

OFFERS NEW LAWS FOR RAILWAYS AND TRUSTS

PRESIDENT TAFT SENDS SPECIAL MESSAGE TO CONGRESS.

SAYS HEPBURN ACT IS INACTIVE

RECOMMENDS NEW SEPARATE COURT ON RAIL RATE CASES.

TO CUT DOWN INJUNCTION DELAY

TOO MANY CONTRARY COURT OPINIONS SPOIL PRESENT LAW.

RAILROADS FIND EASY ESCAPE

WOULD REQUIRE UNIFORM RAILWAY TRAIN EQUIPMENTS.

TO PROTECT TRAINMEN'S LIVES

WOULD MAKE SERVICE EASIER IN LIABILITY CASES.

DISCUSSES TRUST SITUATION

RECOMMENDS FEDERAL CORPORATE LAW FOR ONE THING.

NOT A REFUGE FOR THE CROOKS

NO LEGAL LINE BETWEEN "GOOD" OR "BAD" TRUSTS.

CAN'T TRUST JUDGES TO DECIDE

The Plan to Allow Courts to Determine Between "Reasonable" and "Unreasonable" Trusts Would Threaten Our Whole Court System.

Washington, Jan. 7.—President Taft's special message to congress recommending amendments to the interstate commerce and anti-trust laws was laid before the house of representatives today. The reading of the document was begun without delay and members on the republican and democratic sides followed the clerk closely. Unusual quiet prevailed during the reading.

Representative Townsend of Michigan, who was among the most attentive listeners, was understood to have in his possession the administration bill amending the interstate commerce law in accordance with the recommendations of the president. This will be introduced next Monday.

The message was referred to appropriate committees.

To the Senate and House of Representatives: I withheld from my annual message a discussion of needed legislation under the authority which congress has to regulate commerce between the states and countries; that the said that I would bring this subject matter to your attention later in the session. Accordingly, I beg to submit to you certain recommendations as to the amendments to the interstate commerce law and certain considerations arising out of the operations of the anti-trust law, suggesting the wisdom of federal incorporation of industrial companies.

Interstate Commerce Law.

In the annual report of the interstate commerce commission for the year 1908 attention is called to the fact that between July 1, 1908, and the close of that year, sixteen suits had been begun to set aside orders of the commission (besides one commenced before that date), and that few orders of much consequence had been permitted to go without protest; that the questions presented by these previous suits were fundamental, as the constitutionality of the act itself was in issue, and the right of congress to delegate to any tribunal authority to establish an interstate rate was denied; but that perhaps the most serious practical question raised concerned the extent of the right of the courts to review the orders of the commission; and it was pointed out that if the contention of the carriers in this latter respect alone were sustained, but little progress had been made in the Hepburn act toward the effective regulation of interstate transportation charges. In twelve of the cases referred to, it was stated, preliminary injunctions were prayed for, being granted in six and refused in six.

"It has from the first been well understood," says the commission, "that the success of the present act as a regulating measure depended largely upon the facility with which temporary injunctions could be obtained. If a railroad company, by mere allegation in its bill of complaint, supported by ex parte affidavits, can overturn the result of days of patient investigation, no very satisfactory result can be expected. The railroad loses nothing by these proceedings, since, if they fail, it can only be required to establish the rate and to pay to shippers the difference between the higher rate collected and the rate which is finally held to be reasonable. In point of fact, it usually profits, because it can seldom be required to return more than a fraction of the excess charges collected."

Injunctions Annul Hepburn Act. In its report for the year 1909, the commission shows that of the seven-

POINTS IN THE MESSAGE

Hepburn act is ineffective because railroads secure injunctions too easily.

Too many courts now dealing with railroad rate cases. Would establish separate court of commerce, with that line of cases as its special work. To be five judges, drawing \$10,000 each annually.

Injunctions should not be granted against interstate commerce rulings, pending investigation, except where there would be irreparable damage.

Railroads should be allowed to agree on rates, under interstate commerce commission's supervision.

Would fine railroads \$250 for falsely informing shipper regarding rate.

Commission should be empowered to investigate increase in rates before increase takes effect, and rule against it if unreasonable.

