

SPECULATION IS NOT GAMBLING

Conclusion Reached by Hughes' Commission to Investigate Stock Exchange Practices.

FUTURE DEALINGS STEADY PRICES

Markets Depends on Operations of the Bulls and Bears.

SOME THINGS ARE NOT VERY NICE

Plain Gambling Futures Should Be Absolutely Prohibited.

TWO "EXCHANGES" CONDEMNED

"Metals" and "Metals" Are Not Legitimate Business Transactions and Should Be Absolutely Prohibited.

NEW YORK, June 16.—The report of the committee appointed by Governor Hughes to investigate speculation in securities and commodities and the organizations used in dealings therein was made public tonight. The New York stock, the consolidated stock, the cotton, the produce, the coffee, the mercantile, and the Metal exchanges and the Curb market were thoroughly investigated and recommendations looking to improvement of existing conditions were made at length by the committee. The most drastic finding is that affecting the Mercantile and Metal exchanges, as follows:

"Under present conditions, we are of the opinion that the Mercantile and Metal exchanges do actual harm to producers and consumers, and that their charters should be repealed."

Concerning speculation in general, the committee declares that it may be wholly legitimate, pure gambling, or something partaking of the qualities of both, that in some form it is a necessary incident of productive operations, that it tends to steady prices and that for the merchant or manufacturer the speculator performs a service which has the effect of insurance.

"In law," says the report, "speculation becomes gambling when the trading which it involves does not lead, and is not intended to lead, to the actual passing from hand to hand of the property that is dealt in. The rules of all the exchanges forbid gambling as defined by this opinion, but they make so easy as to technical devices of the property contracts for the practical effect of making speculation, in point of form legitimate, is not greatly different from that of gambling."

The committee makes no presentment against short selling, but declares the tendency of such a selling is to steady prices. It is recommended that the minimum margin should be 20 per cent and strong disapproval is expressed of branch brokerage offices which supply liquor and resort to other improper means to induce speculation.

Most important in the world. Taking up the New York Stock Exchange, the volume of transactions is probably the most important financial institution in the world. Its enormous business affecting the financial and credit interests of the country in so large a measure that its proper regulation is a matter of transcendent importance. Patrons of the Exchange are divided by the committee into five groups, namely, investors, who pay for what they buy; manipulators of prices; floor traders; outside operators having capital and experience; and "inexperienced persons who act on interest, tips, rumors, advertising in newspapers, or circulars sent by mail, or take flyers."

Unabsent ignorance and with blind confidence in their luck. Almost without exception they eventually lose. As to the character of the transactions the committee declares:

It is unquestionable that only a small part of them is of investment character; a substantial part may be characterized as virtually gambling. Yet we are unable to see how the state could distinguish by law between proper and improper transactions, since the former and the latter are identical. Rigid statutes directed against the latter would affect the former.

Pyramiding is condemned. Pyramiding, that is the use of paper profits as margin for further commitments, should be discouraged, says the committee. In this connection it is suggested that if brokers and the banks would make it a rule to value securities for the purpose of margin or collateral, not at the current price of the moment, but at the average price of, say, the previous two or three months (provided that such average price were not higher than the price of the moment) the dangers of pyramiding would be largely prevented.

Milking the Market. Manipulation of prices is divided by the committee into two classes: First, that which is resorted to for the purpose of making a market for issues of new securities, and second, that which is designed to serve merely speculative purposes, as the endeavor to make a profit as the re-

Norris Brown Chloroforms the Income Tax

His Resolution to Submit Constitutional Amendment Ends That Fight for Present.

WILL FIGHT ON FOR INCOME TAX

"Progressive" Leaders in Senate Will Continue Battle Despite Message of President.

DISAVOW ANY ANTAGONISM

Declare Their Position Not Inconsistent With Taft's Attitude.

EARNINGS TAX IS NOT ENOUGH

They Give Out Statement Defining Their Views in Detail.

DEMOCRATS ARE UNDECIDED

Borah, Bristow, Clapp, Cummins and La Follette Hold Meeting and Decide to Carry On Fight on Original Lines.

WASHINGTON, June 16.—Five progressive republican senators, Messrs. Borah, Bristow, Cummins, La Follette and Clapp, conferred tonight to determine what their attitude is to be in relation to the income tax amendment to the tariff bill in the face of President Taft's special message to congress today, favoring the submission of a constitutional amendment, and the enactment of a law taxing the net earnings of corporations.

