

**THE PRESIDENT'S MESSAGE.**

**NUMEROUS RECOMMENDATIONS BUT NOTHING RADICAL ADVOCATED.**

**Congress Asked to Amend Anti-Trust Law.**—The Need of Immediate Reform in Currency System Strongly Emphasized.—Postal Savings Bank Plan Endorsed.—Inheritance and Income Tax Recommended.—Would License Railroads.

Washington, Dec. 3.—The annual message of President Roosevelt was read in congress today at noon. The members were all in their seats and the galleries were crowded with spectators, the message being eagerly anticipated by the public at large as well as by members of congress.

The president in his message to congress says:

No nation has greater resources than ours, and I think it can be truthfully said that the citizens of no nation possess greater energy and industrial ability. In no nation are the fundamental business conditions sounder than in this at this very moment, and it is only when such is the case for people that money instead of keeping it in sound banks, for it is such hoarding that is the immediate occasion of money stringency. Moreover, as a nation, the business of our people is conducted with honesty and probity, and this applies alike to farms and factories, to railroads and banks, to all our legitimate commercial enterprises. 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 offenses with impunity their conduct is a very evil thing for the community. Where these men are not removed from great agencies and of management both unscrupulous and dishonest, and where the conditions are such that they act without supervision and are not held at first without effective public opinion, they delude the honest people into making investments or carrying in kinds of business that are really unsound. When the methods of these successfully dishonest men are discovered, suffering comes not only upon them, but upon innocent whom they have misled. It is a painful awakening, whenever it comes, and naturally when it does occur the sufferer is apt to forget the lesson that it was deferred the day before it would be. In the effort to punish the guilty it is both wise and just to endeavor so far as possible to remove the distress of those who are misled by the guilty. Yet it is equally important to refrain because of the lesson that it is to put an end to the conditions that are the cause of the suffering and, as a result of this end, where possible to remove those responsible for them. It is to be hoped that differences of opinion among many governmental policies may be such that there can be no such thing as the head of unfinch- ness in the war against dishonesty.

**Interstate Commerce.**—The small part of the trouble that we have come from carrying to an extreme the national virtue of self reliance and independence in initiative and action. It is wise to conserve this virtue and to provide for its fullest exercise compatible with seeing that it does not become a liberty to 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 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 big business concerns 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 cannot be avoided or 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.

**National Licensing For Railroads.**—The most vital need 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 issue 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.

**The Antitrust Law.**—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 an end to all corporations, to all big combinations of capital, as to desire to put an end to combinations of labor. Corporation and labor union alike have come to stay. Each if properly managed is a source of good and not evil. Whenever in either there is 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 too much usually means the accomplishment of too little and after the doing of positive damage.

**Not Repeal, but Amendment.**—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 concerns engaged in interstate business. This should be accompanied by provision for the compulsory publication of accounts and the subsection 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 less does 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 delay before obtaining a final decision of the courts upon proceedings instituted, and even a favorable decree 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 suits. Such a law to be really effective must of course be administered by an executive body and not merely by means of lawsuits. The design 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.

**Law Should Be Explicit.**—A combination should not be tolerated if it abuse the power acquired by combination to the public detriment. No corporation or association of any kind should be permitted to engage in foreign or interstate commerce that is formed for the purpose of or whose operations create a monopoly or general control of the production, sale or distribution of any one or more of the prime necessities of life or articles of general use and necessity. Such combinations are against public policy. They violate the common law. The doors of the courts are closed to those who are parties to them, and I believe the congress can close the channels of interstate commerce against them for its protection. The law should make its prohibitions and permissions as clear and definite as possible, leaving the least possible room for arbitrary action or allegation of such action on the part of the executive or of divergent interpretations by the courts. Among the points to be aimed at should be the prohibition of unhealthy competition, such as by rendering service at an actual loss for the purpose of crushing out competition, the prevention of inflation of capital and the prohibition of a corporation's making exclusive trade with itself a condition of having any trade with itself. Reasonable agreements between or combinations of corporations should be per-

mitted provided they are first submitted to and approved by some appropriate government body.

**Congress' Power.**—The congress has the power to charter corporations to engage in interstate and foreign commerce, and a general law can be enacted under the provisions of which existing corporations could take out federal charters and new federal corporations could be created. An 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 was an association or combination within the restrictions of the federal law. Provision should also be made for complete 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 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, unless on approval by the proper government officials, and a prerequisite to such approval should be the listing with the government of all owners and stockholders, both by the corporation owning such stock and by the corporation in which such stock is owned.