Watering of stocks should be prevented by giving interstate commission supervision over stock issues, and allow stock issues only on intrinsic values.

For benefit of railway trainmen there should be required uniform train equipment; it would save lives.

Service on railways in employers' liability cases should be made more easy; should be possible by service on any station agent.

The term "trusts" comes from placing business in hands of trustees.

Trusts may be organized for purpose of economy or for monopoly. Monopolies are great evil.

Federal incorporation law would make uniform regulation to apply to national business; and would help solve trust problem.

teen cases referred to in its 1908 report, only one had been decided in the supreme court of the United States, although five other cases had been argued and submitted to that tribunal in October, 1909.

Of course, every carrier affected by an order of the commission has a constitutional right to appeal to a federal court to protect its right to the enforcement of an order which it may show to be prima facie confiscatory or unjustly discriminatory in its effect; and, as this application may be made to a court in any district of the United States, not only does delay result in the enforcement of the order, but great uncertainty is caused by contrariety of decision.

The questions presented by these applications are too often technical in their character and require a knowledge of the business and the mastery of a great volume of conflicting evidence which is tedious to examine and troublesome to comprehend. It would not be proper to attempt to deprive any corporation of the right to the review by a court of any order or decree which, if undisturbed, would rob it of a reasonable return upon its investment or would subject it to burdens which would unjustly discriminate against it and in favor of other carriers similarly situated. What is, however, of supreme importance, is that the decision of such questions shall be as speedy as the nature of the circumstances will admit, and that a uniformity of decision be secured so as to bring about an effective, systematic, and scientific enforcement of the commerce law, rather than conflicting decisions and uncertainty of final result.

Would Establish "Court of Commerce."

For this purpose I recommend the establishment of a court of the United States composed of five judges designated by congress from among the circuit judges of the United States, to be known as the "United States court of commerce," which court shall be clothed with exclusive original jurisdiction over the following classes of cases:

(1.) All cases for the enforcement, or the collection of a forfeiture or penalty, or by infliction of criminal punishment, of an order of the interstate commerce commission, other than for the payment of money.

(2.) All cases brought to enjoin, set aside, annul or suspend any order or requirement of the interstate commerce commission.

(3.) All such cases as under Section 3 of the act of February 19, 1903, known as the "Elkins act," are authorized to be maintained in a circuit court of the United States.

(4.) All such mandamus proceedings as are provided for by section 29 of the tariff act of August 5, 1909, may be urged in support of the creation of the commerce court.

Reasons precisely analogous to those which induced the congress the court of customs appeals by the provisions in the tariff act of August 5, 1909, may be urged in support of the creation of the commerce court.

In order to provide a sufficient number of judges to enable this court to be constituted, it will be necessary to authorize the appointment of five additional circuit court judges, who, for the purposes of appointment, might be distributed to those circuits where there is at the present time the largest volume of business, such as the Second, Third, Fourth, Seventh and Eighth circuits.

The act should empower the chief justice at any time when the business of the court of commerce does not require the services of all the judges to reassign the judges designated to that court to the circuits to which they respectively belong; and it should also provide for payment to such judges while sitting by assignment in the

court of commerce of such additional annual compensation as is necessary to bring their annual compensation up to \$10,000. The regular sessions of such court should be held at the capital, but it should be empowered to hold sessions in different parts of the United States if found desirable; and its orders and judgments should be made final, subject only to review by the supreme court of the United States, with the provision that the operation of the decree appealed from shall not be stayed unless the supreme court shall so order.

Would Restrict Injunctions.

The commerce court should be empowered in its discretion to restrain or suspend the operation of an order of the interstate commerce commission under review, pending the final hearing and determination of the final appeal to the court for its order or injunction, then only where his order shall contain a specific finding based upon evidence submitted to the judge making the order and identified by reference thereto, that such irreparable damage would result to the petitioner, specifying the nature of the damage.

