroad Rate Legislation—Relations of Labor and Capital Dealt With Fully.

The message of President Roosevelt, read at the first session of the Fifty-ninth Congress, congratulates the people on the continued prosperity of the nation. The close relationship and mutual dependence upon each other of capital and labor are pointed out, and the message continues:

Corporations.

Yet, while not merely admitting, but insisting upon this, it is also true that where there is no governmental restraint or supervision some of the unscrupulous men use their energies not in ways that are for the common good, but in ways which tell against this common good. The fortunes amassed through corporate organization are now so large and vest such power in those that wield them, as to make it a matter of necessity to give to the sovereign—that is, to the Government, which represents the people as a whole—some effective power of supervision over their corporate use. In order to insure a healthy social and industrial life, every big corporation should be held responsible by, and be accountable to, some sovereign strong enough to control its conduct. I am in no sense hostile to corporations. This is an age of combination, and any effort to prevent all combination will be not only useless, but in the end vicious, because of the contempt for law which the failure to enforce law inevitably produces. We must frankly recognize in cordial and simple fashion the immense good effected by corporate agencies in a country such as ours, and the wealth of intellect, energy, and fidelity devoted to their service; and then proceed to make them, by their officers and directors, the corporation that it comes to stay. Just as the trade union has come to stay. Each can do and has done great good. Each should be favored so long as it does good. But each should be sharply checked where it acts against law and justice.

The President shows the impossibility of the individual states dealing successfully with corporation greed, and the necessity of conferring power upon the general government even to the extent of a proper amendment to the constitution. He says:

It has been a misfortune that the national laws on this subject have tended to been of a negative or prohibitive rather than an affirmative kind, and still more that they have in part sought to prohibit what could not be effectively prohibited, and have failed to make the prohibitions confounded what should be allowed and what should not be allowed. It is generally useless to try to prohibit all restraint on competition, whether this restraint be reasonable or unreasonable, and where it is not useless it is generally hurtful. Events have shown that it is not possible adequately to secure the enforcement of any law of this kind by increased penalties of the usual type. The Department of Justice has for the last four years devoted more attention to the enforcement of the anti-trust legislation than to anything else. Much has been accomplished; much good undoubtedly has been the moral effect of the prosecutions; but it is increasingly evident that there will be a very insufficient benefit as result in the way of economic change. The successful prosecutions of one type tend to evade the law immediately develops another device to accomplish the same purpose. What is needed is not an attempt at prohibition of every arrangement, good or bad, which may tend to restrict competition, but such adequate supervision and regulation as will prevent any restriction of competition from being to the detriment of the public—as well as such supervision and regulation as will prevent other abuses in no way connected with restriction of competition. Of these abuses, perhaps the chief, although by no means the only one, is overcapitalization—generally itself the result of the lowered promotion—because of the myriad evils it brings in its train; for such overcapitalization often means, as inflation does, that invites business panic, it always conceals the true relation of the profits earned to the actual capital invested, and it creates a burden of interest payments which is a fertile cause of improper reduction or in limitation of wages; it damages the small investor, discourages thrift, and encourages gambling and speculation; while perhaps worst of all is the trickiness and dishonesty which it implies—for harm to morals and worse than any possible harm to material interests is wrought by the debauchery of politics and business by great dishonest corporations. Far worse than any actual material evil they do the public. Until the national government does some manner of what the wisdom of the Congress may suggest—proper control over the big corporations engaged in interstate commerce, that is, over the great majority of the big corporations—it will be impossible to deal adequately with these evils.

I am well aware of the difficulties of the legislation that I am suggesting, and of the need of temperate and cautious action in framing it. I should object adversely to any proposition which was radical or hasty action. The first thing to do is to deal with the great corporations engaged in the business of interstate transportation. As I said in my message of June, of last, the immediate and most pressing need, so far as legislation is concerned, is the enactment into law of some scheme to secure to the agents of the government such supervision and regulation of the rates charged by the railroads of the country engaged in interstate traffic as shall effectively prevent the imposition of unjust or unreasonable rates. It must include putting a complete stop to rebates in every shape and form. This power to regulate rates, like all similar power over the business world, should be exercised with moderation, with regard to restraint; but it should exist, so that it can be effectively exercised when the need arises.