**Lessons of Recent Crisis.**—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 as rapidly as possible. 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 possible better wages and shorter hours for their employees. 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 all 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.

Those who fear from any reason the extension of federal activity will do well to study the history not only of the national banking act, but of the pure food law, and notably the meat inspection law recently enacted. The pure food law was opposed so violently that its passage was delayed for a decade, yet it has worked unmixt and immediate good. The meat inspection law was even more violently assailed, and the same men who now denounce the attitude of the national government in seeking to oversee and control the workings of interstate common carriers and business concerns then asserted that we were "discrediting and ruining a great American industry." Two years have not elapsed, and already it has become evident that the great benefit the law confers upon the public is accompanied by an equal benefit to the reputable packing establishments. The latter are better off under the law than they were without it. The benefit to interstate common carriers and business concerns from the legislation I advocate would be equally marked.

**Pure Food Law.**—Incidentally in the passage of the pure food law the action of the various state food and dairy commissioners showed in striking fashion how much good for the whole people results from the hearty co-operation of the federal and state officials in securing a given reform. It is primarily to the action of these state commissioners that we owe the enactment of this law, for they aroused the people, first to demand the enactment and enforcement of state laws on the subject and then the enactment of the federal law, without which the state laws were largely ineffective. There must be the closest co-operation between the national and state governments in administering these laws.

**Currency Legislation Needed.**—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 recognize the even greater need of a safe and secure currency. Provision should be made for an emergency currency. The emergency issue should of course be made with an effective guarantee and upon conditions carefully prescribed by the government. Such emergency issue must 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 by any possibility guarantee the business community against the results of speculative folly any more than it can guarantee an individual against the results of his extravagance. When an individual mortgages his house to buy an automobile he invites disaster, and when wealthy men or men who pose as such or are unscrupulously or foolishly eager to become such indulge in reckless speculation, especially if it is accompanied by dishonesty, they jeopardize not only their own future, but the future of all their innocent fellow citizens, for they expose the whole business community to panic and distress.

**Can't Revise Tariff Now.**—This country is definitely committed to the protective system, and any effort to uproot it could not but cause widespread industrial disaster. In other words, the principle of the present tariff law could not with wisdom be changed. But in a country of such phenomenal growth as ours it is probably well that every dozen years or so the tariff laws should be carefully scrutinized so as to see that no excessive or improper benefits are conferred thereby, that proper revenue is provided and that our foreign trade is encouraged. There must always be a minimum 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 a business standpoint, both the time and the manner of the change being such as to arouse the minimum of agitation and disturbance in the business world and to give the least play for selfish and factional motives. The sole consideration should be to see that the sum total of changes represents the public good. This means that the subject cannot with wisdom be dealt with in the year preceding a 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 public good. In my judgment the wise time to deal with the matter is immediately after such election.

**Income Tax and Inheritance Tax.**—When our tax laws are revised the question of an income tax and an inheritance tax should receive the careful attention of our legislators. In my judgment, both of these taxes should be part of our system of federal taxation. I speak definitely about the income tax because one scheme for an income tax was declared unconstitutional by the supreme court, while in addition it is a difficult tax to administer in its practical working, and great care would have to be exercised to see that it was not evaded by the very men whom it was most desirable to have taxed. Nevertheless a graduated income tax of the proper type would be a desirable feature of federal taxation, and it is to be hoped that one may be devised which the supreme court will declare constitutional.

The inheritance tax, however, is a far better method of taxation. The government has the absolute right to decide as to the terms upon which a man shall receive a bequest from another, and this point in the devolution of property is especially appropriate for the imposition of a tax. Laws imposing such taxes have repeatedly been placed upon the national statute books and as repeatedly declared constitutional by the courts, and these laws contained the progressive principle—that is, after a certain amount is reached the bequest or gift in life or death is increasingly burdened and the rate of taxation is increased in proportion to the remoteness of blood of the man receiving the bequest. These principles are recognized already in the leading civilized nations of the world.

**Germany's Inheritance Tax.**—The German law is especially interesting to us because it makes the inheritance tax an imperial measure while allotting to the individual states of the empire a portion of the proceeds and permitting them to impose taxes in addition to those imposed by the imperial government. Small inheritances are exempt, but the tax is so sharply progressive that when the inheritance is still not very large, provided it is not an agricultural or a forest land, it is taxed at the rate of 25 per cent if it goes to distant relatives. There is no reason why in the United States the national government should not impose inheritance taxes in addition to those imposed by the states, and when we last had an inheritance tax about one-half of the states levied such taxes concurrently with the national government, making a combined maximum rate in some cases as high as 25 per cent.

