

about as effective a method of competition as can be devised?

Mr. Bryan. Well, I think that that makes competition effective, provided the railroads of which these are branches are not themselves in some combination by which they destroy it. You see, there are two ways of destroying competition; one by the absorption of ownerships and the other is by the association of managers.

The Chairman. Yes; and your contention—

Mr. Bryan. We have had some experience with both.

The Chairman. Your contention is that these great corporations, through intercorporate holdings, create practically a monopoly?

Mr. Bryan. My contention is, and has been for many years, that there should be no interlocking directorates; that is, no man should be a director of two competing corporations.

The Chairman. You realize legislation has been enacted by the nation—

Mr. Bryan. I am very much gratified to know that it has.

The Chairman. Now, take the Southern railway system, which operates in about 10 or 11 states, and which is competitive with the Atlantic Coast line in part and with the Louisville and Nashville—

Mr. Bryan. And the Seaboard?

The Chairman. And the Seaboard in part—there, as I understand it—there were many hundreds of small state railroad corporations that were organized into this great system.

Mr. Bryan. I am not acquainted with the history of those.

The Chairman. I will state to you briefly their history. That consolidation or union of railroads was accomplished through the Richmond & Danville railroad, organized under the laws of Virginia, and to which a very liberal charter was given by the state of Virginia without many restrictions as to stock and bond issues, without many of the restrictions which have since been regarded as necessary in both state and national legislation. And through the powers given to that Richmond & Danville railroad of purchasing the stocks of other corporations and of leasing other corporations that railway, as I understand it, has come into the physical control of some 10,000 or 11,000 miles of railroad which had been operated previously by individual roads—some two or three or four hundred in number. You will realize, now, that was done for the purpose of promoting interstate commerce.

Mr. Bryan. I should say that that was not the primary purpose.

The Chairman. No; not the primary purpose perhaps of the incorporators. Theirs was private, but it was possibly acquiesced in.

Mr. Bryan. Yes; that may have been incidental.

The Chairman. Upon the assumption that it advanced the interest of interstate commerce. I now ask you whether you think it was wise, as a matter of public policy, to permit a single state to create the organization that was intended to promote the national purpose of interstate commerce and to frame the entire organization that was to operate that immense system in 11 states; whether it was wise public policy to permit a single state to legislate regarding a matter in which all these states were interested?

Mr. Bryan. My answer is this, that it is not necessary to restrict the power of the state to incorporate to give the federal government power to regulate that corporation whenever it goes outside of the state that

organizes it. No matter what the state of Virginia may say that a corporation can do, the federal government can say what it can do outside of the state of its origin when it engages in interstate commerce, and the Federal government can be perfectly indifferent to the liberality, as you so call it, of state laws, because they do not bind the federal government, and these state laws do not command the railroads to do so-and-so, they merely permit, and when the federal government says, "We will not permit you to act up to the full authority of your state outside of your state" there is no conflict between it and the state, for the state does not exercise or attempt to exercise any compulsion. When it gives this power it simply gives permission, and I can not see that any other state should respect this power to its own injury any more than it should allow a citizen traveling from Virginia to another state to do in the other state anything that is harmful. The state exercises the right to say what a citizen coming from Virginia or any other state shall do or can do, and the federal government exercises the same authority within its borders. Take the sale of liquor. If a man goes from Virginia into West Virginia or into North Carolina and attempts to sell liquor the government does not care where he came from, it says, "You can not do that." And so when a state says that a corporation organized within its limits and under its laws can do so-and-so, it does not interfere in the least with the rights of any other state to say it can not do it within its jurisdiction or the right of the federal government to say it shall not do it anywhere outside of its own state. I can not see that there is any conflict.

The Chairman. Regarding the question of capitalization, we will assume that the Richmond & Danville railroad, which changed its name to the Southern Railroad system, was organized for the purpose of promoting interstate commerce in 11 states, and that each one of those states has a different view as to the rule which should govern the issue of stocks and bonds, and that each should declare that no corporation organized in another state should operate in that state save upon complying with its requirements as to stock and bond issues. That would be a condition which would absolutely prevent, would it not, the meeting of the economic requirements of that section by unifying these railroads?

Mr. Bryan. My answer would be this, that the people of the state are more interested in their own welfare than any people outside, and they would not do anything that would hurt themselves, and if they do a thing, you may rest assured that it is done on the theory that they are helping themselves, they are protecting themselves. And I can not see, Mr. Senator, why a corporation, organized in another state or organized even under the federal government, if you succeeded in securing such a change, should be permitted to do in a state what an individual is not permitted to do in a state. That is, I do not see why a man-made corporation should have rights higher than the God-made man.

The Chairman. Mr. Bryan. I do not like to trespass on the time of the other members of the committee, and I think I have occupied your time long enough.

Mr. Bryan. At what time do you adjourn?

The Chairman. We adjourn at 12 o'clock.