Under the existing law, the interstate commerce commission itself initiates and defends litigation in the courts for their enforcement, or in the defense of its orders and decrees, and for this purpose it employs attorneys who, while subject to the control of the attorney general, act upon the initiative and under the instructions of the commission. This blending of administrative, legislative and judicial functions tends, in my opinion, to impair the efficiency of the commission by clothing it with partisan characteristics and robbing it of the impartial judicial attitude it should occupy in its own defense.

In my opinion all litigation affecting the government should be under the direct control of the department of justice; and I therefore recommend that all proceedings, orders and decrees of the interstate commerce commission be brought by or against the United States ex officio, and be placed in charge of the attorney general acting under the direction of the attorney general.

The subject of agreements between carriers with respect to rates has been often discussed in congress. Pooling arrangements and agreements were condemned by the general sentiment of the people, and under the Sherman anti-trust law, any agreement between carriers operating in restraint of interstate or international trade or commerce would be unlawful. The republican platform of 1908 expressed the belief that the interstate commerce law should be further amended so as to give the railroads the right to make and publish traffic agreements subject to the approval of the commission, but maintaining always the principle of competition between naturally competing lines and avoiding the common control of such lines by any means whatsoever.

Would Permit Rate Pools.

In view of the complete control over rate-making and other practices of interstate carriers established by the acts of congress and as recommended in communication, I see no reason why agreements between carriers, subject to the approval of the commission, but maintaining always the principle of competition between naturally competing lines and avoiding the common control of such lines by any means whatsoever.

Power to Stay Rate Increases.

I therefore recommend that the interstate commerce commission be empowered, whenever any proposed increase of rates is filed, at once, either on complaint or of its own motion, to enter upon an investigation into the reasonableness of such change, and that it further be empowered, in its discretion, to postpone the effective date of such increase for a period not exceeding sixty days beyond the date when such rate would take effect.

The claim is very earnestly advanced by some large associations of shippers that shippers of freight should be empowered to direct the route over which their shipments shall pass to destination, and in this connection it has been urged that the provisions of section 15 of the interstate commerce act, which now empowers the commission, after hearing on complaint, to establish through routes and maximum joint rates to be charged, etc., when no reasonable or satisfactory through route can be found, already established, be amended so as to empower the commission to take such action, even when one existing reasonable and satisfactory route already exists, if it be possible to establish additional routes.

Such complaint is made by shippers over the state of the law under which they are held bound to know the legal rate applicable to any proposed shipment, without, as a matter of fact, having any certain means of actually ascertaining such rate. It has been suggested that to meet this grievance carriers should be required, upon application by a shipper, to quote the legal rate in writing, and that the shippers should be protected in acting upon the rate thus quoted; but the objection to this suggestion is that it would afford a much too easy method of giving to favored shippers unreasonable preferences and rebates.

I think that the law should provide that a carrier, upon written request by an intending shipper, should quote in writing the rate or charge applicable to the proposed shipment under any schedules or tariffs to which carrier is a party, and that if the party making such request suffer damage in consequence of either refusal or omission to quote the proper rate, in consequence of a misstatement of the rate, the carrier shall be liable to a penalty in some reasonable amount, say \$250, to accrue to the United States and to be recovered in a civil action brought by the appropriate district attorney. Such a penalty would compel the agent of the carrier to exercise due diligence in quoting the applicable legal rate, and would thus afford the shipper a real measure of protection, while not opening the way to collusion and the giving of rebates or other unfair discrimination.

Under the existing law the commission can only act with respect to an alleged excessive rate or unduly discriminatory practice by a carrier on a complaint made by some individual affected thereby. I see no reason why the commission should not be authorized to act on its own initiative as well as on the complaint of an individual investigating the fairness of any existing rate or practice, and I recommend the amendment of the law to so provide; and also that the commission shall be fully empowered, beyond any question, to pass upon the classifications of commodities for purposes of fixing rates, in like manner as it may now do with respect to the maximum rate applicable to any transportation.

Under the existing law the commission may not investigate an increase in rates until after it shall have become effective; and, although one or more carriers may file with the commission or proposed increase in rates or change in classifications, or other alterations of the existing rates or

classifications, to become effective at the expiration of thirty days from such filing, no proceeding can be taken to investigate the reasonableness of such proposed change until after it becomes operative. On the other hand, if the commission shall make an order finding that an existing rate is excessive and directing that such rate be reduced, the carrier may by proceedings in the courts, stay the operations of such order or reduction for months and even years.

