

## MR. TAFT'S SPEECH OF ACCEPTANCE

Following are extracts from Mr. Taft's speech of acceptance delivered at Cincinnati, July 28:

"I am deeply sensible of the honor which the republican national convention has conferred on me in the nomination which you formally tender. I accept it with full appreciation of the responsibility it imposes.

"Gentlemen, the strength of the republican cause in the campaign at hand is in the fact that we represent the policies essential to the reform of known abuses, to the continuance of liberty and true prosperity, and that we are determined, as our platform unequivocally declares, to maintain them and carry them on. For more than ten years this country passed through an epoch of material development far beyond any that ever occurred in the world before.

"In its course certain evils crept in. Some prominent and influential members of the community, spurred by financial success and in their hurry for greater wealth, became unmindful of the common rules of business honesty and fidelity and of the limitations imposed by law upon their action. This became known.

"The revelations of the breaches of trust, the disclosures as to rebates and discriminations by railways, the accumulating evidence of the violation of the anti-trust law by a number of corporations, the overissue of stocks and bonds on interstate railways for the unlawful enriching of directors and for the purpose of concentrating control of railways in one management, all quickened the conscience of the people and brought on a moral awakening among them that boded well for the future of the country.

"The man who formulated the expression of the popular conscience and who led the movement for practical reform was Theodore Roosevelt. He laid down the doctrine that the rich violator of the law should be as amenable to restraint and punishment as the offender without wealth and without influence, and he proceeded by recommending legislation and directing executive action to make that principle good in actual performance. He secured the passage of the so-called rate bill, designed more effectively to restrain excessive and fix reasonable rates and to punish secret rebates and discriminations which had been general in the practice of the railroads, and which had done much to enable unlawful trusts to drive out of business their competitors.

"It secured much closer supervision of railway transactions and brought within the operation of the same statute express companies, sleeping car companies, fast freight and refrigerator lines, terminal railroads, and pipe lines, and forbade in future the combination of the transportation and shipping business under one control in order to avoid undue discrimination.

"President Roosevelt directed suits to be brought and prosecutions to be instituted under the anti-trust law, to enforce its provisions against the most powerful of the industrial corporations. He pressed to passage the pure food law and the meat inspection law in the interest of the health of the public, clean business methods and great ultimate benefit to the trades themselves. He recommended the passage of a law, which the republican convention has since specifically approved, restricting the future issue of stocks and bonds by interstate railways to such as may be authorized by federal authority.

"He demonstrated to the people by what he said, by what he recommended to congress, and by what he did, the sincerity of his efforts to command respect for the law, to secure equality of all before the law, and to save the country from the dangers of a plutocratic government, toward which we were fast tending.

"In this work Mr. Roosevelt has had the support and sympathy of the republican party, and its chief hope of success in the present controversy must rest on the confidence which the people of the country have in the sincerity of the party's declaration in its platform, that it intends to continue the policies.

"Mr. Roosevelt has set high the standard of business morality and obedience to law. The railroad rate bill was more useful, possibly in the immediate moral effect of its passage than even in the legal effect of its useful provisions. From its enactment dates the voluntary abandonment of the practice of rebates and discrim-

inations by the railroads and the return by their managers to obedience to law in the fixing of tariffs.

"The pure food and meat inspection laws and the prosecutions directed by the president under the anti-trust law have had a similar moral effect in the general business community, and have made it now the common practice for the great industrial corporations to consult the law with a view to keeping within its provisions. It also has had the effect of protecting and encouraging smaller competitive companies, so that they have been enabled to do a profitable business.

"But we should be blind to the ordinary working of human nature if we did not recognize that the moral standards set by President Roosevelt will not continue to be observed by those whom cupidity and a desire for financial power may tempt, unless the requisite machinery is introduced into the law which shall in its practical operation maintain these standards and secure the country against a departure from them.

"The chief function of the next administration, in my judgment, is distinct from and a progressive development of that which has been performed by President Roosevelt. The chief function of the next administration is to complete and perfect the machinery by which these standards may be maintained, by which the law-breakers may be promptly restrained and punished, but which shall operate with sufficient accuracy and dispatch to interfere with legitimate business as little as possible.

"Such machinery is not now adequate. Under the present rate bill and under all its amendments the burden of the interstate commerce commission in supervising and regulating the operation of the railroads of this country has grown so heavy that it is utterly impossible for that tribunal to hear and dispose, in any reasonable time, of the many complaints, queries and issues that are brought before it for decision.