The first consideration to be kept in mind is that the power should be affirmative and should be given to an administrative body created by the Congress. If given to the interstate Commerce commission or to a reorganized Interstate Commerce commission, such commission should be made unquestionably administrative. I do not believe in the government interfering with private business more than is necessary. I do not believe in the government undertaking any work which can well be done by men left in private hands. But neither do I believe in the government attempting to overseeing any work when it becomes evident that abuses are sure to obtain therein unless there is governmental supervision. It is not my province to discuss the exact terms of the law which should be enacted; but I call the attention of the Congress to certain existing conditions with which it is desirable to deal. In my judgment the most important provision which such law should contain is that conferring upon some competent administrative body the power to decide, upon the case being brought before it, whether a given rate prescribed by a railroad is reasonable and just, and if it is found to be unreasonable and unjust, then, after full investigation of the complaint, to prescribe the right to fix that beyond which it shall not be lawful to go—the maximum reasonable rate, as it is commonly called—this decision to go into effect within a reasonable time and to obtain from there on, unless and subject to review by the courts. It sometimes happens at present, not that the rate is too high but that a favored shipper is given a low rate; in such case the commission would have the right to fix this already established minimum rate as the maximum. It would need only one or two such decisions by the commission to cure railroad companies of the practice of giving improper minimum rates. I call your attention to the fact that my proposal is not to give the commission power to initiate or originate rates generally, but to regulate a rate already fixed or originated by the roads, upon complaint and after investigation. A heavy penalty should be exacted from any corporation which fails in respect an order of the commission, regard this power to establish a maximum rate as being essential to any scheme of real reform in the matter of railway regulation. The first necessity is to secure it; and unless it is granted the commission there is little use in touching the subject at all.

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Continuing, the President earnestly disclaims any spirit of hostility to the railroads, pointing out the benefits to be derived by the fair-dealing roads in the even-handed administration of justice. In this both the honest railroad man and the honest shipper alike would be benefited. Ending the subject, the President says:

All private car lines, industrial roads, refrigerator charges, and the like should be expressly put under the supervision of the Interstate Commerce commission or some similar body so far as rates, and agreements practically affecting rates, are concerned. The law should leave owners of the owners of industrial railroads entitled to a fair and reasonable compensation on their investment, but neither should it care nor industrial railroads nor spur tracks should be used as devices for securing preferential rates. A rebate being charged, in the shape of a low division of the rate for refrigerating charge is just as pernicious as a rebate in any other shape. The lower rate should apply on goods imported from abroad, plus the refrigerating charge from the American seaboard to destination except in cases where water competition is the controlling influence. There should be publicity of the accounts of common carriers; no accounts of carriers engaged in interstate business should keep any books or memoranda other than those specified pursuant to law or regulation, and these books or memoranda should be open to the inspection of the government. Only in this way can violations or evasions of the law be surely detected. A system of examination of railway accounts should be provided similar to that now conducted into the national banks by bank examiners, a few first-class railroad accountants. If they had proper direction and proper authority to inspect books and papers could accomplish much in preventing wrongful violations of the law. It would not be necessary for them to examine into the accounts of any railroad unless the reports made by it were selected to do so by the Interstate Commerce commission, but it is greatly to be desired that some way might be found by which an agreement as to transportation within a state intended to operate as a transport upon the federal interstate commerce laws could be brought under the jurisdiction of the federal authorities. At present it occurs that large shipments of interstate traffic are sometimes made, on occasions on purely state business, which of course amounts to an evasion of the law. The commission should have power to enforce fair treatment by the great trunk lines of the feeder branch lines.

I urge upon the Congress the need for expeditious action by the interstate commerce commission in all these matters whether in regulating rates for transportation or for furnishing cars or handling property or commodities in transit. The history of the past shows conclusively that present commerce act shows that its efficiency has been to a great degree destroyed by the delays which are almost the most formidable weapon in the hands of those whose purpose it is to violate the law.

The question of transportation lies at the root of the industrial success and the revolution in transportation which has taken place during the last half century has been the most important factor in the growth of the new industrial conditions. Most emphatically it is not to be desired the man of great talents refused the reward for his talents. Still less do we wish to see him gain wealth by any action of ours inconsistent with the rights of his fellow men. The interest of railroad transportation has handled that the successful man shall be given no advantage over the weak man. We wish to insure as fair treatment for the weak man as for the big city for the small shipper as for the big shipper. In the old days the law had to concern itself whether by water or by a road on land was open in all; it belonged to the public and the traffic along it was free. At present the railway is this highway and we must do our best to make the road as open to all on equal terms. Unlike the old highway, it is a very difficult and complex thing to manage, and it is far better that it should be managed by private individuals than by the government. But it can only be so managed on condition that justice is done the public as to its use. The public do desire to see this system of railroad transportation so