

# ROOSEVELT CALLS FOR VALUATION OF THE RAILROADS

President in His Memorial Day Speech Urges Regulation Like That of National Banks.

## SCORES THE SPECULATOR

No Disturbance of Values to Hurt the Innocent Investor, He Adds, but Likewise No Let-Up to the Reform Work Begun.

Indianapolis—President Roosevelt, in his Memorial Day address here, declared for a valuation of the railroads of the United States.

That the railroads have grown in value until probably in most cases worth the par of the capital stock issued by them, is his expressed opinion. But he condemned without stint the speculator, as distinguished from the legitimate railroad manager. He thinks there should be no such disturbance of values as would prove a hardship for the innocent investor, but he declares against the "unearned increment" of speculation in railroad properties. A national incorporation act is his preference for means of regulating capital stock in the future, which, he says, must be done.

After paying tribute to both union and confederate armies in the civil war and eloquently referring to General Lawton, whose monument he assisted in dedicating this afternoon, the president turned his attention to pressing present questions, saying:

"One great problem that we have before us is to preserve the rights of property; and these can only be preserved if we remember they are in less jeopardy from the socialist and anarchist than from the predatory man of wealth. It has become evident that to refuse to invoke the power of the nation to restrain the wrongs committed by the man of great wealth who does evil is not only to neglect the interests of the public, but is to neglect the interests of the man of means who acts honorably by his fellows. The power of the nation must be exerted to stop crimes of cunning no less than crimes of violence. There can be no halt in the course we have deliberately elected to pursue, the policy of asserting the right of the nation, so far as it has the power, to supervise and control the business use of wealth, especially in its corporate form.

"Today I wish to say a word to you about the first and most important feature of this task, the control of the common carriers doing an interstate business; a control absolutely vested in the nation, while in so far as the common carriers also transport the mails it is in my opinion probably best left to their business or is not interstate it is to the same extent subject to federal control, under that clause of the constitution granting to the national government power to establish post roads and therefore by necessary implication power to take all action necessary in order to keep them at the highest point of efficiency.

**A Step in Advance.**  
Every federal law dealing with corporations or with railroads that has been put upon the statute books during the last six years has been a step in advance in the right direction. All action taken by the administration under these and the pre-existing laws has been just and proper. Every suit undertaken during that period has been a suit not merely to vindicate the law, but to set the law on its feet, to interest in the people as a whole, and, in the long run, particularly in the interest of stockholders as well as in the interest of business men of property generally.

"There can be no swerving from the course that has thus been mapped out in the legislation actually enacted and in the messages in which I have asked for further legislation. We best serve the interests of the honest railway men when we announce that we will follow out precisely this course. It is the course of real, of ultimate conservatism. There will be no halt in the forward movement toward a full development of this policy; and those who wish us to take a step backward or to stand still, if their wishes were realized, would find that they had invited an outbreak of the very radicalism they fear.

"There must be progressive legislative and administrative action for the correction of the evils which every sincere man must admit to have existed in railroad management in the past.

**Full Power of Control.**  
Such additional legislation as that for which I have asked in the past, and especially that for which I asked in my message at the opening of the last session of congress, is not merely in the interest of the public, but most emphatically in the interest of every honest railway manager and of all investors or would-be investors in railway securities. There must be vested in the federal government a full power of supervision and control over the railroads doing interstate business; a power in many respects analogous to and as complete as that the government exercises over the national banks. It must possess the power to exercise supervision over the future issuance of stocks and bonds, either through a national incorporation (which I should prefer) or in some similar fashion, such supervision to include the frank publicity of everything which would be investors and the public at large have a right to know.

"The federal government will be able to prevent any speculation in railroad securities in the future; to prevent any man from profiting by plundering others by holding railway properties with obligations pending in improvements and in the same corporate purposes, and any man profiting in such fashion should be held to a criminal accountability.

It should be declared contrary to public policy henceforth to allow railroads to evade their capital obligations by the transportation business, certainly not to the hazards of speculation.

For the very reason that we desire to favor the honest railroad manager, we should seek to discourage the activities of the man whose only concern with railroads is to manipulate their stocks. The business of railroad organization and management should be kept entirely distinct from investment or brokerage business, and the speculative type, and the credit and property of the corporation should be devoted to the extension and betterment of its railroads, and to the development of the country naturally tributary to the lines.

