

President Wilson Directs Action Against New Haven Monopolists

Following are special telegrams to the New York World:

Washington, July 21.—By direction of President Wilson and with his entire approval Attorney-General McReynolds is to institute at once a suit in equity to compel the dissolution of the New York, New Haven and Hartford Railroad company.

At the same time, and also by direction of the president, the evidence collected by the attorney-general involving the criminal aspect of the case will be laid before a grand jury with a view to secure the indictment of those directors of the road who were responsible for its looting and the loss of millions belonging to the stockholders.

These two things were decided on at today's cabinet meeting, at which the entire situation, developed since the New Haven balked on its own proposal to purchase the stock of the Boston and Maine, was carefully gone over.

PRESIDENT DIRECTS McREYNOLDS TO BRING SUIT

A letter from the president to the attorney-general directing him to take action was given out to-night. It says:

The White House, Washington, July 21
My dear Mr. Attorney-General:

I have your letter of today, inclosing a copy of your letter of July 9 to Mr. J. H. Hustis, president of the New York, New Haven and Hartford Railroad company, which together disclose the failure of the directors of the New York, New Haven and Hartford Railroad company to comply with the terms of settlement proposed by them and accepted by us in the matter of their railroad holdings.

Their final decision in this matter causes me the deepest surprise and regret. Their failure, upon so slight a pretext, to carry out an agreement deliberately and solemnly entered into and which was manifestly in the common interest, is to me inexplicable and entirely without justification.

You have been kind enough to keep me fully informed of every step the department took in this matter, and the action of the department has throughout met with my entire approval. It was just, reasonable and efficient. It should have resulted in avoiding what must now be done.

In the circumstances the course you propose is the only one the government can pursue. I therefore request and direct that a proceeding in equity be filed, seeking the dissolution of the unlawful monopoly of transportation facilities in New England now sought to be maintained by the New York, New Haven and Hartford Railroad company, and that the criminal aspects of the case be laid before a grand jury. With much regard, sincerely yours,

WOODROW WILSON.

With the president's letter to the attorney-general were given out one from Mr. McReynolds to the president and from him to President J. H. Hustis of the New Haven.

McREYNOLDS CRITICISES INTERSTATE COMMERCE BOARD

In his letter to the president Mr. McReynolds points out that the New Haven directors repudiated their own agreement. He gives a brief history of the case and shows that he had already prepared a dissolution suit which was halted because the new management of the road (Mr. Elliott's) had assured him that it desired to act with the law.

The attorney-general criticises the action of the interstate commerce commission in calling to the witness stand former President Mellen of the New Haven, who, he declares, is "flagrantly culpable," and expresses the fear that he may have secured immunity in that way.

He calls attention to the fact that the president has approved his course in the entire conduct of the situation and ends by advising both civil and criminal action against the New Haven.

The attorney-general's letter to Mr. Hustis was written July 9. It goes into the case in even greater detail. Mr. McReynolds puts the responsibility of the consequences of the suit squarely up to the New Haven board.

He shows that the sale of the Boston and Maine stock owned by the New Haven under the enabling act of the Massachusetts legislature, which the directors have repudiated, would

have been made under the same conditions which the state has always imposed on the New Haven.

He ends by saying the president finds it hard to believe that such men as the directors of the New Haven could fail to carry out their agreement.

SUIT WILL PROBABLY BE FILED AT ONCE

It is expected that the attorney-general will file the bill in equity in the southern district of New York at once. The document has been prepared for months and would have been filed long ago had it not been for the agreement which was entered into between the officials of the New Haven and department of justice for peaceable settlement of the points at issue.

The evidence collected by the attorney-general which will be used in the criminal proceedings, likewise will be turned over very soon to a grand jury for action.

NEW HAVEN REPUDIATED ITS OWN AGREEMENT

Washington, July 21.—The letter of Attorney-General McReynolds to President Wilson, calling attention to the unsuccessful efforts of the department of justice to bring about a peaceful solution of the New Haven situation and recommending that criminal and civil suits be instituted against the road, follows:

Department of Justice,
Washington, D. C., July 21.

To the President, the White House.

Dear Mr. President: Some days since, I reported to you that the board of directors of the New Haven railroad had advised me that they would not carry into effect the approved proposals made by them last winter for bringing the affairs of that company into harmony with the federal statutes.

Following your direction, I wrote to the president of the company on July 9, expressing your views and my own in opposition to the position assumed by the board. A copy of that letter is attached hereto.

Saturday last I received a request to confer with a committee composed of members of the board on yesterday—Monday. They came here, and we discussed the situation. I emphasized the position of the government as outlined in my letter of July 9, and energetically called attention to the results which would necessarily follow adherence to the position taken by them.

THE NEW HAVEN'S REFUSAL

They refused, however, to admit any obligation to conform to the Massachusetts enactment, and firmly declined to carry into effect their own proposals for an adjustment.

