

system—of failure to exercise any adequate control at all. Some persons speak as if the exercise of such governmental control would do away with the freedom of individual initiative and dwarf individual effort. This is not a fact. It would be a veritable calamity to fail to put a premium upon individual initiative, individual capacity and effort; upon the energy, character, and foresight which it is so important to encourage in the individual. But as a matter of fact the deadening and degrading effect of pure socialism, and especially of its extreme form communism, and the destruction of individual character which they would bring about, are in part achieved by the wholly unregulated competition which results in a single individual or corporation rising at the expense of all others until his or its rise effectually checks all competition and reduces former competitors to a position of utter inferiority and subordination.

"In enacting and enforcing such legislation as this congress already has to its credit, we are working on a coherent plan, with the steady endeavor to secure the needed reform by the joint action of the moderate men, the plain men who do not wish anything hysterical or dangerous, but who do intend to deal in resolute common-sense fashion with the real and great evils of the present system. The reactionaries and the violent extremists show symptoms of joining hands against us. Both assert, for instance, that if logical, we should go to government ownership of railroads and the like; the reactionaries, because on such an issue they think the people would stand with them, while the extremists care rather to preach discontent and agitation than to achieve solid results. As a matter of fact, our position is as remote from that of the Bourbon reactionary as from that of the impracticable or sinister visionary. We hold that the government should not conduct the business of the nation, but that it should exercise such supervision as will insure its being conducted in the interest of the nation. Our aim is, so far as may be, to secure, for all decent, hard working men, equality of opportunity and equality of burden.

"The actual working of our laws has shown that the effort to prohibit all combination, good or bad, is noxious where it is not ineffective. Combination of capital like combination of labor is a necessary element of our present industrial system. It is not possible completely to prevent it; and if it were possible, such complete prevention would do damage to the body politic. What we need is not vainly to try to prevent all combination, but to secure such rigorous and adequate control and supervision of the combinations as to prevent their injuring the public, or existing in such form as inevitably to threaten injury—for the mere fact that a combination has secured practically complete control of a necessary of life would under any circumstances show that such combination was to be presumed to be adverse to the public interest. It is unfortunate that our present laws should forbid all combinations, instead of sharply discriminating between those combinations which do good and those combinations which do evil. Rebates, for instance, are as often due to the pressure of big shippers (as was shown in the investigation of the Standard Oil company and as has been shown since by the investigation of the tobacco and sugar trusts) as to the initiative of big railroads. Often railroads would like to combine for the purpose of preventing a big shipper from maintaining improper advantages at the expense of small shippers and of the general public. Such a combination, instead of being forbidden by law, should be favored. In other words, it should be permitted to railroads to make agreements, provided these agreements were sanctioned by the interstate commerce commission and were published. With these two conditions complied with it is impossible to see what harm such a combination could do to the public at large. It is a public evil to have on the statute books a law incapable of full enforcement because both judges and juries realize that its full enforcement would destroy the business of the country; for the result is to make decent railroad men violators of the law against their will, and to put a premium on the behavior of the wilful wrongdoers. Such a result in turn tends to throw the decent man and the wilful wrongdoer into close association, and in the end to drag down the former to the latter's level; for the man who becomes a lawbreaker in one way unhappily tends to lose all respect for law and to be willing to break it in many ways. No more scathing condemnation could be visited upon a law than is contained in the words of the interstate commerce commission when, in commenting upon the fact that the numerous joint traffic associations do

technically violate the law, they say: "The decision of the United States supreme court in the Trans-Missouri case and the Joint Association case has produced no practical effect upon the railway operations of the country. Such associations, in fact, exist now as they did before these decisions, and with the same general effect. In justice to all parties, we ought probably to add that it is difficult to see how our interstate railways could be operated with due regard to the interest of the shipper and the railway without concerted action of the kind afforded through these associations."

"This means that the law as construed by the supreme court is such that the business of the country can not be conducted without breaking it. I recommend that you give careful and early consideration to this subject, and if you find the opinion of the interstate commerce commission justified, that you amend the law so as to obviate the evil disclosed."

Referring to inheritance and income tax the president says: "The question of taxation is difficult in any country, but it is especially difficult in ours with its federal system of government. Some taxes should on every ground be levied in a small district for use in that district. Thus the taxation of real estate is peculiarly one for the immediate locality in which the real estate is found. Again, there is no more legitimate tax for any state than a tax on the franchises conferred by that state upon street railroads and similar corporations which operate wholly within the state boundaries, sometimes in one and sometimes in several municipalities or other minor divisions of the state. But there are many kinds of taxes which can only be levied by the general government so as to produce the best results, because among other reasons, the attempt to impose them in one particular state too often results merely in driving the corporation or individual affected to some other locality or other state. The national government has long derived its chief revenue from a tariff on imports and from an internal or excise tax. In addition to these there is every reason why, when next our system of taxation is revised, the national government should impose a graduated inheritance tax, and, if possible, a graduated income tax. The man of great wealth owes a peculiar obligation to the state, because he derives special advantages from the mere existence of government. Not only should he recognize this obligation in the way he leads his daily life and in the way he earns and spends his money, but it should also be recognized by the way in which he pays for the protection the state gives him. On the one hand, it is desirable that he should assume his full and proper share of the burden of taxation; on the other hand, it is quite as necessary that in this kind of taxation, where the men who vote the tax pay but little of it, there should be clear recognition of the danger of inaugurating any such system save in a spirit of entire justice and moderation. Whenever we, as a people, undertake to remodel our taxation system along the lines suggested, we must make it clear beyond peradventure that our aim is to distribute the burden of supporting the government more equitably than at present; that we intend to treat rich man and poor man on a basis of absolute equality, and that we regard it as equally fatal to true democracy to do or permit injustice to the one as to do or permit injustice to the other.

