

PRESENTS MESSAGE.

The Entire Document Devoted to Finance and Taxation.

Congress Urgently Called Upon to Reduce the Treasury Surplus.

Our Present Tariff Laws Characterized as Vicious, Inequitable and Illegal.

The Repeal of the Internal Revenue Tax on Whisky and Tobacco Opposed.

To the Congress of the United States: You are convened at this threshold of your legislative duties with a condition of the national finances which imperatively demands immediate and careful consideration.

The amount of money annually exacted, through the operation of present laws, from the industries and necessities of the people, largely exceeds the sum necessary to meet the exigencies of the Government.

When we consider that the theory of our institutions guarantees to every citizen the full enjoyment of all the fruits of his industry and enterprise, with only such deduction as may be his share toward the careful and economical maintenance of the Government which protects him, it is plain that the exaction of more than this is

INDEFENSIBLE EXTORTION, and a culpable betrayal of American fairness and justice. This wrong, inflicted upon those who bear the burden of national taxation, like other wrongs, multiplies a brood of evil consequences. The public treasury, which should only exist as a conduit conveying the people's tribute to its legitimate objects of expenditure, becomes a hoarding-place for money needlessly withdrawn from trade and the people's use, thus crippling our national energies, suspending our country's development, preventing investment in productive enterprises, threatening financial disturbance, and inviting schemes of public plunder. This condition of our Treasury is not altogether new; and it is more than a decade since it has been submitted to the people's representatives in the Congress, who alone can apply the remedy. And yet the situation still continues, with aggravated incidents, more than ever presaging financial convulsion and widespread disaster.

It will not do to neglect this situation because its dangers are not now palpably imminent and apparent. They exist none the less certainly, and await the unforeseen, unexpected occasion when suddenly they will be precipitated upon us.

On the 30th day of June, 1887, the excess of revenues over public expenditures, after complying with the annual requirement of the sinking fund act, was \$17,859,735.84; during the year ended June 30, 1888, such excess amounted to \$49,405,545.20, and during the year ended June 30, 1887, it reached the sum of \$55,567,849.54.

The annual contributions to the sinking fund during the three years above specified, amounting in the aggregate to \$138,033,924.94, and deducted from the surplus as stated, were made by calling in for that purpose outstanding three per cent. bonds of the Government. During the six months prior to June 30, 1887, the

SURPLUS REVENUE had grown so large by repeated accumulations, and it was feared that while the great sum of money needed by the people would so affect the business of the country, that the sum of \$79,864,100 of such surplus was applied to the payment of the principal and interest of the three per cent. bonds still outstanding, and which were then payable at the option of the Government. The precarious condition of financial affairs among the people still needing relief, immediately after the 30th day of June, 1887, the remainder of the three per cent. bonds outstanding, amounting, with principal and interest, to the sum of \$18,877,500, were called in and applied to the sinking-fund contribution for the current fiscal year. Notwithstanding these operations of the Treasury, and the deductions of distress in business circles not only continued but increased, and absolute peril seemed at hand. In these circumstances the contribution to the sinking-fund for the current fiscal year was once completed by the expenditure of \$27,684,263.55 the purchase of Government bonds not yet due bearing 4 1/2 per cent. interest, the premium paid thereon averaging about 24 per cent for the current year, and the balance of the year. In addition to this, the interest accrued during the present year upon the outstanding bonded indebtedness of the Government was to some extent anticipated, and banks selected as depositories of the money were permitted to somewhat increase their deposits.

While the expedients thus employed to release to the people the money lying idle in the treasury served to avert immediate danger, our surplus revenue continued to accumulate, the excess for the present year amounting on the first day of December to \$55,238,701.19, and estimated to reach the sum of \$113,000,000 on the 30th of June next, at which date it is expected that this sum, added to prior accumulations, will swell the surplus in the Treasury to \$140,000,000.

