

land news factory of the street car ring has announced Johnson's defeat, and sympathetic papers over the country have published it. Now that the reported defeat turns out to have been a victory, every democrat of every political party will rejoice.

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The entire traction system of Cleveland has come under the "holding company" plan, to be operated at a three-cent fare, and to distribute no profits above 6 per cent dividends on actual cost, besides a 10 per cent premium if the city takes over. The "holding company," composed of a small number of trustworthy citizens working for salaries and having no other financial interest in the business, will operate the system as a corporation so long as municipal ownership is forbidden by law. When municipal ownership comes to be allowed and adopted, the change will be imperceptibly made. The people of Cleveland will ride to their places of business some morning over a privately owned traction system, managed by certain well known men constituting a private company; they will ride back to their homes at night over a publicly owned traction system, managed by the same men constituting a municipal bureau. And no passenger will know the difference, except as he reads about it in his evening papers. Mayor Johnson's plan, now agreed to, contemplates a change from private to public ownership without any friction of readjustment or any disturbance in operation.

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It now transpires that Mayor Johnson's long fight for the people of Cleveland has been maintained against him and the masses of the people by six wealthy families. Happening to own a majority of the old traction company's stock, those families forced the remaining 794 helpless stockholders to suffer pocket-nerve agonies while the fight went on. These facts have been made public by Mr. W. H. Boyd, the Republican candidate for Mayor against Mayor Johnson two or three years ago. According to Mr. Boyd, as reported in *The Plain Dealer*, "the small stockholders felt they could not afford to go on with the fight and were for settlement, but until two of the majority families had been won over to a more peaceful view, Mr. Goff was unable to make the concession that finally led to an agreement with the Mayor." There is a touch of color in that situation. Think of it! The rights of a whole city held at arm's length because six wealthy families wanted to own its streets in perpetuity for traction purposes—wanted them for "a savings bank," as Mr. Hanna

once described the privilege. It must be interesting to these families, and also to the 794 smaller stockholders, now that they have settled at \$55 a share, to remember that Mayor Johnson offered to settle with them two years ago for \$85. In all probability, however, the six wealthy families and the 794 small stockholders are not interested in this recollection in precisely the same way.

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#### President Roosevelt's Message.

Through his latest message to Congress, that of the present week, President Roosevelt will doubtless be found to have strengthened his popularity in one direction and his unpopularity in another. The financial buccaneers whose prey he has frightened off, will be more furious than ever; the rank and file of his party will the more enthusiastically acclaim him a popular leader.

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It must be granted on all hands that there is about this message a ring which cannot but appeal strongly to minds just beginning to realize the dangers of plutocracy. Even more strongly will it appeal to minds that have long realized those dangers and turned to paternalistic measures for defense. For, if one thing stands out in higher relief than another in Mr. Roosevelt's message, it is its paternalism. And yet a spirit of genuine democracy seems now and then almost to get expression.

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To endeavor to point out the possible cause of a sense of confusion of the democratic with the paternalistic which no thoughtful reader of this message can well escape, may seem like presumption; but the cause is so evident that the temptation grows. It is the obscurity, we infer, in which the modern economic habit of "capitalizing" all forms of earning power beclouds essential differences that underlie "capitalization." A railway plant, for instance, has a certain periodical earning power which "capitalizes" into a certain price; its right of way also has a certain periodical earning power which likewise "capitalizes" into a certain price. If one distinct interest owned the right of way and another the plant, and the two interests were not interchangeable, there would be no difficulty whatever in distinguishing. The plant would clearly be a labor product, and the right of way a government grant—as clearly as if there were no such thing as "capitalization." But when these two essentially different forms are "capitalized" as one, the distinction seems shadowy—a distinction without a difference. The whole thing

seems to be "capital" and its owners "capitalists." But the difference is just as substantial and distinguishable when both plant and right of way are interchangeably "capitalized," as they would be if there were no such economic phenomena as "capitalization." Their essential nature is not altered by the commercial conventionality. The one is still a labor product, having a title traceable through contracts to the producers; the other is still a government grant, a species of continuous favoritism from the sovereign power.