To Investigate Rates in Advance.

It has, therefore, been suggested that the commission be empowered whenever a proposed increase in rates is filed, at once to enter upon an investigation of the reasonableness of the increase and to make an order postponing the effective date of such increase until after such investigation shall be completed. To this much objection has been made on the part of the carriers. They contend that this would be, in effect, to take from the owners of the railroads the management of their property, and to clothe the interstate commerce commission with the original rate-making power, which was much discussed at the time of the passage of the Hepburn act, in 1905-6, and which was then, and has always been distinctly rejected; and, in reply to the suggestion that they are able by resorting to the courts to stay the taking effect of the order of the commission until its reasonableness shall have been investigated by the courts, where, as the people are deprived of any such remedy with respect to action by the carriers, they point to the provision of the interstate commerce act providing for restitution to the shippers by carriers of excessive rates charged in cases where the order of the commission reducing such rates are affirmed, and may be doubted how effective this remedy is.

Experience has shown that many, perhaps most, shippers do not resort to proceedings to recover the excessive rates which they may have been required to pay, for the simple reason that they have added the rates paid to the cost of doing business, and enhanced the price thereof to their customers, that the public has paid the bill. On the other hand, the immense volume of transportation charges, the great number of separate tariffs filed annually with the interstate commerce commission, amounting to almost 200,000, and the impossibility of any commission being placed in charge of tariffs in advance of their becoming effective on every transportation line within the United States to the extent that would be necessary if their active concurrence were required in the making of every tariff, has satisfied me that this power, if granted, should be vested in a very limited and restricted form.

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or simultaneous payment to it of not less than the par value of such stock, or any bonds or other obligations (except notes maturing not more than one year from the date of their issue) without the previous or simultaneous payment to such corporation of less than the par value of such stock, or other obligations, or, if issued at less than their par value, then not without such payment of the reasonable market value of such bonds or obligations as ascertained by the interstate commerce commission; and that no property, services or any other thing than money, shall be taken in payment to such carrier corporation of the par or other required price of such stock, bond or other obligation, except at the face value of such property, services or other thing as ascertained by the commission; and that such act shall also contain provisions to prevent the abuse by the improvident or improper issue of notes maturing at a period not exceeding twelve months from date, in such manner as to commit the commission to the approval of a larger amount of stock or bonds in order to retire such notes than should legitimately have been required.

Such act should also provide for the approval by the interstate commerce commission of the amount of stock and bonds to be issued by any railroad.

By my direction the attorney general has drafted a bill to carry out these recommendations, which will be furnished you on request to the appropriate committee whenever it may be desired.

To Benefit Railway Trainmen.

In addition to the foregoing amendments of the interstate commerce law, the interstate commerce commission should be given the power, after a hearing, to determine upon the uniform construction of those appliances—such as sill steps, ladders, roof handholds, running boards and hand brakes on freight cars engaged in interstate commerce—used by the trainmen in the operation of their trains, the defects and lack of uniformity which are the cause of accidents and injuries to railway trainmen. The wonderful reforms effected in the number of switchmen and trainmen injured by coupling accidents, due to the enforcing introduction of safety couplers, is a demonstration of what can be done if railroads are compelled to adopt proper safety appliances.

The question has arisen in the operation of the interstate commerce employer's liability act as to whether suit can be brought against the employer company in any place other than that of its home office. The right to bring suit under this act should be as easy of enforcement as the rights of a private person not in the company's employ to sue on an ordinary claim, and process in such suit should be properly served if upon the station agent upon whom service is authorized to be made to bind the company in ordinary actions arising under the state laws. Bills for both the foregoing purposes have been considered by the house of representatives and have been passed, and are now before the interstate commerce committee of the senate. I earnestly urge that they be enacted into law.

Anti-Trust Law, Federal Incorporation.