They decided that the president's plan is not inconsistent with their demands for the adoption of an amendment taxing incomes, and that both may be accepted in harmony. They assume that the president's plan, endorsed by leading republicans on the finance committee, is designed to "chloroform" the income tax amendment, but nevertheless announce that they will continue to fight for its adoption.

In a brief statement prepared by Messrs. Borah and Bristow, the supporters of an income tax amendment, say: "The friends of the income tax feel it a duty to continue to put forth every effort to secure the adoption of the measure. They will, therefore, urge the adoption of the amendment. They also stand ready to support a resolution providing for an amendment to the constitution of the United States. While they believe that the supreme court will sustain the law, yet they propose simply to carry the measure, if that might result from an adverse decision, they gladly favor the proposition to amend the constitution. They do not feel satisfied with simply a corporation tax."

Corporation Tax "Imperfect." "A tax upon the net income of corporations only will imperfectly reach the desired result. It will tax tens of thousands of stockholders whose total incomes are small, and will exempt in large measure the immense personal incomes of the country. The provision they favor treats large incomes exactly alike, whether received by corporations or individuals and whether arising from interest, dividends, inheritances or otherwise. The plan which they propose simply carries the president's views to their legitimate end, and is as consonant with the decision of the supreme court as is the tax on corporate incomes alone. There is no reason for exempting from this tax the vast incomes of individuals like Carnegie, Rockefeller, and others, a very large part of whose fortunes do not consist of corporation stocks.

It is also well known that corporations, especially the larger ones, can in most instances shift the burden of the tax to the public by increasing the price of the goods and services they produce. As to the publicity feature, there is no substantial difference between the two measures. In other words, there is the same necessity for securing information and insuring publicity in the income tax as in the corporation tax.

Expect Some More Help. The small attendance at the conference, it is asserted, does not augur a lack of sympathy with the income tax proposition, but is explained by the fact that the meeting was not called until after the president's message was received and many senators had engagements which they could not break. An effort will be made tomorrow to get together again. Senator Brown, author of the first resolution introduced, unable the states to pass upon the question of amending the constitution, so as to empower congress to levy a tax on incomes, was present tonight for about ten minutes. It is declared that he is not opposed to the adoption of the president's program and the income tax amendment as well.

That the supporters of a direct tax on incomes. (Continued on Second Page.)

MRS. GOULD IS BLACKENED

Her Former Servants Tell Scandalous Stories About Her Conduct.

GETS DRUNK EVERY OTHER DAY

Evidence is That She Cursed and Swore at Grooms—Raves in Disrevelled Condition Before Menials—End is Not Yet.

Was Often Intoxicated

What Mrs. Gould heard today was but a repetition and in some respects an amplification of yesterday's testimony, the basis of which is that at various and diverse times at the vast Long Island show place, Castle Gould, she had, according to the witnesses, been intoxicated; had abused menials, had given arbitrary and unreasonable commands to the servants and had used severe language in altercations with her husband.

Coachman, gardener, maid and other servants went on the stand and swore to the demeanor of the woman who used to give them orders. An occasion when she would have fallen from her carriage, but for the protecting arm of a coachman, an attempt of hers to drive through a closed gate, and a time when a footman saved her from falling intoxicated were among the things testified by the Long Island rustic or servant on the witness stand. As on yesterday, Mrs. Gould was greatly moved as she heard this evidence.

A carpenter, Herbert Trotter, was the last witness of the day. He said when he was working in the servants' quarters, Mrs. Gould rushed in at one time, swore at and abused the servants.

"Her voice was shaky and incoherent, her hair disheveled and she was very profane. She was decidedly drunk," said the witness.