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It seems to be his failure to detect this essential difference between labor products and government grants, when both are "capitalized" in one lump on the basis of their earning power, that confuses President Roosevelt. Had he clearly perceived that difference beneath the "capitalistic" system which makes it, he could have drawn a vital distinction—a distinction so illuminating as to have clarified his whole message. Seeing that governmental grants of power essentially differ from products of labor, even when "capitalization" befogs the difference, he might have avoided the confusion of advocating at once a type of individualism that makes private property of public functions, and a type of socialism that obtrudes public interference into private business.

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### Railway Values.

Assertions have frequently been made to the effect that the cost of the railways of this country is represented by their bonds—that their stock is approximately all water. But these assertions have had no support from "business men" except in the confidence of business intercourse; and whenever they have been made by "cranks," some Slason Thompson or other has gone to the front to refute them with unverified and confusing statistics. But now the assertion is made, under oath and before a grand jury, by a "business man" who cannot be slasonthompsoned. He is no less a personage than Mr. Thomas F. Ryan, and Mr. Ryan knows. In his testimony Mr. Ryan said that 95 per cent of the stock of all railroad corporations of this country never cost a cent, for the roads were built with bonds.

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It is easy to draw misleading inferences from this fact. On the one hand it may be said that the stock values, representing no original investment, are therefore fraudulent; on the other hand it may be replied that these values are as honest as

any others, since they represent increase in the value of the property. Neither observation goes to the root of the matter. If railroad plants have risen in value, the increase belongs to the stockholders, whether the plants and equipment cost them anything or not. If, for instance, the stockholders borrowed 95 per cent of the cost of the plants by issuing bonds, and the plants afterwards rose in value, no matter to what figure, that increase would belong to the stockholders. Why? Because they are the owners of the plants, subject only to the claims of the bondholders. But in fact it is not the railroad plants that have risen in value. The railroad plants of this country are worth less today than they have cost. If railroad stock were dependent for its value upon the value of railroad plants, the railroad stock of the country would not be worth more than 5 cents on the dollar, over and above what may have been paid for the redemption of bonds. The true explanation of the higher value of railroad stock is that it represents, not railway plants, but railway franchises. The property which has increased in value is, therefore, not the property of the stockholders, but the property of the public. The stockholders are possessed of it, not as their own private property but as common property in trust for public uses.

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It is this public character of railway franchises that makes stockwatering plunderous. For railway stockwatering is a method of turning the increasing value of a public trust into private property. Whenever the original stock of a railroad built with bonds and still subject to the bonds rises to par, it means that the franchise is worth as much as the plant. If the stock has been doubled and is worth par, then this means that the franchise is worth twice as much as the plant. Now it is evident that such values are too high as premiums for the public to pay railway investors who invest only 5 cents on the dollar of cost, the bondholders investing the rest. Mr. Ryan's statement should impress every intelligent and honest man, whatever he may think of public ownership, with the importance of making provision with reference to railway franchises which will prevent any one from profiting by them beyond a fair return upon a legitimate original investment.

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### Ryan and Bryan.

In explaining the half million contribution to national politics by himself and Whitney and the Elkins-Widener outfit (p. 53) Mr. Thomas F. Ryan has disclosed some additional information.

way system of Cleveland is to be operated will only be the first of a number of such companies in this city, controlling in the public interest all public service corporations heretofore operating for private gain, if Mayor Tom wins out in the fights which he is planning to follow the settlement of the street railway war. The Mayor's ambition is to secure for Cleveland the operation of all public utilities in the interest of the public, eliminating the possibility of excessive private profit. This will have been accomplished with the city's biggest single corporation when the Municipal Traction Co. takes control of the Concon. Since municipal ownership is impossible under present laws, he hopes to place under holding companies the operation of all public service properties now operated for private gain. The Cleveland Electric Illuminating Co., which now supplies much of the light for the city's streets and homes, will probably be the next corporation to which his attention will be directed. Just what his plans are for carrying his fight into these new fields, Mayor Tom is not yet ready to announce. "We cannot fight two battles at once," he said Friday, "and this one is not yet completed." That he will lose little time, however, was indicated in his declaration that, with the decks clear of the street railway fight he could train his guns in other directions.