**Contrary to Public Policy.**  
These principles are fundamental. Railroads should not be prohibited from acquiring connecting lines, by securities or otherwise, but the securities of such lines; but it is already well settled as contrary to public policy to allow railroads to acquire control over parallel and competing lines of transportation. Subject to first giving to the government the power of supervision and control which I have advocated above, the law should be amended so that railroads may be permitted and encouraged to make franchise agreements when these are in the interest of the general public as well as of the railroad corporations making them. These agreements should of course be made public in the minutest detail, and should be subject to securing the previous assent of the Interstate Commerce Commission.

The movement to regulate railroads by law has come to stay. The people of this country have made up their minds—and wisely made up their minds—to exercise a closer control over all kinds of public-service corporations including railroads.

We ask for such laws as in their essence now obtain in the state old commonwealth of Massachusetts; such laws as now obtain in England. The purpose of these of us who so respectfully believe in the policy of law, in its thoroughly carrying out in its progressive development, is in no sense punitive or vindictive.

**Can Trust Supreme Court.**  
The supreme court could be trusted in any event to see that there should be nothing done under the guise of regulating roads to destroy property without just compensation or without due process of law.

As a matter of course, we shall punish any criminal whom we can convict under the law; but we have no intention of confounding the innocent many and the guilty few by an ill-judged and sweeping scheme of general punishment. 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 executive action; we sanction no legislation which would fall heavily on them, instead of on the original wrongdoers or beneficiaries of the wrong.

"There must be no such rigid laws as will prevent the development of the country, and such development can only be had if investors are offered an ample reward for the risk they take. We would be the first to oppose any unreasonable restrictions placed upon the issuance of stocks and bonds, for such would simply hamper the growth of the United States; for a railroad must ultimately stand on its credit.

**Against Security Inflation.**  
There should be lodged in the government power to exercise a jealous care against the inflation of securities and all evils that come in its train.

We favor the railway manager who keeps in close touch with the people along his line rather than in close touch with the speculative market, who operates his line with a view to the value of the stock rather than to the value of the railway as a permanent investment by giving a fair return to the stockholders and to the public good service with the existing public policy, who operates his road with a view to the temporary speculative advantage which will follow capitalizing an uncertain future and unloading the securities on the public.

"There has been much wild talk as to the extent of the overcapitalization of our railroads. The census reports on the commercial value of the railroads of the country, together with the reports made to the Interstate Commerce Commission by the railroads on their property, tend to show that as a whole the railroad property of the country is worth as much as the securities representing it, and that in the consensus of opinion of investors the total value of stocks and bonds is greater than their total face value, notwithstanding 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 other improvements, that brought the investments to a point where the opinion that the real value is greater than the face value is probably true. No general statement such as this can be accepted as a statement of the 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 confidence, it is because of the stated instances of unconscionable stock watering and kindred offenses arouse suspicion, which naturally extends to all other corporate securities so long as any such practice is possible and the tendency to resort to them is unrestrained by law.

**For Physical Valuation.**  
Ample provision should be made by congress to enable the Interstate Commerce Commission, by the employment of a sufficient force of experts, to undertake the physical valuation of each road in the country, whenever and so soon as in the opinion of the commission such a valuation of any road would be of value to the commission in its work. There are undoubtedly some roads to which it would be an advantage, from the standpoint of the business of the commission, to have such a physical valuation as soon as possible.

How important physical valuation 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 certain importance can be safely assumed because of the opinions of the Interstate Commerce Commission, and of the courts, and because of the recent action of the Northern Pacific railroad in advancing such a physical valuation as decisive on its side in a rate controversy. Such a valuation would necessarily 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 ending of the present development of the country that the railroads shall yield reasonable profits to investors.

**Original Cost.**  
It is from one standpoint quite as important to know the original cost of the road as the road as to know what it would now cost to reproduce it; from another standpoint the human equation—that is, the management of

# SOME OF THE ROOSEVELT SENTENCES THAT STICK OUT:

"There will be no halt in the forward movement toward a full development of this policy, and those who wish to take a back seat or stand still would find that they had invited an outbreak of the very radicalism they fear.

For the very reason that we desire to favor the honest railroad manager, we should discourage the activities of the man whose only concern with railroads is to manipulate their stocks.

"The movement to regulate railroads has come to stay. The people of this country have made up their minds—and wisely made up their minds—to exercise a closer control over all kinds of public-service corporations, including railroads.

"As a matter of course, we shall punish every criminal whom we can convict under the law; but we have no intention of confounding the innocent many and the guilty few by an ill-judged and sweeping scheme of vengeance.