There seems to be no assurance that with such a withdrawal from use of the people's circulating medium our business may not in the near future be subjected to the same distress which was quite lately produced from the same cause. And while the functions of our National Treasury should be few and simple, and while its best condition would be reached, I believe, by its being disconnected with private business interests, yet when, by a perversion of its purposes, it idly holds money uselessly subtracted from the channels of trade, there seems to be reason for the claim that some legitimate means should be devised by the Government to restore in an emergency, without waste or extravagance, such money to its place among the people.

If such an emergency arises there now exists no clear and unobscured executive

POWER OF RELIEF.

Heretofore the redemption of 3 per cent. bonds, which were payable at the option of the Government, has afforded a means for the disbursement of the excess of our revenues; but those bonds have all been retired, and there are no bonds outstanding the payment of which we have the right to insist upon. The contribution to the sinking fund which furnishes the occasion for expenditure in the purchase of bonds has been already made for the current year, so that there is no outlet in that direction.

In the present state of legislation the only pretense of any existing executive power to restore at this time any part of our surplus to the people by the expenditure, consists in the supposition that the Secretary of the Treasury may enter the market and purchase the bonds of the Government not yet due at a rate of premium to be agreed upon.

The only provision of law from which such a power could be derived is found in an appropriation bill passed a number of years ago; and it is subject to the suspicion that it was intended as temporary, and limited in its application, instead of conferring a continuing discretion and authority. No condition ought to exist which would justify the grant of power to a single official, upon his judgment of its necessity, to withhold from or release to the business of the people, in an unusual manner, money held in the Treasury, and thus affect, as it will, the financial situation of the country; and if it is deemed wise to lodge in the Secretary of the Treasury the authority in the present juncture to purchase bonds, it should be plainly vested, and provided, as far as possible, with such checks and limitations as will define this official's right and discretion and at the same time relieve him from undue responsibility.

In considering the question of

PURCHASING BONDS. as a means of restoring to circulation the surplus money accumulating in the Treasury, it should be borne in mind that premiums must, of course, be paid upon such purchase, that there may be a large part of these bonds held as investments which cannot be purchased at any price, and that combinations among holders who are willing to sell may unreasonably enhance the cost of such bonds to the Government.

It has been suggested that the present bonded debt might be refunded at a less rate of interest, and the difference between the old and new security paid in cash, thus finding use for the surplus in the Treasury. In such a plan, it is apparent, must depend upon the volition of the holders of the present bonds; and it is not entirely certain that the inducement which must be offered them would result in more financial benefit to the Government than the purchase of bonds, while the latter proposal would reduce the principal of the debt by actual payment, instead of extending it.

The proposition to deposit the money held by the Government in banks throughout the country for use by the people, it is seen to me,

EXCEEDINGLY OBJECTIONABLE in principle as establishing too close relationship between the operations of the Government Treasury and the business of the country, and too extensive commingling of their money, thus fostering an unnatural reliance in private business upon public funds. If this scheme should be adopted it should only be done as a temporary expedient to meet an urgent necessity. Legislative and executive effort should generally be in the opposite direction and should have tendency to diminish the Government as fast as can safely be done, the Treasury Department from private enterprise.

Of course it is not expected that unnecessary and extravagant appropriations will be made for the purpose of avoiding the accumulation of an excess of revenue. Such expenditures, besides the demoralization of all just conceptions of public duty which it entails, stimulates a habit of reckless improvidence not in the least consistent with the mission of our people or the high and beneficent purposes of our Government.

I have deemed it my duty to thus bring to the knowledge of my countrymen, as well as to the attention of their representatives charged with the responsibility of legislative relief, the

GRAVITY OF OUR FINANCIAL SITUATION. The failure of the Congress heretofore to provide against the dangers which it was quite evident the very nature of the difficulty must necessarily produce, caused a condition of financial distress and alarm which is now at its last adjournment which taxed to the utmost all the authority and expedients within executive control, and these appear now to be exhausted. Disaster results from the continued inaction of Congress, the responsibility must rest where it belongs.