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#### President Roosevelt's Latest Message.

President Roosevelt astonished members of his own party in Congress on the 27th with a special message more radical and peremptory than any of the others (vol. x, p. 1231) he has as yet sent in. As a friendly newspaper, the Chicago Record-Herald, describes it, "it was the last word of the President, demanding from the Senate and the House of Representatives the legislation which he had urged in prior executive communications, and this is the short, barking paragraph which stirred the statesmen to their souls' marrow: 'It is unwise stubbornly to refuse to provide against a repetition of the abuses which have caused the present unrest. In a democracy like ours it is idle to expect permanently to thwart the determination of a great body of our citizens.'" No action was taken on the 27th by either House. The message was not even read in open session.

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In this most remarkable of his remarkable special messages President Roosevelt—refers to the new employers' liability law as falling short of what Congress ought to have done and yet as marking a real advance; declares that there is good ground to hope for further legislation for recompensing government employes for injuries suffered in the service, for child labor protection in the District of Columbia, for effective financial support of the water ways commission, for an investigation of tariff conditions, and for meeting financial troubles that may occur within the next year or two. In this connection he expresses—his desire for postal savings banks, for appropria-

tions to enable the Interstate Commerce Commission to supervise and control the accounting systems of railroads, and for legislation establishing forest reserves throughout the Appalachian Mountain region wherever it can be shown that they will have a direct and real connection with the conservation and improvement of navigable rivers.

But it is to two measures that the President directs special attention. On these he lays emphasis as being recommendations of his own regarding the wisdom of which "there seems much doubt." They are "the measure to do away with abuse of the power of injunction, and the measure or group of measures to strengthen and render both more efficient and more wise the control by the national government over the great corporations doing an interstate business."

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As to the abuse of injunctions in labor cases and where the validity of State laws are involved, the President argues that injunctions in such cases should be used sparingly and only when there is the clearest necessity. To quote from the message on this point, he says:

They are blind who fail to realize the extreme bitterness caused among large bodies of worthy citizens by the use that has been repeatedly made of the power of injunction in labor disputes. Those in whose judgment we have most right to trust are of the opinion that while much of the complaint against the use of the injunction is unwarranted, yet that it is unquestionably true that in a number of cases this power has been used to the grave injury of the rights of laboring men. I ask that it be limited in some such way as that I have already pointed out in my previous messages for the very reason that I do not wish to see an embittered effort made to destroy it. It is unwise stubbornly to refuse to provide against a repetition of the abuses which have caused the present unrest. In a democracy like ours it is idle to expect permanently to thwart the determination of the great body of our citizens. It may be and often is the highest duty of a court, a legislature or an executive to resist and defy a gust of popular passion, and most certainly no public servant, whatever may be the consequences to himself, should yield to what he thinks wrong. But in a question which is emphatically one of public policy, the policy which the public demands is sure in the end to be adopted; and a persistent refusal to grant to a large portion of our people what is right is only too apt in the end to result in causing such irritation that when the right is obtained it is obtained in the course of a movement so ill considered and violent as to be accompanied by much that is wrong.

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As to Federal control over corporations doing an inter-State business, the message argues that—

There should be an efficient executive body created with power enough to correct abuses and scope enough to work out the complex problems that this great country has developed. It is not sufficient ob-

jection to say that such a body may be guilty of un-wisdom or of abuses. Any governmental body, whether a court or a commission, whether executive, legislative or judicial, if given power enough to enable it to do effective work for good, must also inevitably receive enough power to make it possibly effective for evil. Therefore, it is clear that (unless a national incorporation law can be forthwith enacted) some body or bodies in the executive service should be given power to pass upon any combination or agreement in relation to interstate commerce, and every such combination or agreement not thus approved should be treated as in violation of law and prosecuted accordingly. The issuance of the securities of any combination doing interstate business should be under the supervision of the national government.