During the past year you have been constantly in touch with my actions in respect to the New Haven road, and you have been good enough to express satisfaction therewith. It seems, however, not inappropriate again to remind you of some aspects of the general situation.

Prior to 1908 the attention of the department of justice was called to the unlawful combinations and monopolies in which the New Haven railroad was the principal party, and in May of that year a proceeding under the Sherman law was instituted wherein the government sought to correct certain of the existing evils.

This suit was dismissed June 26, 1909. Thereafter the monopoly proceeded to strengthen its hold upon the carriers of New England.

By the time your administration began the New Haven and the Boston and Maine railroads had been reduced to the unfortunate condition now unhappily too well known: their securities widely distributed among small investors had shrunken enormously in value, and the commerce and industries of all New England were under severe strain.

SUIT PREPARED BEFORE

Directly after assuming this office, being convinced that the situation demanded a thorough investigation by capable counsel, I retained Mr. T. W. Gregory, well known to you, and whose ability, industry and integrity are impeachable. In due time he reported the result of his researches, and I instructed him to prepare for filing at the earliest possible moment a proceeding in equity to prevent further violations of the law.

Before this could be accomplished the railroad company selected a new chief officer, and he earnestly asked to enter upon negotiations with me looking toward an adjustment without the necessity of a suit. You have been familiar with the outcome; and, as the terms of the plan

agreed on were published, they became generally known.

Because of the important consequences involved directly to New England and immediately to the rest of the Union, it seemed most important, first, to accomplish, if possible, a restoration of lawful conditions in the transportation facilities of that section with the least possible further distress to impoverished investors and unsettled industries; and I have acted accordingly.

GAVE NO HOPE TO CRIMINALS

The criminal aspects of the case have been kept constantly in mind, much data bearing thereon was collected months ago, and care has been exercised to permit nothing which might interfere with proper prosecutions at the appropriate time. We have not held out the slightest hope that parties guilty of criminal violations of the law would escape.

In April and May last, there being indication that the interstate commerce commission, by examining them, might immunize certain central figures in the unlawful arrangement, it was asked carefully to consider the effect of such action.

Nevertheless, Mellen, and perhaps others flagrantly culpable, were put upon the stand, and any criminal prosecution hereafter instituted probably will be embarrassed by a claim of immunity interposed in their behalf.

SOUGHT TO AID STOCKHOLDERS

With the utmost patience and in an intense desire to enforce the law in such a way as to bring no unnecessary hardship upon New England or the unfortunate holders of the railroad securities, we have sought to compel a restoration of lawful conditions; but, as I believe, without proper justification the board of directors resolutely decline to proceed under an approved arrangement adequate to that end and altogether fair.

I am of the opinion, therefore, that the time is at hand when we should file a proceeding in equity, seeking the dissolution of the unlawful monopoly of transportation facilities in New England, and that the criminal aspects of the case should be laid before a grand jury. If these suggestions meet with your approval I will immediately give the necessary directions. Faithfully yours,
J. C. McREYNOLDS.

STOPPED FIRST SUIT WHEN ROAD GAVE ASSURANCES OF GOOD FAITH

Attorney-General McReynolds's letter to President J. H. Hustis, under date of July 9, calling attention to the attitude of President Wilson and the department of justice on the refusal of the directors to accept the legislation providing for the sale of the Boston and Maine stock, follows:

Office of the Attorney-General,

Washington, D. C., July 9, 1914.

Mr. J. H. Hustis, President the New York, New Haven and Hartford Railroad Company, New Haven, Conn.

My Dear Sir: Permit me to reply to your letter of July 8, inclosing copies of resolutions adopted by the directors of the New Haven railroad company on June 25 and July 8 respectively. I also have a letter of July 6 from your counsel, Mr. Moorfield Storey of Boston.

In effect, these communications announce that because the statute recently passed by the Massachusetts legislature, granting power to the New Haven railroad company to dispose of its interest in the majority stock of the Boston and Maine railroad, reserves to that commonwealth the right at any time hereafter to purchase such stock at fair valuation, to be ascertained by legal processes, your directors feel at liberty to abandon any further effort to comply with the solemn proposals which they heretofore made to me, and which were approved as adequate to bring the affairs of that company into compliance with the law.

LAYS ONUS ON NEW HAVEN

I emphatically object to the course proposed, and submit that it is without justification. Their action raises a question of very large public importance demanding serious consideration; and if persisted in your company, its officers and directors must accept the sole responsibility for the inevitable consequences.

Shortly after the present administration entered upon its duties, I employed special counsel and set on foot an investigation of the affairs of the New Haven railroad for the purpose of ascertaining the exact conditions. In due time it developed that the anti-trust laws were being violated, and I accordingly directed the preparation of a bill to restrain and prevent further infractions.

Before this could be written and filed, and