**To Tax Nonresidents Higher.**—The tax should if possible be made to bear more heavily upon those residing without the country than within it. A heavy progressive tax upon a very large fortune is in no way such a tax upon thrift or industry as a like tax would be on a small fortune. No advantage comes either to the country as a whole or to the individuals inheriting the money by permitting the transmission in their entirety of the enormous fortunes which would be affected by such a tax, and as an incident to its function of revenue raising such a tax would help to preserve a measurable equality of opportunity for the people of the generations growing to manhood.

We have not the slightest sympathy

with that socialistic idea which would try to put laziness, thriftlessness and inefficiency on a par with industry, thrift and efficiency, which would strive to break up not merely private property, but, what is far more important, the home, the chief prop upon which our whole civilization stands.

Such a theory if ever adopted would mean the ruin of the entire country, but proposals for legislation such as this herein advocated are directly opposed to this class of socialistic theories.

**Enforcement of the Law.**—A few years ago there was loud complaint that the law could not be invoked against wealthy offenders. There is no such complaint now. The course of the department of justice during the last few years has been such as to make it evident that no man stands above the law, that no corporation is so wealthy that it cannot be held to account. Everything that can be done under the existing law and with the existing state of public opinion, which so profoundly influences both the courts and juries, has been done, but the laws themselves need strengthening. They should be made more definite, so that no honest man can be led unwittingly to break them and so that the real wrongdoer can be readily punished.

Moreover, there must be the public opinion back of the laws or the laws themselves will be of no avail. The two great evils in the execution of our criminal laws today are sentimentality and technicality. For the latter the remedy must come from the hands of the legislatures, the courts and the lawyers. The other must depend for its cure upon the gradual growth of a sound public opinion which shall insist that regard for the law and the demands of reason shall control all other influences and emotions in the jury box. Both of these evils must be removed or public discontent with the criminal law will continue.

**Injunctions.**—Instances of abuse in the granting of injunctions in labor disputes continue to occur, and the resentment in the minds of those who feel that their rights are being invaded and their liberty of action and of speech unwarrantably restrained continues likewise to grow. Much of the attack on the use of the process of injunction is wholly without warrant, but I am constrained to express the belief that for some of it there is warrant. This question is becoming one of prime importance, and unless the courts will deal with it in effective manner it is certain ultimately to demand some form of legislative action. It would be most unfortunate for our social welfare if we should permit many honest and law abiding citizens to feel that they had just cause for regarding our courts with hostility. I earnestly commend to the attention of the congress this matter, so that some way may be devised which will limit the abuse of injunctions and protect those rights which from time to time it unwarrantably invades. Moreover, discontent is often expressed with the use of the process of injunction by the courts, not only in labor disputes, but where state laws are concerned. I refrain from discussion of this question as I am informed that it will soon receive the consideration of the supreme court.

The process of injunction is an essential adjunct of the court's doing its work well, and as preventive measures are always better than remedial the wise use of this process is from every standpoint commendable. But where it is recklessly or unnecessarily used the abuse should be censured, above all by the very men who are properly anxious to prevent any effort to shear the courts of this necessary power. The court's decision must be final. The protest is only against the conduct of individual judges in needlessly anticipating such final decision or in the tyrannical use of what is nominally a temporary injunction to accomplish what is in fact a permanent decision.

The president urges the passage of a model employers' liability act for the District of Columbia and the territories to encourage corporations to treat injured wageworkers better. He emphatically indorses the eight hour day. The president urges the states to fight the child and woman labor evil. He says:

The national government has as an ultimate resort for control of child labor the use of the interstate commerce clause to prevent the products of child labor from entering into interstate commerce. But before using this it ought certainly to enact model laws on the subject for the territories under its own immediate control.