Though the situation thus far considered is fraught with danger which should be fully realized, and though it presents features of a most alarming character, it is not, however, a result growing out of a perfectly palpable and apparent cause, constantly producing the same alarming circumstances—a congested National Treasury and a surplus of money in the hands of the people of the country. It need hardly be stated, that while the present situation demands a remedy, we can only be saved from a like predicament in the future by the removal of the cause.

OUR SCHEME OF TAXATION. Our scheme of taxation, by means of which this needless surplus is taken from the people and put into the public treasury consists of a tariff or duty levied upon imports from abroad, and internal-revenue taxes levied upon the consumption of goods and services, and upon liquors. It must be conceded that none of the things subjected to internal-revenue taxation are, strictly speaking, necessities; there appears to be no just complaint of this taxation upon the consumer, and the burden which it seems to be nothing so well able to bear the burden without hardship to any portion of the people.

But our present tariff laws—the vicious, inequitable and illegal cause of unnecessary taxation—ought to be at once revised and amended. These laws, as their primary and plain effect, raise the price to consumers of all articles imported and subject to duty by precisely the sum paid for such duties, thus the amount of the duty measures the tax paid by those who purchase for use these imported articles. Many of these things, however, are raised or manufactured in our own country, and the duties now levied upon foreign grains and products are paid in protection to these home manufactures, because they render it possible for those of our people who are manufacturers to make these taxed articles and sell them for a price equal to that demanded for the imported goods, and to pay the tax. So it happens that while comparatively a few use the imported articles, millions of our people, who never use and never saw any of the imported products, and who use things of the same kind made in this country and pay the tax, are for nearly or quite the same enhanced price which the duty adds to the imported articles. Those who buy imports pay the duty thereon into the public Treasury, but the great majority of our people are called upon to pay the same tax upon the domestic articles of the same class, pay a sum at least approximately equal to this duty to the home manufacturer. This reference to the operation of our tariff laws is not made by way of restriction and restriction, but to clearly and constantly remind of the manner in which they impose a burden upon those who consume domestic products as well as those who consume imported articles, and thus create a tax upon all our people.

It is not proposed to entirely relieve the country of this taxation. It must be extensively continued as the source of the Government's income; and in a readjustment of our tariff the interests of American labor engaged in manufactures should be carefully considered, and the preservation of our manufactures, it may be called protection, or by any other name, but relief from the hardships and dangers of our present tariff laws should be devised with especial care and consideration for the interests of our manufacturing interests. But this existence should not mean a condition which, without regard to the public welfare or a national exigency must always insure the existence of immense profits instead of moderately profitable returns. As the volume and diversities of our national activities increase new recruits are added to those who desire a continuation of the advantages which they enjoy under the present system of tariff taxation directly affecting the welfare of our people. It is not to be supposed that we have all efforts to reform the present condition been resisted by those of our fellow-citizens thus engaged that they can any longer complain of the suspicion, entertained to a certain extent, that they exist in an

ORGANIZED COMBINATION

along the line to maintain their advantage. We are in the midst of centennial celebrations and with becoming pride we rejoice in American skill and ingenuity, in American energy and enterprise, and in the wonderful natural advantages and resources developed by a century's national growth. Yet when an attempt is made to justify a scheme which permits a tax to be laid upon every consumer in the land for the benefit of our manufacturers, quite beyond a reasonable demand for governmental protection, it suits the purpose of every manufacturer, our manufactures infant industries, still needing the highest and greatest degree of favor and fostering care that can be wrung from Federal legislation.

THE WORKINGMAN'S POSITION. It is also said that the increase in the price of domestic manufactures resulting from the present tariff is necessary in order that higher wages may be paid to our workmen employed in manufacturing. The fact is, however, that it is called the pauper labor of Europe. All who acknowledge the force of an argument which involves the welfare and liberal compensation of our laboring people. Our labor is honorable in the eyes of every American citizen, and as it lies at the foundation of our development and progress, it is entitled, without affectation or hypocrisy, to the utmost regard. The standard of our laborers' life is not to be measured by that of any other country, less favored than they are entitled to their full share of all our advantages.