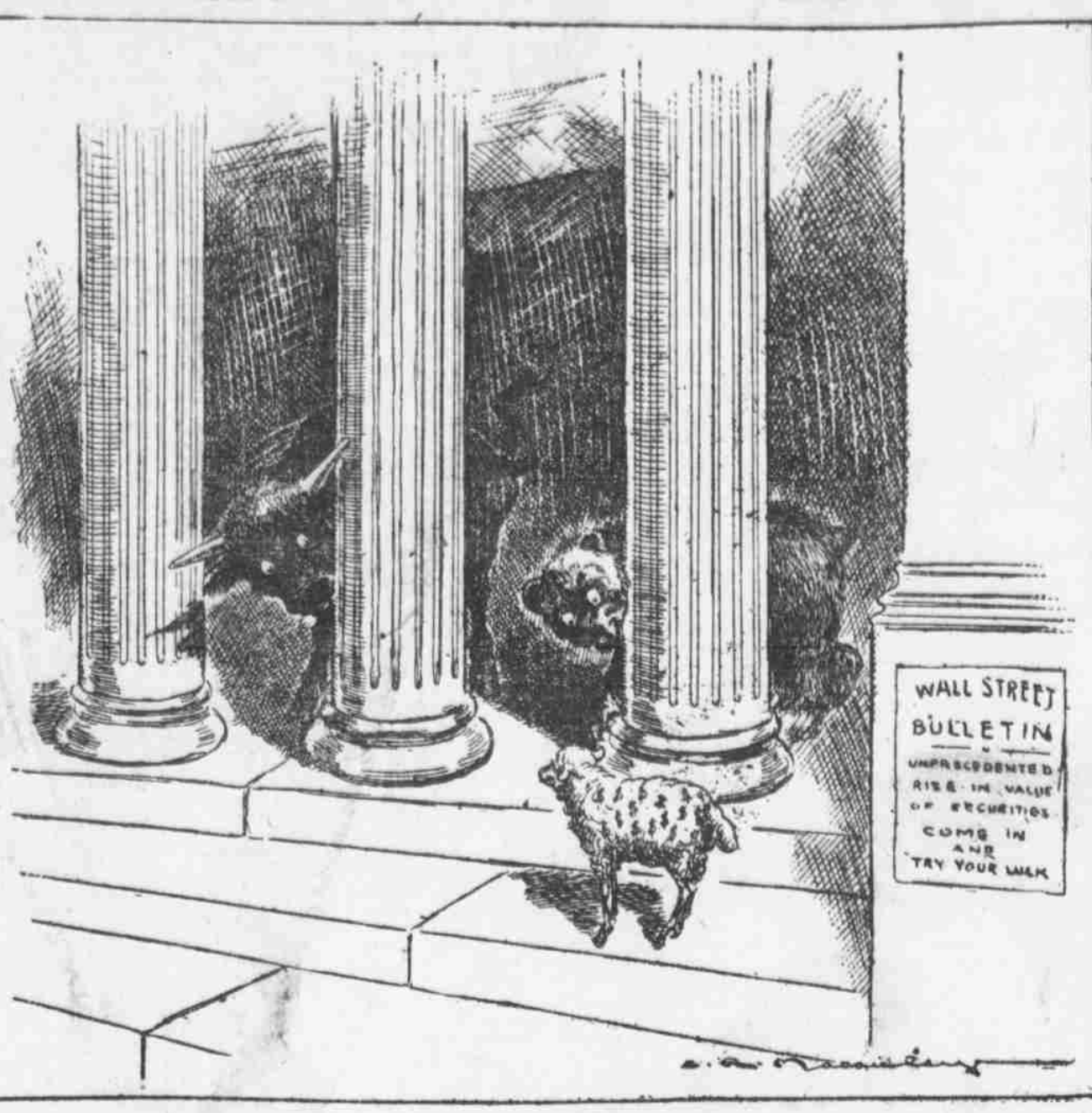
She Swears at the Grooms. "At another time she came into the stable while I was working there and swore at the grooms and was so drunk that every one could tell that she was drunk," he continued. "He tried to go up stairs to the harness room but could not navigate the steps," he added emphatically.

Trotter said he was ordered to go to Blue Gap farm, the Gould place in Virginia. On several occasions during the first ten days he was there he testified he saw her intoxicated and heard her swear a great deal at the workmen.

"One night she came in from driving drunk," said the witness, "and began to abuse me and a man named 'Tony.' She said to me she wanted the big seven-foot tall clock moved, and I told her I would have to get help, and she said: 'Why, I can move it myself.' She was staggering drunk. She grabbed the clock and they fell against the wall together."

Trotter testified that Mrs. Gould "was only occasionally intoxicated" during her stay of ten days at the Blue Gap farm when he was there.