"I ask for full power to be given the federal government because no single state can, by legislation, effectually cope with these powerful corporations engaged in interstate commerce, and, while doing them full justice, exact from them in return, full justice to others."

"There can be no question as to the desirability of doing away with rebates, or any method of favoring one shipper at the expense of a competitor."

"The most effective way to lessen demands for unreasonable legislation 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 laws are demanded by the shipping public."

## SAYS MOVEMENT TO REGULATE RAILWAYS BY LAW HAS COME TO STAY



PRESIDENT ROOSEVELT.

The road—is more important by far than the physical valuation; and the physical valuation of the road in one region may have an entirely different relation to the real value of the road than in another region where the conditions are utterly different. Therefore the physical valuation can never be more than one of many elements 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 business possibilities. In reaching an estimate on the property and rights of a corporation as a going concern.

The effect of such valuation and supervision of securities can not 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 interest requires that 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.

**Harm No Honest Person.**  
In providing against overcapitalization we shall harm no human being who is honest; and we shall benefit many, for overcapitalization often means an inflation that invites business piracy, and the profit earned to the capital investor, creating a burden of interest payments which may redound to the loss alike of the wage earner and the general public which is concerned in the small investor, discourages thrift, and puts a premium on gambling and business trickery.

There is an essential difference between private and quasi-public property, and which justifies setting somewhere a limit beyond which the accumulating value in quasi-public properties, due to the necessity of a growing community, shall not be capitalized.

One of the most important features of the Hepburn act is its having given the commission absolute control over the action of the railroads. The act 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, among other things, to see that the books of the carriers are kept in conformity with the rules laid down by the commission. This means are already in 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 most daring and resourceful 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 everything on the chances of a business which today hardly involves no such hazards. Iowa was at length forced to undertake the work of regulating the railways within her borders. There was great outcry against it, but it was done, and the effort would ruin roads already built, and

prevent building 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 prosperity which rescued many of them from receiverships.

To give another illustration from Iowa's experience, when the national banking law was amended and allowed banks to take out national charters, great numbers of the state banks of that state were reorganized as national institutions. The investing public was ready to back with unlimited confidence the institutions on which the federal government had set the seal of its confidence and approval.

All this, my friends, is substantially what I have said over and over again. Surely, it ought not to be necessary to say that the man who is not a natural enemy to corporations as such. On the contrary, it means a frank recognition of the fact that combinations of capital, like combinations of labor, are a natural result of modern conditions and of our national development. As far as in my ability I shall endeavor to do all that I can to prevent abuse of power by either side and to favor both so long as they do well.

**Blame Where It Belongs.**  
There has been complaint of some of the investigations 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 investigation which brings them to light. The administration is responsible for what the light, but it is not responsible for what the light showed.

In providing for the full development of the federal government, because no single state can, by legislation, effectually cope with these powerful corporations engaged in interstate commerce, and, while doing them full justice, exact from them in return, full justice to others.

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 corporations 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 interest, it is most earnestly to be desired that the natural and proper resentment aroused by these abuses becomes indistinguishable from a just indignation, not merely unjust and unfair, but calculated to defeat the very ends which those feeling it have in view.

**No Let-Up in the Hunt.**  
There has been plenty of dishonest work by corporations in the past. There will not be the slightest let-up in the effort to hunt down and punish every dishonest man, but finally he achieves success. He learned how to extract the pearly lustre from the bleaks' scales and to cover a glass bead with it.

"What he did—and his method is still used—was to scrape the scales from the fish, wash and rub them, and save the water. The water, decanted, gave off a lustrous fluid of the thickness of oil, a veritable pearl paint, a magic fluid that imparts a lovely pearly sheen to everything it is applied to.

"It takes 1,000 bleaks' scales to yield an ounce of this pearl paint."

**His Expansion.**  
A New York physician who examines applicants for life insurance for several companies in that line was recently "going over" one man, to whom he chanced to remark:

"I shall now have to ascertain your chest expansion."

"My what?"

"Your chest expansion. That is, the difference in measurement when your chest is inflated and when it is inflated."

"Oh," said the applicant, beginning dimly to understand. "Then years ago I measured around here"—indicating his round stomach—"only 33 inches. I measure 49 now. I guess what you call my chest expansion is 16 inches."

A man thinks he's a martyr when he lends his wife \$10 he owes her on her allowance.

ment of transportation facilities, it then becomes out of the question to secure the necessary investment of capital in order to bring about an improved service.