By the last census it is made to appear that of the 17,392,000 of our population, are employed in the various kinds of industries, 1,670,493 are employed in agriculture, 4,074,238 in professional and personal service (2,944,876 of whom are domestic servants and laborers), while 1,810,256 are employed in trade and transportation, and 3,897,112 are classed as employed in manufacturing and mining.

For present purposes, however, the last number given should be considerably reduced. Without attempting to enumerate all, it will be conceded that the number of persons in those which it includes 375,143 carpenters and joiners, 285,482 milliners, dressmakers and seamstresses, 172,726 blacksmiths, 138,750 tailors and tailoresses, 103,473 masons, 76,241

butchers, 41,909 bakers, 22,084 plasterers, and 4,801 engaged in manufacturing agricultural implements, amounting in the aggregate to 1,214,024, leaving 2,223,069 persons employed in such manufacturing industries as are classed by the census as being subject to a tariff. To those the appeal is made to save their employment and maintain their wages by resisting a change. There should be no disposition to answer such suggestions by the allegation that the industry in which they are engaged those who labor, and thereby should forego an advantage, in the interest of low prices for the majority; their compensation, as it may be affected by the operation of tariff laws, should be as at times be secured by kept in view, and yet with slight reduction they will not overlook the fact that they are consumers with the rest; and they, too, have their wants and those of their families to supply from their earnings, and that the price of the necessities of life, as well as the amount of their wages, will regulate the measure of their welfare and comfort.

But the reduction of taxation demanded should be so measured as not to necessitate or justify the loss of employment by the workingman, nor the lessening of his wages, and the profits still remaining to the manufacturer after a necessary readjustment, should furnish no excuse for the sacrifice of the interest of his employees either in their opportunity to work or in the diminution of their compensation. Nor can the worker in manufactures fail to understand that, while a high tariff is claimed to be necessary to allow the payment of remunerative wages, it certainly results in a very large increase in the price of nearly all sorts of manufactures, which, in almost countless forms, he needs for the use of himself and his family. He receives at the desk of his employer his wages, and he is obliged, in a purchase for family use of an article which embraces his own labor, to return in the payment of the increase in price compensation of many days of toil.

FALSE PHILOSOPHY FOR FARMERS. The farmer and the agriculturist who manufacture nothing, but who pay the increased price which the tariff imposes, upon every agricultural implement upon all the wears and upon all his uses, and except the increase of his flocks and herds and such things as his husbandry produce from the soil, is invited to aid in maintaining the present situation, and he is told that a high duty on imported wool is necessary for the benefit of those who have sheep to shear, in order that the price of their wool may be increased. They, of course, are not reminded that the farmer who has no sheep is by this scheme obliged in his purchase of clothing and colored goods to pay a tribute to his fellow farmer as well as to the manufacturer and merchant; nor is any mention made of the fact that the sheep-owners themselves and their households must wear clothing and use other articles manufactured from the wool they sell at tariff prices, and thus as consumers must return their share of this increased price to the tradesman.

It may be fairly assumed that a large proportion of the sheep owned by the farmer throughout the country are found in small flocks numbering from twenty-five to fifty. The duty on the grade of imported wool which these sheep yield is 10 cents each per pound, and the value of the wool is about 12 cents if of the value of more than 30 cents. If the liberal estimate of six pounds be allowed for each fleece the duty thereon would be 60 or 72 cents, and this may be taken as the utmost enhancement of its price to the farmer. The reason of this duty, if it is to be maintained, would thus represent the increased price of the wool from twenty-five sheep, and \$36 that from the wool of fifty sheep, and at present values this addition would amount to about one-third of the price of the wool. Upon its sale the farmer receives this or a less tariff profit; the wool leaves his hands charged with precisely that sum, which, in all its changes, will adhere to it until it reaches the consumer.

