THE PRESIDENT'S ANNUAL MESSAGE

CAUSES OF THE PRESENT FINANCIAL CONDITIONS IS MADE THE CHIEF TOPIC.

SUGGESTS REMEDIES FOR ILLS

CONTROL OF CORPORATIONS AND RAILROADS TO PREVENT OVERCAPITALIZATION.

Believes This Would Solve the Problem Together with Provision for More Elastic Currency—Recommends Postal Banks and Asks for Legislation Along Many Lines.

Washington, Dec. 3. — President Roosevelt's annual message to congress is a voluminous document of nearly 24,000 words, by far the longest message he has ever submitted to congress. The opening subject of the message is the financial condition of the country, and for which the president lays much of the blame upon unscrupulous stock speculators, and says:

"In any large body of men, however, there are certain to be some who are dishonest, and if the conditions are such that these men prosper or commit their misdeeds with impunity, their example is a very evil thing for the community. Where these men are business men of great magnitude and of prominent both unscrupulous and reckless, and where the conditions are such that they act without supervision or control and at first without effective check from public opinion, they delude many innocent people into making investments or embarking in lines of business that are really unsound. When the misdeeds of these successfully dishonest men are discovered, suffering comes not only upon them, but upon the innocent men whom they have misled. It is a painful awakening, whenever it occurs; and, unfortunately, when it does occur those who suffer are apt to forget that the longer it was deferred the more painful it would be. In the effort to punish the guilty it is both wise and proper to endeavor so far as possible to minimize the distress of those who have been misled by the guilty. Yet it is not possible to refrain because of such distress from striving to put an end to the practices that are the ultimate causes of the suffering, and, as a means to this end, where possible to punish those responsible for them. There may be honest differences of opinion as to many governmental policies; but surely there can be no such difference as to the need of unflinching perseverance in the war against successful dishonesty."

He quotes at length from his message of last year in which he advocated federal control of corporations doing interstate business, and believes that in such control would be found the remedy for overcapitalization and stock speculation which he believes have brought about the present financial condition. He says:

"Our steady aim should be by legislation, cautiously and carefully undertaken, but resolutely persevered in, to assert the sovereignty of the national government by affirmative action.

"This is only in form an innovation. In substance it is merely a restoration; for from the earliest time such control of industrial activities has been recognized in the action of the lawmaking bodies; and all that I propose is to meet the changed conditions in such manner as will prevent the commonwealth abdicating the power it has always possessed, not only in this country, but also in England before and since this country became a separate nation.

Federal Control of Railroads Is Favored.

"No small part of the trouble that we have comes from carrying to an extreme the national virtue of self-reliance, of independence in initiative and action. It is wise to conserve this virtue and to provide for its fullest exercise, compatible with the rights of property does not become a liberty to wrong others. Unfortunately, this is the kind of liberty that the lack of all effective regulation inevitably breeds. The founders of the constitution provided that the national government should have complete and sole control of interstate commerce. There was then practically no interstate business save such as was conducted by water, and this the national government at once proceeded to regulate in thoroughgoing and effective fashion. Conditions have now so wholly changed that the interstate commerce by water is insignificant compared with the amount that goes by land, and almost all the business conducted are now engaged in interstate commerce. As a result, it can be but partially and imperfectly controlled or regulated by the action of any one of the several states; such action inevitably tending to be either too drastic or else too lax, and in either case ineffective for purposes of justice. Only the national government can in thoroughgoing fashion exercise the needed control. This does not mean that there should be any extension of federal authority, for such authority already exists under the constitution in amplest and most far-reaching form; but it does mean that there should be an extension of federal activity. This is not advocating centralization, it is merely looking facts in the face, and realizing that centralization in business has already come and can not be undone and undone, and that the public at large can only protect itself from certain evil effects of this business centralization by providing better methods for the exercise of control through the authority already centralized in the national government by the constitution itself. There must be no halt in the healthy constructive course of action which this nation has elected to pursue, and has steadily pursued, during the last six years, as shown both in the legislation of the congress and the administration of the law by the department of justice. The most vital need is in connection with the railroads. As to these, in my judgment there should now be either a national incorporation act or a law licensing railway companies to engage in interstate commerce upon certain conditions. The law should be so framed as to give to the interstate commerce commission power to pass upon the future issues of securities, while ample means should be provided to enable the commission, whenever in its judgment it is necessary, to make a physical valuation of any railroad. As I stated in my message to the congress a year ago, railroads should be given power to enter into agreements, subject to these agreements being made public in minute detail and to the consent of the interstate commerce commission being first obtained. Until the national government assumes proper control of interstate commerce, in the exercise of the authority it already possesses, it will be impossible either to give to or to get from the railroads full justice. The railroads and all other great corporations will do well to recognize that this control must come; the only question is as to what governmental body can most wisely exercise it. The courts will determine the limits within which the federal authority can exercise it, and there will still remain ample work within each state for the railway commission of that state; and the national interstate commerce commission will work in harmony with the several state commissions, each within its own province, to achieve the desired end.