Senator Cummins. Before Judge

Adamson interrogates Mr. Bryan I have a suggestion to make.

The Chairman. Certainly; we shall be glad to hear it.

Senator Cummins. I agree with so many of the observations made by Mr. Bryan and with so much of his reasoning, and the people of this country have so great confidence in his opinion, and I think each member of the committee ought to have an opportunity to develop this subject a little further. At least I feel that way, and I hope that the chairman can make an arrangement with Mr. Bryan at some future time to resume this inquiry so that all of us will have a chance to go further into this very important matter.

The Chairman. Would the committee be disposed to go on this afternoon at half past 1?

Mr. Adamson. No, sir; the house is in session, and I have never yet been smart enough to be in two places and do two things at the same time.

Mr. Bryan. I am compelled to leave here at 4 o'clock.

Mr. Adamson. I shall join with Senator Cummins in inviting Mr. Bryan to return here at a future day and allow us all to examine him.

Mr. Bryan. I can now fix the 16th day of January as a day that I could use for that purpose.

Mr. Adamson. We are not empowered to trade that far ahead yet, because this committee expires on the 1st day of January, unless we secure an extension.

The Chairman. I will endeavor to fix a time that will be convenient.

Mr. Bryan. Of course, gentlemen, anything that you require of me will take precedence over anything that I have arranged for myself.

Mr. Adamson. I move that the chairman arrange with Mr. Bryan to return at some convenient day to resume this discussion.

The Chairman. Without objection that motion will be adopted.

Mr. Adamson. Has the chairman completed his examination?

The Chairman. I should like to ask another question. I stopped because of delicacy. I thought I was taking too much of the time of the committee.

Mr. Bryan. So far as I am concerned, I could remain here, say, until 1 o'clock, if it suited your convenience; but I could not remain after that hour.

Mr. Adamson. There are just two or three questions suggested by your questions, Mr. Chairman, which I will ask, if you will allow me.

The Chairman. I will ask one or two other questions, if you please.

Mr. Bryan, you are aware that with reference to the national banks, which serve national purposes regarding our fiscal affairs and which also serve interstate commerce in providing for interstate and foreign exchange, that we have organized national incorporations. Would that not suggest that in the exercise of the national power with reference to transportation that we should organize national incorporations?

Mr. Bryan. To my mind it raises neither necessity nor suggestion. In the first place the national bank was created as a war measure. The primary purpose was to secure a market for bonds. That purpose no longer exists, but the bank has been found to serve a commercial purpose; but the bank is amenable to the laws of the state; and then remember that it is no such institution as the railroads. For instance, the income of all the banks is relatively small compared with the income of the rail-

roads. The employees of all the banks is small in number compared with the number of employees of the railroads, so there is neither the original necessity nor a parallel use that would suggest the following of that example. My own opinion is that the necessity for the national banks, as it now exists, is possibly overestimated.

The Chairman. But would you favor a reorganization of the national bank system and the restoration of the state bank system?

Mr. Bryan. I would not say that it was necessary because the evils, such as they may be, are insignificant, in my judgment, compared with the evils that would follow from the change which is proposed in regard to railroads, and then you have an existing institution created for a purpose no longer existing, but an institution to which society has adjusted itself, so that the abolition of the bank would compel a readjustment. The surrender of state authority over railroads and the exercise of exclusive authority by the federal government would compel a readjustment, so that in one case the readjustment is an argument against the change-back, and in the other case it is an argument against the change proposed.

The Chairman. You spoke of the necessities of war warranting the organization of the national banks. Do you take into view the fact that in the future adaptation of the railroads of the country to our national requirements for national defense—do you take that as an essential?

Mr. Bryan. I see no reason why we need change our present methods to give the federal government any authority it needs. I think the plan proposed by the President, of authorizing the taking over of the railroads in cases—

The Chairman. In cases of necessity?

Mr. Bryan. Yes, sir; would meet that emergency.

The Chairman. That would mean that for that purpose the national government would practically operate all the railroads, or could operate all the railroads?

Mr. Bryan. Only to the extent that it was necessary, but that might be a very limited extent for a limited time. And then that is a contingency that really I am less disturbed about than some others.

The Chairman. You realize the fact, do you not, that while for many years there was great complaint about our national bank system, and particularly about the money control of the country, that complaint has been largely done away with by legislation enacted by the national government, has it not?

Mr. Bryan. I think the creation of this reserve system, with its twelve financial centers, and its central board, has very much relieved the public from the control that was exercised through the banks, not necessarily by them.

The Chairman. Does not that diminish, to some degree your lack of faith in the ability of the national representatives to meet the requirements of the hour with reference to restrictive and controlling legislation as to these great national instrumentalities?

Mr. Bryan. Not when I remember the difficulty we had in getting the law passed and the effort made to undo it.

The Chairman. Do you think that in the matter of the regulation of transportation the states, acting as