When other goods and other goods and material for use, its cost is not only increased to the extent of the farmer's tariff profit, but a further sum has been added for the benefit of the manufacturer under the operation of other laws. In the meantime, the day arrives when the tariff on the wool is necessary to purchase woolen goods and material to clothe himself and family for the winter. When he takes the tradesman for that purpose he discovers that he is obliged not only to return in the way of his tariff profit on the wool, but that the wool he sold, and which then perhaps lies before him in manufactured form, but that he must add a considerable sum thereto to meet a further increase in cost caused by a tariff duty on foreign goods, and in the end he is aroused to the fact that he has paid upon a moderate purchase, as a result of the tariff scheme—which, when he sold his wool, seemed so profitable—an increase in price more than sufficient to sweep away all the tariff profit he received upon the sale of his wool.

ITS "RELENTLESS GRASP."

When the number of farmers engaged in wool-raising is compared with all the farmers in the country, and the small proportion they bear to our population is considered; when it is made apparent that, in the case of a large part of those who own sheep, the benefit of the present tariff on wool is lost, and that the wool is sold, it must be conceded that the increase of the cost of living caused by such tariff becomes a burden upon those with moderate means, and the poor, the employed and unemployed, the sick and well, and the young and aged, and that it constitutes a tax which, with relentless grasp, is fastened upon the clothing of every man, woman and child in the land, reasons are suggested why the removal or reduction of this duty should be included in a revision of our tariff laws.

In speaking of the increased cost to the consumer of our home manufactures, resulting from a duty laid upon imported articles of the same description, the fact is not overlooked that the cost of production of these articles is sometimes the effect of keeping the price of their products below the highest limit allowed by such duty. But it is notorious that this competition is too often strangled by combinations of producers and dealers, and that the regulation of the supply and price of commodities made and sold by members of the combination. The people can hardly hope for any consideration in the operation of these selfish schemes.

If, however, in the absence of such combination, a healthy and free competition reduces the price of any particular dutiable article of home production below the limit which it might otherwise reach under our tariff laws, the competition will be maintained, its maintenance continues to thrive, it is entirely evident that one thing has been discovered which should be carefully scrutinized in an effort to reduce taxation.

The considerations which have been presented touching our tariff laws, are intended only to enforce a general recommendation that the surplus revenue of the Government be prevented by the

REDUCTION OF OUR CUSTOMS DUTIES, and, at the same time, to emphasize a suggestion that in accomplishing this purpose we may obtain the greatest benefit to our people by granting to them a measure of relief from tariff taxation in quarters where it is most needed, and from sources where it can be most fairly and justly accorded.

Nor can the presentation made of such considerations be, with any degree of fairness, regarded as evidences of unfriendliness toward our manufacturing interests, or of any lack of appreciation of their value and importance. These interests constitute the greatest and most substantial element of our national greatness, and furnish the proud proof of our country's progress. But, in the emergency that presses upon us, our manufacturers are asked to consider the fact that the public good, and to avert disaster their patriotism, and to a grateful recognition of advantages already afforded, should lead them to willing co-operation. No demand is made that they shall forego all claims to governmental regard; but they can not fail to be admonished that, as well as their enlightened self-interest and safety, when they are reminded of the fact that financial panic and collapse, to which the present situation is a powerful impetus, are the most imminent danger to our country, and that the protection to our manufactures to correct and improve our manufacturing enterprises, opportunity for safe, careful and deliberate reform is now offered, and none of us should be unmindful of a time when

AN ABUSED AND IRRITATED PEOPLE, heedless of those who have resisted timely and reasonable relief, may insist upon a radical and sweeping rectification of their wrongs. The difficulty attending a wise and fair revision of our tariff laws is not underestimated.