From this Federal control the President would exempt labor unions only in part. Of this phase of the matter he says:

Obviously, an organization not formed for profit should not be required to furnish statistics in any way as complete as those furnished by organizations for profit. Moreover, so far as labor is engaged in production only, its claims to be exempted from the anti-trust law are sound. This would substantially cover the right of laborers to combine, to strike peaceably, and to enter into trade agreements with the employers. But when labor undertakes in a wrongful manner to prevent the distribution and sale of the products of labor, as by certain forms of the boycott, it has left the field of production, and its action may plainly be in restraint of interstate trade, and must necessarily be subject to inquiry, exactly as in the case of any other combination for the same purpose, so as to determine whether such action is contrary to sound public policy. The heartiest encouragement should be given to the wage-workers to form labor unions and to enter into agreements with their employers; and their right to strike, so long as they act peaceably, must be preserved. But we should sanction neither a boycott nor a blacklist, which would be illegal at common law.

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In dealing with the whole subject, for he brings the question of labor injunctions into relation with the question of Federal regulation, the President falls into a discussion of what some Socialists look upon as the approaching political war of classes—labor class against capitalist class. In this respect we have in the message such observations as these:

Every far-sighted patriot should protest first of all against the growth in this country of that evil thing which is called "class consciousness." The demagogue, the sinister or foolish socialist visionary who strives to arouse this feeling of class consciousness in our working people does a foul and evil thing; for he is no true American, he is no self-respecting citizen of this Republic, he forfeits his right to stand with manly self-reliance on a footing of entire equality with all other citizens, who bows to envy and greed, who erects the doctrine of class hatred into

a shibboleth, who substitutes loyalty to men of a particular status, whether rich or poor, for loyalty to those eternal and immutable principles of righteousness which bid us treat each man on his worth as a man without regard to his wealth or his poverty. But evil though the influence of these demagogues and visionaries is, it is no worse in its consequences than the influence exercised by the man of great wealth or the man of power and position in the industrial world, who by his lack of sympathy with, and lack of understanding of, still more by any exhibition of uncompromising hostility to, the millions of our working people, tends to unite them against their fellow Americans who are better off in this world's goods. It is a bad thing to teach our working people that men of means, that men who have the largest proportion of the substantial comforts of life, are necessarily greedy, grasping and cold-hearted, and that they unjustly demand and appropriate more than their share of the substance of the many. Stern condemnation should be visited upon demagogue and visionary who teach this untruth, and even sterner upon those capitalists who are in truth grasping and greedy and brutally disregardful of the rights of others, and who by their actions teach the dreadful lesson far more effectively than any mere preacher of unrest. A "class grievance" left too long without remedy breeds "class consciousness" and therefore class resentment. . . .

We are trying to steer a safe middle course, which alone can save us from a plutocratic class government on the one hand, or a socialistic class government on the other, either of which would be fraught with disaster to our free institutions, State and national. We are trying to avoid alike the evils which would flow from government ownership of the public utilities by which interstate commerce is chiefly carried on, and the evils which flow from the riot and chaos of unrestricted individualism. . . .

The measures I advocate are in the interest both of decent corporations and of law-abiding labor unions. They are, moreover, pre-eminently in the interest of the public, for, in my judgment, the American people have definitely made up their minds that the days of the reign of the great law-defying and law-evading corporations are over, and that from this time on the mighty organizations of capital necessary for the transaction of business under modern conditions, while encouraged so long as they act honestly and in the interest of the general public, are to be subjected to careful supervision and regulation of a kind so effective as to insure their acting in the interest of the people as a whole.

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#### Presidential Politics.

The principal event of the week in connection with Presidential politics (p. 84) was the action of the Democratic convention of Illinois on the 23d. Owing to an alteration in the primary laws of the State (vol. x, p. 1112), the delegates to this convention, which assembled for no other purpose than the naming of delegates to the national convention, were chosen arbitrarily. The old primary law could not be used for this purpose and