There has been a marked tendency in business in this country for forty years last past toward combination of capital and plant in manufacture, sale and transportation. The moving causes have been several: First, it has rendered possible great economies in production, and the former competitors it has reduced the probability of excessive competition; and, third, if the combination has been extensive enough, and certain methods in the treatment of competitors have been adopted, the combinators have secured a monopoly and complete control of prices and rates. The object of the anti-trust law was to suppress the abuses of business of the kind described.

It was not to interfere with a great volume of capital which, concentrated under one organization, reduced the cost of production and made us profit thereby, and took no advantage of its intent to suppress competition with it.

I wish to make this distinction as emphatic as possible, because I conceive that nothing could happen more destructive to the property of this country than the loss of that great economy in production which has been secured by the effect in all manufactures of such property, and the employment of large capital under one management. I don't mean to say that there is not a limit beyond which the economic management by the enlargement of plant cases; and where this happens and combination continues beyond this point, the very fact shows intent to monopolize and not to economize.

The original purpose of many combinations of capital in this country was not confined to the legitimate and proper object or reducing the cost of production. On the contrary, the history of most trades will show at least a few instances where, by purchase, combination, or otherwise, all the plants in the country engaged in the same business.

No "Good" or "Bad" Trust Distinction. Many people conducting great businesses have cherished a hope and a belief that in some way or other a line may be drawn between "good trusts" and "bad trusts," and that it is possible by amendment to the anti-trust law to make a distinction under which good combinations may be permitted to organize, suppress competition, control prices, and do it all legally if only they do not abuse the power by taking too great profit out of the business. They point with force to certain notorious trusts as having grown into power through criminal methods, by the use of illegal rebates and plain cheating, and by various acts utterly violative of business honesty or morality, and urge the establishment of some legal line of separation by which "criminal trusts" of this kind can be punished, and they, on the other hand, be permitted under the law to carry on their business. Now the public, and especially the business public, ought to rid themselves of the idea that such a distinction is practicable or can be introduced into the statute. Certain distinctions exist. It has been proposed, however, that the word "reasonable" should be made a part of the statute and then it should be left to the court to say what is a reasonable restraint of trade, what is a reasonable suppression of competition, what is a reasonable monopoly. I venture to think that this is to put

into the hands of the court a power impossible to exercise on any consistent principle which will insure the uniformity of decision essential to just judgment. It is to trust upon the court a burden that they have no precedents to enable them to carry, and to give them a power approaching the arbitrary, the use of which might involve our whole judicial system in disaster.

If the prohibition of the anti-trust act against combinations in restraint of trade is to be effectively enforced, it is essential that the national government shall provide for the creation of national corporations to carry on a legitimate business throughout the United States. The conflicting laws of the different states of the union with respect to foreign corporations make it difficult if not impossible, for one corporation to comply with their requirements so as to carry on business in different states.

New Plan No Refuge for Bad Trusts.

Regarding the suggestion that this proposal of federal incorporation for industrial combinations is intended to furnish them a refuge in which to continue industrial abuses under federal protection, it should be said that the measure contemplated does not repeal the Sherman anti-trust law and is not to be framed so as to permit the doing of the wrongs which it is the purpose of that law to prevent, but only to foster a continuance and advance of the highest industrial activity without permitting industrial abuses.

Such a national incorporation law will be opposed, first, by those who believe that trust should be completely broken up and their property destroyed. It will be opposed, second, by those who doubt the constitutionality of such federal incorporation and even if it is valid, object to it as too great a federal centralization. It will be opposed, third, by those who will insist that a mere voluntary incorporation like this will not attract to its acceptance the worst of the offenders against the anti-trust statute and who will therefore propose instead of it a system of compulsory licenses for all federal corporations engaged in interstate business.

Let us consider these objections in their order. The government is now trying to dissolve some of these combinations and it is not the intention of the government to desist in the least degree in its effort to end those combinations which are today monopolizing the commerce of this country; that where it appears that the acquisition and concentration of property go to the extent of creating a monopoly or of substantially and directly restraining interstate commerce, it is not the intention of the government to permit this monopoly to exist under federal incorporation or to transfer to the protection of the federal government of the state corporation now violating the Sherman act. But, it should not be the policy of the government to prevent reasonable concentration of capital which is necessary to the economical development of manufacture, trade and commerce.