It will require on the part of our Congress great labor and care, and especially broad and national contemplation of the subject, and a patriotic disregard of such local and selfish claims as are unreasonable and reckless of the welfare of the entire country.

Under our present laws more than four thousand articles are subject to duty. Many of these do not in any way compete with our own manufactures, and many are hardly worth attention as subjects of revenue. A considerable reduction can be made in the aggregate by adding them to the free list. The taxation of luxuries presents no feature of hardship, but the necessities of life used and consumed by all the people in the duty and which upon the cost of living in every home, should be greatly cheapened.

The radical reduction of the duties imposed on raw material used in manufactures, or its free importation, is of course an important factor in any effort to reduce the price of these necessities; it would not only relieve them from the increased cost caused by the tariff on such material, but the manufactured product, being thus cheapened, that part of the tariff now laid upon such products as a compensation to our manufacturers for the present price of raw material could be accordingly modified. Such reduction, or free importation, would be a step toward a largely reduced revenue. It is not apparent how such a change can have any injurious effect upon our manufacturers. On the contrary, it would appear to give them a better chance in foreign markets with the manufacturers of other countries who cheapen their wares by free material. Thus our people might have the opportunity of extending their sales beyond the limits of home consumption—saving them from the depression, intemperance in business, and the consequent distress which has been visited upon our people, and affording their employees more certain and steady labor, with its resulting quiet and contentment.

The question thus imperatively presented for consideration should be approached in a spirit higher than partisanship, and considered in the light of that regard for

PATRIOTIC DUTY. which should characterize the action of those entrusted with the weal of a confiding people. But the obligation to declare party policy and to maintain a party line, is not a sufficient excuse for inaction. Both of the great political parties now represented in the Government have, by repeated and authoritative declarations, condemned the condition of our laws which permit the collection from the people of unnecessary revenue, and have, in the most solemn manner, promised its correction; and neither as citizens nor as partisans are our countrymen in a mood to condone the deliberate violation of these pledges.

Our progress toward a wise conclusion will not be improved by dwelling upon the theories of protection and free trade. This savors too much of bandying epithets. It is a condition which fronts us, not a theory. Relief from this condition is not a matter of expediency, but of justice, and we are urged to the necessary efforts to relieve the people from unjust and unnecessary taxation are schemes of so-called free-traders, is mischievous and far removed from any consideration for the public good.

The simple and plain duty which we owe the people is to reduce taxation to the necessary expenses of an economical administration of the Government, and to restore to the business of the country the money which we hold in the Treasury through the perversion of governmental power. These things can and should be done with safety to all our industries, without danger to the opportunity for remunerative labor which our workmen need, and with benefit to them and all our people, by cheapening the means of subsistence and increasing the measure of their comfort.

THE TARIFF WAS ALL-IMPORTANT.

The Constitution provides that the President "shall from time to time give to the Congress information on the state of the Union." It has been the custom of the Executive, in compliance with this provision, to annually exhibit to the Congress, at the opening of its sessions, the general condition of the country, and to detail, with some particularity, the operations of the different executive departments. It would be especially agreeable to follow this course at the present time, and to call attention to the valuable accomplishments of these departments during the last fiscal year. But I am so much impressed with the paramount importance of the subject to which this communication has thus far been devoted, that I shall forego the addition of any other topic, and only urge upon your immediate consideration the subject of the tariff, as shown in the present condition of our Treasury and our general fiscal situation, upon which every element of our safety and prosperity depends.

The reports of the heads of departments, whether in the form of annual reports, or full and explicit information touching the transactions of the business entrusted to them, and such recommendations relating to legislation in the public interest as they deem advisable. I ask the consideration of the Congress, and the deliberation of the Executive, in the light of the legislative branch of the Government.