Drunk Every Other Day. "How many times do you think she was intoxicated during that ten days?" asked Mr. Shearn. "Every other day," was the reply. Referring to a time when Trotter said (Continued on Second Page.)



From the New York World.

MONEY NEEDED TO FINISH NORTH PLATTE DITCH

Senator Burkett and Director Newell Face Lack of Funds to Complete Third Section.

Banker Released on Bail

Charles W. Morse Given His Liberty Pending an Appeal.

Clark on Stand in Smuggling Case

Witness Tells of Conversations with Dining Car Cooks and Payment of Money.

FAIRBANKS HONORED BY JAPS

Former Vice President Elaborately Entertained by Dignitaries Enroute to Kobe.

Ten Thousand Steel Workers Will Strike at End of Month

Pittsburg, Pa., June 16.—More than 10,000 skilled workmen, members of the Amalgamated Association of Iron, Steel and Tin Workers, who are employed by the American Sheet and Tin Plate Company, will quit work on the night of June 30, at which time the "open shop" order of the company becomes effective. Many unskilled workmen will also be affected.

The decision to take this action followed a special convention here. The following announcement was made by President J. P. McArdle of the Amalgamated association: "The convention of the representatives

of the sheet and tin mills lodges, held for the purpose of taking action on the declaration of the American Sheet and Tin plate company to run its plants nonunion, has decided that the Amalgamated association will resist all efforts to carry out that policy and will refuse to work after June 30, 1909, unless a satisfactory agreement is reached by that time."

In the Pittsburg district a majority of the mills of the American Sheet and Tin Plate company, a subsidiary of the United States Steel corporation, are nonunion. The combined plants in which a strike order will be effective total 122 mills in the tin trade and 61 mills in the sheet steel trade.

GERMANS NARROW SAYS VON BUELOW

in Bitter Address

CHALHOUN'S LAWYER EXHAUSTS LANGUAGE OF VITUPERATION

Calhoun's explanation of the bribery indictment against him was practically submitted to the jury tonight, when A. A. Moore senior of the six counsel for the president of the United Railroads, promised to close his case by the first hour of tomorrow's session.

Mr. Moore's argument, which has already extended over eight hours, was pronounced tonight by adherents of both sides a masterly review of the case. Mr. Moore declares there was a fatal error in the prosecution's case in the testimony designed to show the offer of a bribe.

The state had failed, he declared, to show that Gallagher made an offer to Nicholas prior to actual payment of the money. He argued, regarding extracts from the transcripts of prior trials, that Gallagher and Nicholas had both failed on several occasions prior to the present trial to testify that any such offer had been made and he intimated more than once that the prosecution had submitted a machine-made case that showed the marks of the tool.

"Without this potent factor, this absolute essential," said Moore, "this case falls to the ground of its own weight. If there was no offer, there was no bribe."

"Nicholas, as well as Gallagher, comes before you an accredited perjurer and was confessed as well that he had been guilty of high crimes against the state. He has sworn both ways—first that he had re-

ceived an offer and then that he has not." Mr. Moore was severe in his denunciation of James L. Gallagher.

"The top of his head does not emerge from the pit of corruption he has dug for himself," he said. "If you know a man who had added perjury to perjury, had been turned informer and sworn his confederates into jail, would you return a dog to the pound on his testimony, or would you deprive a man of his liberty and honor on the same authority?"

Mr. Moore declared that hundreds of innocent lives were taken in the French revolution on the perjured statements of informers. He paid considerable attention to the testimony of John H. Helms and Nicholas Kerngold, detectives for the prosecution.

"Helms," he said, "is one of the soldiers of fortune who incidentally served at the same time under two flags, and took money from both sides. We are told he was decorated by the Czar of Russia. I surmise for some magnificent gum shoe work in the land of espies. Consider Helms and this other soldier, Kerngold, and help these two doughty warriors to be challenged by a sentry who demanded 'under which king? speak or die.' Helms and Kerngold, falling on their knees would say with one voice: 'Both.'"

Patrick Calhoun laughed openly at some of the speakers' metaphors.

WALL STREET BULLETIN

UNPRECEDENTED RISE IN VALUE OF SECURITIES COME IN AND TRY YOUR LUCK

TAFT URGES AN EARNINGS TAX

President Sends Special Message to Congress Favoring Levy on Corporations.