For Federal Incorporation Law.

I therefore recommend the enactment by congress of a general law providing for the formation of corporations to engage in trade and commerce among the states and with foreign nations, protecting them from undue interference by the state and regulating their activities, so as to prevent the recurrence, under national auspices, of those abuses, which have arisen under state control. Such a law should provide for the issue of stock of such corporations to an amount equal only to the cash paid in on the stock; and if the stock be issued for property, then at a fair valuation, ascertained under approval and supervision of federal authority, after a full and complete disclosure of all the facts pertaining to the value of such property, and the interest therein of the persons to whom it is proposed to issue stock in payment of such property.

Second, There are those who doubt the constitutionality of such federal incorporation. The regulation of interstate and foreign commerce is certainly conferred in the fullest measure upon congress.

The third objection, that the worst offenders will not accept federal incorporation, is easily answered. The decrees of injunction recently adopted in prosecutions under the anti-trust law are so thorough and sweeping that corporations affected by them have but three lines of escape before them. First, they must resolve themselves into their component parts in the different states with consequent loss to themselves of capital and effective organization and to the country of concentrated energy and enterprise, or, second, in defiance of law and under some secret way they must attempt to continue their business in violation of the federal statute, and thus incur the penalties of contempt and bring on an inevitable criminal prosecution of the individuals named in the decree and their associates; or

Third, they must re-organize and accept in good faith the federal charter issuing.

The attorney general at my suggestions, has drafted a federal incorporation bill, embodying the views I have attempted to set forth, and it will at the disposition of the appropriate committees of congress.

Signed, William H. Taft.

"The White House, January 7, 1910."

FRIDAY FACTS.

Mr. and Mrs. S. G. Dean have gone to Watonga, Ill., to visit Mr. Dean's father, who is ill.

Henry Klossner of Creighton was in town at noon on his way to Bloomfield to visit his son. He has recently returned from an extended visit to Texas.

Miss Bertha Wilkins, who recently returned from the western coast, is going to Lincoln to attend the university, where she will finish up her work in the music conservatory.

Rev. J. F. Poucher of Stanton was in the city.

Mr. and Mrs. C. H. Taylor of Lincoln were in the city.

Mr. and Mrs. I. T. Cook have left for an extended trip to Iowa and Illinois.

Dr. William Noyes of Newport was in the city in consultation with Dr. Tashjian.

William Graves has gone to Tilden, where he is employed in the ice pack-

ing business.

Mr. and Mrs. Harry Leggett of Dallas, S. D., are visiting at the home of W. N. Huse.

Sheriff C. S. Smith and County Attorney James Nichols of Madison were in the city.

Mrs. Ira M. Hamilton is reported ill. Mrs. Samuel Cokerley is reported ill. Born, to Mr. and Mrs. S. J. Hash, a son.

Born, to Mr. and Mrs. Guy Woodbury, a son.

A. C. Stear, who has been confined to his home with the grip, is now able to be back at his work.

Mr. and Mrs. William McCune have gone to Omaha, where Mr. McCune will undergo an operation.

Mr. and Mrs. C. A. Wood have gone to Oldham, S. D., where they will attend the funeral of Mrs. Wood's sister.

William Denton and family have moved into the house formerly occupied by the H. L. Snyder family, at 604 South Eighth street.

Burton Lyons of Enola was in the city, accompanied by his daughter, Miss Margaret Lyons, who is being treated for eye trouble here.

Dr. J. H. Mackay has a letter from Mrs. Mackay, who is visiting at Fremont, stating that all Fremont stores went on a cash basis January 1.

H. G. Schulz, who has for some time been employed on a ranch near Rocky Ford, Colo., has returned to Norfolk and will make his home here with his parents.

The second floor of the Hayes block on Norfolk avenue is being remodeled and will be turned into housekeeping rooms. The physicians who occupied it have moved out.

Walter Barnhart and Mrs. Mae Seiler are ill at the Methodist hospital at Omaha. Walter Barnhart and Mrs. Seiler are son and daughter of City Attorney H. F. Barnhart of Norfolk.