Control of Interstate Business Consensus Urged.

"Moreover, in my judgment there should be additional legislation looking to the proper control of the great business concerns engaged in interstate business, this control to be exercised for their own benefit and prosperity no less than for the protection of investors and of the general public. As I have repeatedly said in messages to congress and elsewhere, experience has definitely shown not merely the unwisdom but the futility of endeavoring to put a stop to all business combinations. Modern industrial conditions are such that combination is not only necessary but inevitable. It is so in the world of business just as it is so in the world of labor, and it is as idle to desire to put a stop to all corporations, to all big combinations of capital, as to desire to put an end to combinations of labor. Corporations and labor union alike have come to stay. Each if properly managed is a source of good and not evil. Where there is either evil, it should be promptly held to account; but it should receive hearty encouragement so long as it is properly managed. It is profoundly immoral to put or keep on the statute books a law, nominally in the interest of public morality, that really puts a premium upon public immorality, by undertaking to forbid honest men from doing what must be done under modern business conditions, so that the law itself provides that its own infraction must be the condition precedent upon business success. To aim at the accomplishment of one such immorality means the accomplishment of too little, and often the doing of positive damage.

"The antitrust law should not be repealed; but it should be made both more efficient and more in harmony with actual conditions. It should be so amended as to forbid only the kind of combination which does harm to the general public, such amendment to be accompanied by, or to be an incident of, a grant of supervisory power to the government over these big corporations engaged in interstate business. This should be accompanied by provision for the compulsory publication of accounts and the subjection of books and papers to the inspection of the government officials. A beginning has already been made for such supervision by the establishment of the bureau of corporations.

"The antitrust law should not prohibit combinations that do no injustice to the public, still those the existence of which is on the whole of benefit to the public. But even if this feature of the law were abolished, there would remain as an equally objectionable feature the difficulty and delay now incident to its enforcement. The government must now submit to irksome and repeated delays before obtaining a final decision of the courts upon proceedings instituted, and even a favorable decision may mean an empty victory. Moreover, to attempt to control these corporations by lawsuits means to impose upon both the department of justice and the courts an impossible burden; it is not feasible to carry on more than a limited number of such action. Such a law can be made effective must of course be administered by an executive body, and not merely by means of lawsuits. Publicity should be to prevent the abuses incident to the creation of unhealthy and improper combinations, instead of waiting until they are in existence and then attempting to destroy them by civil or criminal proceedings.

Investing Public Should Be Amply Safeguarded.