WOULD AMEND CONSTITUTION

Thinks Federal Government Should Have Income Tax Authority.

BUT IT HASN'T GOT IT NOW

Executive Reported to Be Confident of Downward Revision.

FIRST STRICTLY PARTY VOTE

On Motion to Instruct Finance Committee, Democrats All Vote in Affirmative and Republicans in Negative.

WASHINGTON, June 16.—Recommending legislation leading to the placing of a 2 per cent tax on the net income of corporations and also the adoption of an amendment to the constitution providing for the imposition of an income tax without an appropriation among the several states, President Taft today sent to congress a message embodying his views on the subject. This action followed a protracted special meeting of the cabinet.

President Taft, it was announced later in the day, is highly gratified over the fact. It is said that he regards the prospects for "taft revision downward" as being brighter than ever.

In his message the president speaks of the apparent inability of congress to agree to an inheritance tax, and also regards as ineffectual the recent decision of the supreme court in the case of Pollock against the Farmers Loan and Trust company, in which the court held the tax to be unconstitutional unless apportioned according to population. "It is," says the president, "undoubtedly a powerful which is indispensable to the nation's life in great crises."

The amendment, therefore, he declares, was the only proper course. Such an amendment to the constitution, he contends, was preferable to the one proposed of revising a law judicially declared to be unconstitutional.

Big Revenue from Tax. The amendment which he says should be made to the tariff bill, provides for the imposition on all corporations and joint stock companies for profit, except national bank (otherwise taxed), savings banks and building and loan associations, an excise tax of 2 per cent on the net income of said corporations. This, it is estimated by him, will bring an annual revenue of \$5,000,000. "This is a tax on privilege and not on property," he says, "and is within the federal power without appropriation account."

The president points out that another merit to the tax on corporations is the federal supervision which will give to the government, the stockholders and the public knowledge of the real business transactions and the gains and profits of every corporation. The adoption of the amendment, he says, will make a long step toward that supervisory control of corporations which may prevent a further abuse of power.

Reception of Message. When the message reached the senate Mr. Root, who was in the chair, made the customary reference of the document to the committee on Finance and Mr. Heyburn secured the floor and began a speech on another subject.

Senator Gore broke in and attempted to have the committee instructed to report on the income tax feature of the movement by next Friday when, under general agreement, the question is to be again to be taken up for consideration. His motion was, however, voted down and for the first time in many weeks the division was strictly along party lines, all the republicans voting to lay on the table, while all the democrats voted to cast their votes against that proposition.

Senator Bailey gave notice that he would demand that provision be made for a graduation of any income tax that might be provided for and intimated that much time would be necessary to get through a provision which did not carry that qualification.

Text of the Message. The text of the president's message is as follows: "To the Senate and House of Representatives: It is the constitutional duty of the president from time to time to recommend to the consideration of congress such measures as he shall judge necessary and expedient. In my inaugural address, immediately preceding this present extraordinary session of congress, I invited attention to the necessity for a revision of the tariff at this session and stated the principles upon which I thought the revision should be effected. I referred to the then rapidly increasing deficit and pointed out the obligation on the part of the framers of the tariff bill to arrange the duty so as to secure an adequate income and suggested that if it was not possible to do so by import duties, new kinds of taxation must be adopted, and among them I recommended a graduated inheritance tax as correct in principle and as certain and easy of collection. The house of representatives has adopted the suggestion and has provided in the bill it has passed for the collection of such a tax.

"In the senate the action of its finance committee and the course of the debate indicate that it may not agree to this provision, and it is now proposed to make up the deficit by the imposition of a general income tax in form and substance of almost exact the same character as that which in the case of Pollock against Farmers Loan and Trust company (157 U. S. 429) was held by the supreme court to be a direct tax, and therefore not within the power of the federal government to impose unless apportioned among the several states according to population. This new proposal which I did not discuss in my inaugural address or in my message to the opening of the present session makes it appropriate for me to submit to the congress certain additional recommendations.

Favors Income Tax Amendment. "The decision of the supreme court in the income tax cases deprives the national government of a power, which, by reason of previous decisions of the court, it was generally supposed the government has. It is undoubtedly a power the national government ought to have. It is indispen-