**Against High Rates.**  
Rates should not be unduly high; there should be a thorough safeguarding against accidents; there should be no improper shirking of taxes; the shippers of the country must be supplied generously with coal and all other equipment necessary to properly care for our commerce, and all this means that the national government must be given full and effective power of supervision and control.

We can not get an improved service unless the carriers of the country can sell their securities; and therefore nothing should be done unwarrantably to impair their credit nor to decrease the value of their outstanding obligations.

For several months 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 grown 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. It is also true that ordinary 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.

**Up to the Railroads.**  
The most effective way to lessen 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.

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 discriminating between men, not with reference 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 for the big roads keep the big roads clean, 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 business be above-board and open.

There are blackmailers in public life, and the citizen who is honest will war against them. Let the big railroad men remember that to purchase immunity in wrongdoing or to defeat blackmail by bribery is the worst and most shameful policy they can pursue. Let the plain people insist on the one hand on governing themselves and on the other hand on doing exact justice to the railways. Let the big railroad men ever so scrupulously refrain from any effort to influence politics or government save as it is the duty of every good citizen to enlighten and to influence public opinion and government; let the people as a whole, in their turn, remember that it is their duty to discriminate in the charges which they bring against the railway man who does well and the railway man who does ill; and, above all, to remember that the irreparable moral harm done to the body politic by corruption is just as great, whether the corruption takes the form of blackmailing a big corporation or of corruptly doing its bidding. Let us have no more of ourselves and in our public servants is honesty—honesty to all men; and if we condone dishonesty because of the money exercised in the interests of the people, we may rest assured that the man thus showing it lacks only the opportunity to exercise it against the interests of the people.

The man who on occasion will corruptly do what is wrong in the interests of a big corporation is the very man eager to do what is wrong in the interests of the small corporation as the opportunity arises.

**Moral Weathercocks.**  
The man who on occasion a corruptionist, is apt, when the gust of popular feeling blows hard against him, to be the loudest, most reckless, and most violent among those who denounce them. Hunt after a man out of public life. Hunt him out as remorselessly if he is a blackmailer as if he stands corruptly for special privilege. Demand honesty—absolute, unflinching honesty—loyalty to the nation and common sense, in public servant and in business man alike. Make it evident that you will not tolerate a life of a man who discriminates for or against other, save as justice and reason demand it; and that in your attitude toward business men, toward the man who is doing all in his power to handle his share in a vast and complicated business to the profit alike of the stockholder and the general public.

Let the man of great wealth remember that, while using and enjoying it, he must never forget that it is the nation's property. As for the rest of us, let us guard ourselves against envy as we ask that others guard themselves against arrogance, and remember Lincoln's words of kindly wisdom: "Let not him who is houseless pull down the house of another, but let him work diligently with his hands for himself, thus by example assuring that his own shall be safe from violence when built."

**INVENTOR OF ARTIFICIAL PEARLS**  
**Silvery Lustre on a Pond That Set a Bead Maker Thinking.**  
From the New Orleans Times-Democrat.  
The string of artificial pearls was very beautiful. But for the regularity of the beads anyone would have thought it a rope of real pearls worth a king's ransom.

"I'll tell you," said the jeweler, as he wrapped up the dozen perfect artificial pearls to be invented.

"A rich French beadmaker—Moise Jaquin—he lived in the seventeenth century—found a pond in his garden covered one morning with a lovely silvery lustre. Amazed, he called his son, who said it was nothing—some albatross had got crushed, that was all."

"Albatrosses were little silver fish—bleaks—the Leuciscus alburnus," the gardener explained. "If you crushed them they always gave the water a pearly sheen like that. Jaquin put on his thinking cap.

"For six years he worked with beads and bleaks, wasting millions of both. But finally he achieved success. He learned how to extract the pearly lustre from the bleaks' scales and to cover a glass bead with it.

"What he did—and his method is still used—was to scrape the scales from the fish, wash and rub them, and save the water. The water, decanted, gave off a lustrous fluid of the thickness of oil, a veritable pearl paint, a magic fluid that imparts a lovely pearly sheen to everything it is applied to.

"It takes 1,000 bleaks' scales to yield an ounce of this pearl paint."

# MINNESOTA WANTS OTHER STATES TO

Thinks They Should Help Defend the Principle of State Control Over Railroads.