"The congress has the power to charter corporations to engage in interstate and foreign commerce, and a general law can be enacted under which corporations of which existing corporations could take out federal charters and new federal corporations could be created. The essential provision of such a law should be a method of predetermining by some federal board or commission whether the applicant for a federal charter is independence in initiative and action. It is wise to conserve this virtue and to provide for its fullest exercise, compatible with the rights of property does not become a liberty to wrong others. Unfortunately, this is the kind of liberty that the lack of all effective regulation inevitably breeds. The founders of the constitution provided that the national government should have complete and sole control of interstate commerce. There was then practically no interstate business save such as was conducted by water, and this the national government at once proceeded to regulate in thoroughgoing and effective fashion. Conditions have now so wholly changed that the interstate commerce by water is insignificant compared with the amount that goes by land, and almost all the business conducted are now engaged in interstate commerce. As a result, it can be but partially and imperfectly controlled or regulated by the action of any one of the several states; such action inevitably tending to be either too drastic or else too lax, and in either case ineffective for purposes of justice. Only the national government can in thoroughgoing fashion exercise the needed control. This does not mean that there should be any extension of federal authority, for such authority already exists under the constitution in amplest and most far-reaching form; but it does mean that there should be an extension of federal activity. This is not advocating centralization, it is merely looking facts in the face, and realizing that centralization in business has already come and can not be undone and undone, and that the public at large can only protect itself from certain evil effects of this business centralization by providing better methods for the exercise of control through the authority already centralized in the national government by the constitution itself. There must be no halt in the healthy constructive course of action which this nation has elected to pursue, and has steadily pursued, during the last six years, as shown both in the legislation of the congress and the administration of the law by the department of justice. The most vital need is in connection with the railroads. As to these, in my judgment there should now be either a national incorporation act or a law licensing railway companies to engage in interstate commerce upon certain conditions. The law should be so framed as to give to the interstate commerce commission power to pass upon the future issues of securities, while ample means should be provided to enable the commission, whenever in its judgment it is necessary, to make a physical valuation of any railroad. As I stated in my message to the congress a year ago, railroads should be given power to enter into agreements, subject to these agreements being made public in minute detail and to the consent of the interstate commerce commission being first obtained. Until the national government assumes proper control of interstate commerce, in the exercise of the authority it already possesses, it will be impossible either to give to or to get from the railroads full justice. The railroads and all other great corporations will do well to recognize that this control must come; the only question is as to what governmental body can most wisely exercise it. The courts will determine the limits within which the federal authority can exercise it, and there will still remain ample work within each state for the railway commission of that state; and the national interstate commerce commission will work in harmony with the several state commissions, each within its own province, to achieve the desired end.

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Greater Elasticity in Currency Is Urged.

The president quotes extensively from his last message in dealing with the direct subject of currency legislation, and says:

"I again urge on the congress the need of immediate attention to this matter. We need a greater elasticity in our currency; provided, of course, that we provide also the even greater need of a safe and secure currency. There must always be the most rigid examination by the national authorities. Provision should be made for an emergency currency. The emergency issue should, of course, be based on adequate securities approved by the government, and must be issued under a heavy tax. This would permit currency being issued when the demand for it was urgent, while securing its retirement as the demand fell off. It is worth investigating to determine whether officers and directors of national banks should ever be allowed to loan to themselves. Trust companies should be subject to the same supervision as banks; legislation to this effect should be enacted for the District of Columbia and the territories.

"Yet we must also remember that even the wisest legislation on the subject can only accomplish a certain amount. No legislation can prevent a panic if it be generally felt that there prevails throughout the business community against the results of speculative folly any more than it can prevent a panic from panic, or the results of his extravagance. When an individual mortgages his house to buy an auxiliary to invite disaster; and when wealthy men, or men who pose as such, or are unscrupulously or foolishly eager to become such, indulge in reckless speculations or in frauds that are tainted with dishonesty—they jeopardize not only their own future but the future of all their innocent fellow-citizens, thereby they endanger the whole business community to panic and distress."