"I am well aware that such a subject as this needs long and careful study in order that the people may become familiar with what is proposed to be done, may clearly see the necessity of proceeding with wisdom and self-restraint and may make up their minds just how far they are willing to go in the matter; while only trained legislators can work out the project in necessary detail. But I feel that in the near future our national legislators should enact a law providing for a graduated inheritance tax by which a steadily increasing rate of duty should be put upon all moneys or other valuables coming by gift, bequest, or devise to any individual or corporation. It may be well to make the tax heavy in proportion as the individual benefited is remote of kin. In any event, in my judgment, the pro rata of the tax should increase very heavily with the increase of the amount left to any one individual after a certain point has been reached. It is most desirable to encourage thrift and ambition, and a potent source of thrift and ambition is the desire on the part of the breadwinner to leave his children well off. This object can be attained by making the tax very small on moderate amounts of property left; because the prime object should be to put a constantly increasing burden on the inheritance of those swollen for-

tunes which it is certainly of no benefit to this country to perpetuate.

"There can be no question of the ethical propriety of the government thus determining the conditions upon which any gift or inheritance should be received. Exactly how far the inheritance tax would, as an incident, have the effect of limiting the transmission by devise or gift of the enormous fortunes in question it is not necessary at present to discuss. It is wise that progress in this direction should be gradual. At first a permanent national inheritance tax, while it might be more substantial than any such tax has hitherto been, need not approximate, either in amount or in the extent of the increase by graduation, to what such a tax should ultimately be.

"This species of tax has again and again been imposed, although only temporarily by the national government. It was first imposed by the act of July 6, 1797, when the makers of the constitution were alive and at the head of affairs. It was a graduated tax; though small in amount, the rate was increased with the amount left to any individual, exceptions being made in the case of certain close kin. A similar tax was again imposed by the act of July 1, 1862; a minimum sum of \$1,000 in personal property being excepted from taxation, the tax then becoming progressive according to the remoteness of kin. The war revenue act of June 13, 1898, provided for an inheritance tax on any sum exceeding the value of \$10,000, the rate of the tax increasing both in accordance with the amounts left and in accordance with the legatee's remoteness of kin. The supreme court has held that the succession tax imposed at the time of the civil war was not a direct tax but an impost or excise which was both constitutional and valid. More recently the court, in an opinion delivered by Mr. Justice White, which contained an exceedingly able and elaborate discussion of the powers of the congress to impose death duties, sustained the constitutionality of the inheritance tax feature of the war revenue act of 1898.

"In its incidents, and apart from the main purpose of raising revenue, an income tax stands on an entirely different footing from an inheritance tax; because it involves no question of the perpetuation of fortunes swollen to an unhealthy size. The question is in its essence a question of the proper adjustment of burdens to benefits. As the law now stands it is undoubtedly difficult to devise a national income tax which shall be constitutional. But whether it is absolutely impossible is another question; and if possible it is most certainly desirable. The first purely income tax law was passed by congress in 1861, but the most important law dealing with the subject was that of 1894. This the court held to be unconstitutional.

"The question is undoubtedly very intricate, delicate, and troublesome. The decision of the court was only reached by one majority. It is the law of the land, and of course is accepted as such and loyally obeyed by all good citizens. Nevertheless, the hesitation evidently felt by the court as a whole in coming to a conclusion, when considered together with the previous decisions on the subject, may perhaps indicate the possibility of devising a constitutional income tax law which shall substantially accomplish the results aimed at. The difficulty of amending the constitution is so great that only real necessity can justify a resort thereto. Every effort should be made in dealing with this subject, as with the subject of the proper control by the national government over the use of corporate wealth in interstate business, to devise legislation which without such action shall attain the desired end; but if this fails, there will ultimately be no alternative to a constitutional amendment."

The president emphasizes the importance of a technical and industrial training and points with pride to the good work done by the institute of technology, schools of mines, etc. He pays a high tribute to the department of agriculture and to the great good accomplished through the work of irrigation and forest preservation.

The president approves the suggestion that a memorial amphitheatre be erected at Arlington cemetery.

The president devotes some space to marriage and divorce. He says: "The whole question of marriage and divorce should be relegated to the authority of the national congress."

The president directs attention to the importance of American shipping and plainly advocates the ship subsidy. He adds: "If it prove impracticable to enact a law for the encouragement of shipping generally, then at least provision should be made for better communication with South

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