St. Paul, Minn., June 5.—Other states may get together with Minnesota to defend the principle of state control over railroads. This is the idea of Attorney General E. T. Young, in connection with the injunction suits to be argued soon before Judge Lochren in the federal court. The railroad stockholders who appear as complainants are trying to enjoin the enforcement of state laws regulating freight and passenger rates on the idea that the power to regulate commerce rests in the national government. Minnesota is the state attacked, but nearly every state in the union has laws regulating common carriers and most of them have rate laws. The Minnesota case is just as important in its outcome to other states as it is to Minnesota. On the decision in this case all state laws controlling common carriers will have to stand or fall.

**Will Invite Sister States.**  
Mr. Young's thought is that other states may consider the issue serious enough to make it worth while to give Minnesota some help. They would hardly volunteer assistance, though, and to pave the way for such an offer he favors an understanding with the attorney generals of the states, giving them an opportunity to join in defending the injunction suit. If such an offer is made and accepted it will make the hearings in St. Paul notable for the array of prominent counsel on both sides of the case.

Attorney General Young made the following statement:

"In the suits just commenced this issue is squarely raised as to the power of the states to regulate their domestic commerce or fix railroad rates for either passenger or freight, even on business beginning and ending within the state.

"It is claimed that the fixing of such rates by a state necessarily affects the rates on interstate commerce.

"It is pointed out in the complaints that if the several adjacent states through which the roads doing business in Minnesota carry on their interstate business adopted the same rates as Minnesota the rates thereafter on interstate business could not be greater than the sum of the local rates from the point where the business originated to the state line, and from there to the point of termination, and that therefore interstate rates, which are calculated on the basis of the jurisdiction of congress are affected, and, as consequence, state regulation must be abandoned.

**Issue of Vital Importance.**  
"I consider the argument sound and revolutionary in the domain of railroad regulation, and it is of the most vital importance to all other states as well as Minnesota.

"This would be especially true as to the states that have passed a 2-cent fare law where it has not yet gone into effect. I am considering a plan to take the matter up with the attorney generals of Iowa, Illinois, Indiana, New York and other states where state laws regulating rates have been passed and in which co-operation.

Asked about an extra session Mr. Young said it could not be of any help in settling the legal questions and he was ready to meet the issue.

At Madison, Minn., a mass meeting was held at which a resolution was adopted calling on Governor Johnson to convene the legislature in extraordinary session. Many letters urging a special session are being received by the governor. Most of them express indignation at the suits and talk of retaliation. Representative C. E. Staples favors a special session strongly. "There are several things the legislature could do if it went into session now," Mr. Staples said. The Rockney bill regulating stock and bond issues was mentioned. Mr. Staples said that was one possibility. Every member of the legislature ought to back up the attorney general now," he said, "and urge him to incur any needed expense to fight these cases."

# LIGHTNING HITS WAR BALLOON, MAN KILLED

Rome, June 5.—A tragic incident took place during a review of the troops by King Victor Emmanuel and Queen Helena. As a part of the maneuvers a military balloon was sent up to a height of 700 feet with Captain Ullivelli in the car. A storm which had been coming in suddenly struck the balloon and the thousands of spectators were horrified to see a flash of lightning strike the gas bag. There was an enormous burst of flame and a terrific detonation, and the collapsed balloon with its dangling car fell to the earth a mile from the scene of the review. Captain Ullivelli was found alive, but unconscious. He died later.

# AGED 70 AND 72 ELOPERS ARE WED.

Sheboygan, Wis., June 5.—Thomas Taylor, aged 72, and Mrs. William Brookshire, aged 70, pioneers at Waukegan, this county, eloped to a neighboring village and were married. The celebration was turned into a charivari when they returned.

# CROCKER REPORTED SEEKING A SEAT IN PARLIAMENT.

London, June 5.—The newspapers are reviving a report that Richard Croker cherishes an ambition to enter the British parliament as an independent member. Recently Mr. Croker has taken an interest in the work of the nationalists, made contributions to the party fund, lent automobiles for electioneering purposes and identified himself with the party by appearing on the platform at the recent convention in Dublin.

# WATERSPOUT DOES \$50,000 DAMAGE

Lexington, Ky., June 5.—Reports received today indicate the damage by Saturday night's water spout will probably over \$50,000. In Nicholas, Pendleton, Wolfe, Lee, Grant, Harrison, Bourbon, Montgomery, Bath and central eastern Kentucky counties, livestock, bridges, fencing, small outbuildings and feed were washed away. All trains are delayed by landslides.