There are other subjects not embraced in the departmental reports demanding legislative consideration, and which I should be glad to discuss. Some of these, however, have been earnestly presented in previous messages, and as to them I beg leave to repeat prior recommendations. As the law makes no provision for any report from the Secretary of the State, a brief history of the transactions of that important department, together with other matters which it may hereafter be deemed essential to commend to the attention of Congress, may furnish the occasion for a future communication.

WASHINGTON, December 6, 1887.

CRIME IN IRELAND.

The statistics for crime in Ireland for the year 1886 show that the total number of criminal offenses was 223,202, or 456.5 per 10,000 of the estimated population, as compared with 231,313, or 469.7 per 10,000 of the population in 1885, showing a decrease of 8,111 in number, and a decrease of 13.2 in the rate per 10,000 persons. Offenses not disposed of summarily constituted the more serious groups of crimes, and were somewhat more numerous than in any of the three years immediately preceding, but show a decrease of 3,291 as compared with the year 1882, and the absolute number (7,315) of these offenses and their ratio to the estimated population (15.0 per 10,000) were below the corresponding averages for the three years ending with 1881. The distribution of criminal offenses is as follows: Leinster, 90,914, or 910.8 per 10,000 population; Munster, 54,387, or 408.6; Ulster, 54,257, or 311.3; and Connaught, 23,644, or 287.6. The total cost of the repression of crime for the year was £2,039,025, being a decrease of £27,787 as compared with 1885. Of this sum £1,533,166 was for police, £55,473 for prosecutions, and the remainder for prisons, etc.—Notes of Ireland.

It is said that the table upon which Generals Grant and Lee signed the famous paper at Appomattox Court-house, which virtually terminated the rebellion, is now owned by a Mr. Gunther, of Chicago, who paid \$1,000 for it. The original owner was the widow of Major General Ord. An autograph letter from General Grant is said to establish its identity.

It has been estimated that a pair of wrens destroy at least 600 insects a day. They have been observed to leave their nests and return with insects from forty to sixty times an hour.

Good manners are made up of petty sacrifices.

REGULATING RAILROADS

First Annual Report of the Interstate Commerce Commission.

Many Abuses Corrected—Liability of Express and Steamboat Companies.

Suspension of the Long and Short Haul Clauses of the Law—Recommendations.

The first annual report of the Interstate Commerce Commission has been laid before the Secretary of the Interior, says a Washington telegram. It is a printed document of nearly fifty pages, and bears the signatures of all the Commissioners.

Under the heading, "The Carriers Subject to Its Jurisdiction," the commission says that some of the railroad practices which the act undertakes to bring to an end have been common among carriers by water also, and if wrong in their case as well. It does not, however, intend to intimate an opinion that these things are common. The commission is of opinion that the express companies, live-stock road companies themselves, is within the act. Whether the express companies, which are independent of the railroads, are within the contemplation of the act is more doubtful. In regard to the sleeping-car companies, live-stock car companies, and oil companies which transport in tank-cars, the Commission says they are as much subject to the temptation to discriminate as the railroads are, and the fact is laid before Congress for such action as it may choose to take in the premises.

The long and short haul clause is exhaustively discussed, together with the reasons of the Commission for temporarily suspending the provisions in certain sections, and it says, in part:

"The considerations which were influential in determining when these temporary orders should be granted were not more the relief of the carriers from danger of loss than the prevention of the increased disturbance of the interests in certain localities, which by its reflex action seemed liable to embarrass seriously the entire country."

Its final conclusion, as announced in the Louisville and Nashville case, and the general acceptance that it met with are recited, and the report adds:

"The commission takes pleasure now in being able to report that in large sections of the country objections to the general rule of the fourth section is without foundation."

Reviewing railway operations during the period which has elapsed since the act took effect, the commission feels warranted in saying that, while less has been done in the direction of bringing the freight traffic into conformity with the general rule prescribed by the fourth section than some persons perhaps expected, there has, nevertheless, been a gratifying advance in that direction, and there is every reason to believe that this will continue.