**Presidential Campaign Expenses.**—Under our form of government voting is not merely a right, but a duty, and, moreover, a fundamental and necessary duty if a man is to be a good citizen. It is well to provide that corporations shall not contribute to presidential or national campaigns and, furthermore, to provide for the publication of both contributions and expenditures. There is, however, always danger in laws of this kind, which from their very nature are difficult of enforcement, the danger being lest they be obeyed only by the honest and disobeyed by the unscrupulous, so as to act only as a penalty upon honest men. Moreover, no such law would hamper an unscrupulous man of unlimited means from buying his own way into office. There is a very radical measure which would, I believe, work a substantial improvement in our system of conducting a campaign, although I am well aware that it will take some time for people so to familiarize themselves with such a proposal as to be willing to consider its adoption. The need for collecting large campaign funds would vanish if congress provided an appropriation for the proper and legitimate expenses of each of the great national parties, an appropriation ample enough to meet the necessity for thorough organization and machinery, which requires a large ex-

penditure of money. Then the stipulation should be made that no party receiving campaign funds from the treasury should accept more than a fixed amount from any individual subscriber or donor, and the necessary publicity for receipts and expenditures could without difficulty be provided.

**The Army.**—The president recommends legislation to increase the number of officers in the army, especially in the medical corps. The rate of pay of officers should be greatly increased, he declares. There should be a relatively even greater increase in the rate of pay of enlisted men if we are to keep the army in shape to be effective in time of need. The president recommends severe examination of officers for promotion up to the rank of major. From that point promotion should be purely by selection. He speaks of the recent physical test of army officers with emphatic approbation and recommends a bill equalizing the pay of officers and men of the army, navy, marine corps and revenue cutter service.

**The Navy.**—Concerning the navy the president says: In my judgment, we should this year provide for four battleships. But it is idle to build battleships unless, in addition to providing the men and the means for thorough training, we provide the auxiliaries for them—unless we provide docks, the coaling stations, the collars and supply ships that they need. We are extremely deficient in coaling stations and docks on the Pacific, and this deficiency should no longer be permitted to exist. Plenty of torpedo boats and destroyers should be built. Both on the Atlantic and Pacific coasts fortifications of the best type should be provided for all our greatest harbors.

Until our battle fleet is much larger than at present it should never be split into detachments so far apart that they could not in event of emergency be speedily united. Our coast line is on the Pacific just as much as on the Atlantic. The battle fleet should now, as at other times it should be kept in the Atlantic. When the isthmian canal is built the transit of the battle fleet from one ocean to the other will be comparatively easy. Until it is built I earnestly hope that the battle fleet will be thus shifted between the two oceans every year or two. The battle fleet is about starting by the strait of Magellan to visit the Pacific coast. Sixteen battleships are going under the command of Rear Admiral Evans, while eight armored cruisers and two other battleships will meet him in San Francisco, whither certain torpedo destroyers are also going. No fleet of such size has ever made such a voyage, and it will be of very great educational use to all engaged in it. The only way by which to teach officers and men how to handle the fleet so as to meet every possible strain and emergency in time of war is to have them practice under similar conditions in time of peace.

The president recommends the increased pay for both officers and enlisted men and advises promotion by selection above the grade of lieutenant commander.

**Foreign Affairs.**—In foreign affairs, the president says, this country's steady policy is to behave toward other nations as a strong and self respecting man should behave toward the other men with whom he is brought into contact. In other words, our aim is disinterestedly to help other nations where such help can be wisely given without the appearance of meddling with what does not concern us, to be careful to act as a good neighbor and at the same time in good natured fashion to make it evident that we do not intend to be imposed upon.

The president refers at length to The Hague peace conference. He believes it accomplished much good work.

**Postal Savings Banks.**—The president says on postal affairs: I commend to the favorable consideration of the congress a postal savings bank system as recommended by the postmaster general. Timid depositors have withdrawn their savings for the time being from national banks, trust companies and savings banks, individuals have hoarded their cash and the workmen their earnings, all of which money has been withheld and kept in hiding or in the safe deposit box to the detriment of prosperity. Through the agency of the postal savings banks such money would be restored to the channels of trade, to the mutual benefit of capital and labor.

I further commend to the congress the consideration of the postmaster general's recommendation for an extension of the parcel post, especially on the rural routes. It would be a most desirable thing to put the fourth class postmasters in the classified service. Other recommendations are: Deepening of the inland waterways, especially of the Mississippi river system, to make them great national highways. The repeal of the tariff on forest products, especially the duty on wood pulp. The amendment of the public land laws to make them more effective against land grabbers and more favorable to bona fide settlers. Retention of the government's title to public coal and other mineral lands. Extension of the national forest reserves. Citizenship for the people of Porto Rico. Freer local self government for Alaska. Encouragement of the merchant marine, particularly of an ocean mail line to South America. Remission of the Boxer indemnity, and freer entry for Chinese students coming to America.