"It ought to be relieved of its jurisdiction as an executive directing body, and its functions should be limited to the quasi-judicial investigation of complaints by individuals and by a department of the government charged with the executive business of supervising the operation of railroads.

"There should be a classification of that small percentage of industrial corporations having power and opportunity to effect illegal restraints of trade and monopolies, and legislation either inducing or compelling them to subject themselves to registry and to proper publicity regulations and supervision of the department of commerce and labor.

"The field covered by the industrial combinations and by the railroads is so extensive that the interests of the public and the interests of the businesses concerned can not be properly subserved except by reorganization of bureaus of the department of commerce and labor, of agriculture, and the department of justice, and a change in the jurisdiction of the interstate commerce commission. It does not assist matters to prescribe new duties for the interstate commerce commission which it is practically impossible for it to perform, or to denounce new offenses with drastic punishment, unless subordinate and ancillary legislation shall be passed making possible the quick enforcement in the great variety of cases which are constantly arising, of the principles laid down by Mr. Roosevelt, and with respect to which only typical instances of prosecution with the present machinery are possible.

"Such legislation should and would greatly promote legitimate business by enabling those anxious to obey the federal statutes know just what are the bounds of their lawful action. The practical constructive and difficult work, therefore, of those who follow Mr. Roosevelt is to devise the ways and means by which the high level of business integrity and obedience to law which he has established may be maintained and departures from it restrained without undue interference with legitimate business.

"It is agreeable to note in this regard that the republican platform expressly and the democratic platform impliedly approve an amendment to the interstate commerce law, by which interstate railroads may make useful traffic agreements if approved by the commission. This has been strongly recommended by President

Roosevelt and will make for the benefit of business.

"Some of the suggestions of the democratic platform relate really to this subordinate and ancillary machinery to which I have referred. Take, for instance, the so-called 'physical valuation of railways.' It is clear that the sum of all rates or receipts of a railway, less proper expenses, should be limited to a fair profit upon the reasonable value of its property, and that if the sum exceeds this measure it ought to be reduced. The difficulty in enforcing the principle is in ascertaining what is the reasonable value of the company's property, and in fixing what is a fair profit.

"It is clear that the physical value of a railroad and its plant is an element to be given weight in determining its full value; but as President Roosevelt in his Indianapolis speech and the supreme court have in effect pointed out, the value of the railroad as a going concern, including its good will, due to efficiency of service and many other circumstances, may be much greater than the value of its tangible property, and it is the former that measures the investment on which a fair profit must be allowed. Then, too, the question what is a fair profit is one involving not only the rate of interest usually earned on normally safe investments but also a sufficient allowance to make up for the risk of loss both of capital and interest in the original outlay. These considerations will have justified the company in imposing charges high enough to secure a fair income on the enterprise as a whole. The securities at market prices will have passed into the hands of subsequent purchasers from the original investors.

"Such circumstances should properly affect the decision of the tribunal engaged in determining whether the totality of rates charged is reasonable or excessive. To ignore them might so seriously and unjustly impair settled values as to destroy all hope of restoring confidence and forever to end the inducement for investment in new railroad construction, which, in returning prosperous times, is sure to be essential to our material progress.

"As Mr. Roosevelt has said in speaking of this subject:

"The effect of such valuation and supervision of securities can not be retroactive. Existing securities should be tested by 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 national debt."

"The question of rates and the treatment of railroads is one that has two sides. The shippers are certainly entitled to reasonable rates; but less is an injustice to the carriers. Good business for the railroads is essential to general prosperity. Injustice to them is not alone injustice to stockholders and capitalists, whose further investments may be necessary for the good of the whole country, but it directly affects and reduces the wages of railway employes, and indeed may deprive them of their places entirely.

"From what has been said the proper conclusion would seem to be that in attempting to determine whether the entire schedule of rates of a railway is excessive, the physical valuation of the road is a relevant and important but not necessarily a controlling factor.

"I am confident that the fixing of rates on the principles suggested above would not materially impair the present market values of railroad securities in most cases, for I believe that the normal increase in the value of railroad properties, especially in their terminals, will more than make up for the possible overcapitalization in earlier years. In some cases, doubtless, it will be found that overcapitalization is made an excuse for excessive rates, and then they should be reduced; but the consensus of opinion seems to be that the railroad rates generally in this country are reasonably low.

"This is why, doubtless, the complaints filed with the interstate commerce commission against excessive rates are so few as compared with those against unlawful discrimination in rates between shippers and between places. Of course, in the determination of the question whether discrimination is unlawful or not, the physical valuation of the whole road is of little weight.

"I have discussed this with some degree of detail, merely to point out that the valuation

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