The commission, after quoting that part of the twelfth section which empowers it to "inquire into the business of all common carriers," says:

"This is a very important provision, and the commission will no doubt have frequent occasion to take action under it. It will not hesitate to do so in any case in which a mischief of public importance is thought to exist and public interest is likely to be brought to its attention on complaint of a private prosecutor. There is every reason to believe, however, that some of the most serious evils which were notorious in the railway service before the passage of the act, and which are still in the mind as reasons for its enactment have now almost ceased to exist. One of these was the giving of special and secret rebates. Complaints of unjust discrimination and the giving of undue and unreasonable preference by the carriers to certain lines of traffic, and the open rates are still frequent, and it is not to be denied that in the existing tariffs there are many rates which, as compared with others made by the same carriers, seem to be unfair and oppressive. But ever as regards this species of injustice the good effects of the law are manifest."

Being now compelled to justify their rates when called on the commission finds makes managers more cautious about doing an injustice.

The report further says: "The pooling of freights and of railroad earnings, so far as the commission has knowledge or information on the subject, came to an end when the act took effect. The pooling was only one of several purposes had in view in forming railroad associations, the leading associations have not been dissolved, but have been continued in existence for other objects."

Upon the subject of the report says: "The public interest is best served when the rates are so apportioned as to encourage the largest practicable change of products between different sections of our country and with foreign countries; and this can only be done by making value the basis of rates, and not by placing upon the higher classes of freight some share of the burden which on a relatively equal apportionment if service alone were considered would fall upon those of less value."

This chapter is concluded with the following, under the sub-heading, "Competition":

"A study of the act to regulate commerce has satisfied the members of the commission that it was intended in its passage to preserve for the people the benefits of competition as between the several transportation lines of the country. If that shall be done the towns which have great natural advantages, or advantages acquired by large expenditures of money in establishing new thoroughfares of commerce will have no reason to complain of the competition obtained by towns less favorably situated. It might possibly be within the competency of legislative power to prescribe for the several Interstate railroads equal mileage rates for the same service, and this, if enforced, would put an end to competition as a factor in making rates, and to a very large extent deprive the great business centers of the country of their several natural advantages, and also of the benefits of expenditures made by them in creating for themselves new channels of trade. It would, in fact, work a revolution in the business of the country, which, though it might be beneficial in some directions, would be fearfully destructive in others. Congress has not by the existing law, or by the act taken to inaugurate such a revolution. The competition by water is the most important factor in forcing rates to a low level at the points where the lines of land and water transportation intersect. The experience of the country has demonstrated that the artificial waterways cannot be successful competitors with the railroads on equal terms."

"The railroads long since deprived the great canals of Ohio, Indiana, and Illinois of nearly all their importance, and the Erie Canal is maintained as a great channel of trade by the liberality of the State of New York in making its use free. In their competitive struggles with each other towns cannot ignore the effect which the existence of natural waterways must have upon railroad tariffs; the railroad companies cannot ignore it, nor can the commission ignore it if competition is still to exist and be allowed its force according to natural laws. Neither can the great free Erie Canal be ignored; it influences the rates to New York more than any other one cause, and indirectly, through its influence upon the rates to New York, it influences those to all other seaboard cities, and indeed to all that section of the country."

The Commission finds that the operation of the law has in general been beneficial; that it tends to increase railroad earnings, while at the same time the tendency of rates has been downward. These facts are attributed to the increased movement of materials induced by faith in the stability and fairness of the charges.

On the subject of amendments to the law the report says:

"The Commission has not seen occasion for recommending any considerable changes in the act under which its work is performed. It has seemed to its members that the law for the regulation of interstate commerce should be permitted to have growth, and that it would be surely as well as most safely attain a high degree of efficiency and usefulness in that way. The general features of the act are grounded in principles that will stand the test of time and experience, and only time and experience can determine whether all the provisions made for their enforcement are safe, sound, and workable. When they prove not to be so, experience will be a safe guide in legislation to perfect them."