He advises against any general tariff legislation this session of congress, and says:

"In a country of such phenomenal growth as ours it is probable that every dozen years or so the tariff laws should be carefully scrutinized so as to see that no excessive or improper benefit is conferred thereby, that the proper revenue is provided, and that our foreign trade is encouraged. There must always be as a minimum a tariff which will not only allow for the collection of an ample revenue but which will at least make good the difference in cost of production here and abroad; that is, the difference in the labor cost here and abroad, for the well-being of the wage-worker must ever be a cardinal point of American policy. The question should be approached purely from the business standpoint, at the time and the manner of the change being such as to arouse the minimum of agitation and disturbance in the business world, and with the least play for selfish and factional motives. The sole consideration should be to see that the main industrial interests of the country profit. This means that the subject cannot with wisdom be dealt with in the year preceding the presidential election, because as a matter of fact experience has conclusively shown that at such a time it is impossible to get men to treat it from the standpoint of the good of the country. Any judgment the wise time to deal with the matter is immediately after such election.

He asks for the repeal of the tariff on paper and wood pulp.

He reviews and enlarges upon his previous recommendations for the adjustment of federal inheritance and income tax laws.

Attention is called to the prosecution of certain offenders against the national laws, and in this connection he asks that the laws under which these prosecutions are made be strengthened and made more definite.

The Use and the Abuse of Injunctions.

"Instances of abuse in the granting of injunctions in labor disputes continue to occur, and the resentment felt by thousands of those who feel that their rights are being invaded and their liberty of action and their livelihood unwarrantably restricted continues to grow. Much of the attack on the use of the process of injunction is wholly without warrant; but I am constrained to express my belief that for some of it there is warrant. This question is becoming more and more of prime importance, and unless the courts will themselves deal with it in effective manner, it is certain ultimately to demand some form of legislation. It would be most unfortunate for our social welfare if we should permit many honest and law-abiding citizens to feel that they can find no redress for regarding our courts with hostility. I earnestly commend to the attention of the congress this matter, in the same way may be devised which will limit the abuse of injunctions and protect those rights which from time to time are unwarrantably invaded. Moreover, discontent is often expressed with the use of the process of injunction by the courts, not only in labor disputes but in other cases where it is concerned. I refrain from discussion of this question as I am informed that it will soon receive the consideration of the supreme court."

He advises that a bureau be created in the department of commerce and labor for the purpose of securing information concerning the business of corporations doing interstate business, and says:

"This would not give the power to compel publicity in all matters affecting the public and complete protection to the investing public and the shareholders in the matter of issuing corporate securities. If an incorporation law is not deemed advisable, a license act for big interstate corporations might be enacted; or a combination of the two might be tried. The supervision established might be analogous to that now exercised over national banks. At least, the antitrust act should be supplemented by specific prohibitions of the methods which experience has shown to have been of most service in enabling monopolistic combinations to crush out competition. The real owners of a corporation should be compelled to do business in their own name. The right to hold stock in other corporations should hereafter be denied to interstate corporations, save with approval by the proper government officials, and a prerequisite to such approval should be the listing with the commission of all owners and stockholders, both by the corporation owning such stock and by the corporations in which such stock is owned.

"To confer upon the national government, in connection with the amendment I advocate in the antitrust law, power of supervision over big business concerns engaged in interstate commerce, would benefit them as it has benefited the national banks. In the recent business crisis it is noteworthy that the institutions which failed were institutions which were not under the supervision and control of the national government. Those which were under national control stood the test.

"National control of the kind above advocated would be to the benefit of every well-managed railway. From the standpoint of the public there is need for additional tracks, additional terminals, and improvements in the actual handling of the railroads, and all this can be rapidly done. Ample, safe, and speedy transportation facilities are even more necessary than cheap transportation. Therefore, there is need for the investment of money which will provide for all these things while at the same time securing as far as is possible better wages and shorter hours for their employes. Therefore, while there must be just and reasonable regulation of rates, we should be the first to protest against any arbitrary and unthinking movement to cut them down without the fullest and most careful consideration of the interests concerned and of the actual needs of the situation. Only a special body of men acting for the national government under authority conferred upon it by the congress is competent to pass judgment on such a matter.

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