

**RAILROAD VALUATION BY THE INTER-STATE COMMERCE COMMISSION.** By Homer B. Vanderbilt, Ph.D. Published by Harvard University Press, Cambridge.

The question is discussed at length as to what is "fair value". "Fair return on value" is dealt with at length. The authors point of view may be gained from the following quotation from the final chapter and it is quite evident he has not a very high opinion of the conflicting cases decided in the Courts. "But the Commission has promised to fix upon a single figure of 'final value' and the 'basic facts,' cost of reproduction new, and less depreciation, of plant and equipment, the 'present value' of land, original cost to date (where found as a 'fact'), together with financial, traffic and operating data, have been made 'final' upon the theory that there remains 'but the one step of deducting from the facts stated the sum to be found.' The entire lack of comparability of these data must be readily apparent: gathered upon different hypotheses, as of different dates, there is no single co-ordinating factor. The cost of the existing units, less depreciation, what has been here called 'unimpaired investment,' has been rejected as speculative by the same men who report cost of reproduction as a 'fact.' Any value, based upon the set of 'underlying facts' made final in the preliminary opinions, must be an arbitrary figure, however stated in the opinion of the Commission. The very requirements of the Act make this inevitable.

The Valuation Act is, after all, only an attempt to provide the Commission with information concerning the elements of "fair value" listed in the "classic" statement of Smyth v. Ames:

In order to ascertain that value the original cost of construction, the amount expended in permanent improvements, the amount and market value of its bonds and stocks, the present as compared with the original cost of construction, the probable earning capacity under particular rates prescribed by statute, and the sum required to meet operating expenses, are all matters for consideration, and are to be such weights as may be just and right in each case. We do not say that there may not be other matters to be regarded in estimating the value of the property. What the company is entitled to ask is a fair return upon the value of that which it employs for the public convenience. On the other hand, what the public is entitled to demand is that no more be exacted from it for the use of a public highway than the service rendered by it are reasonably worth.

That this "rule"—which is, in fact, no rule at all—should have been invoked by all parties indicates the extent to which the problem of railroad valuation has been dominated by that appeal to authority fundamental in legal documents and legal procedure.

The function of the carrier brief in the Texas Midland case was frankly stated as a consideration of "the principles....laid down in decided cases for the guidance of tribunals charged with the duty of determining value." Is not value determination, "a judicial question... Determined as other judicial questions are, by the application of the settled rules and established principles of jurisprudence? And so with the definition of value: 'The mere language of commissioners, text-writers, economists, valuation engineers and the like, especially when not employed with reference to the meaning of this Act, is of no consequence, and does not require discussion.' Only the decisions of the Supreme Court of the United States, and those of the lower courts....in harmony herewith are binding upon the Commission." And yet these final authorities are themselves vague and uncertain. Surely when one finds a "general rule" supported by a jumble of cases

on taxation, condemnation, capitalization, and regulation, he may fairly protest.

It is too early to say that the Commission will not fulfil the promise to state single figures of value. It is even conceivable that the sum of cost of reproduction and the "present value" of land may in some cases be so reported. But it is not too early to raise the question of the real scientific validity of such figures (or any other figures reported) when based upon a "judgment" purporting to consider the irreconcilable totals and elements made final in the preliminary opinions. Certainly the totals now being published as tentative valuations offer no basis for a figure of "final value". They represent a compliance with a statute, as that statute has been interpreted, but they represent nothing more. The first use of the "rule" in *Smyth v. Ames* was a frank "guess." Will the Commission in making its final reports speak with equal courage? Or will the Commission take refuge behind generality? It suffices for the present to recognize that the progress thus far made is not of a character to silence the skeptic who has small confidence in the conclusiveness or ultimate usefulness of the figures so expensively secured and so elaborately presented."

**THE RED CONSPIRACY.** By Joseph J. Mereto.

Publishers, The National Historical Society, 37 West 39th Street, New York. Price, \$2.00.

This is an exposure from the author's standpoint of Socialism, Bolshevism, Communism and I.W.W.'ism. The author is convinced that any of these parties would ruin any country in which their dangerous propaganda was successful. He quotes at length from radical literature and utterances of "Reds" of international prominence. He hopes to provide material with which to attack those whom he considers the avowed enemies of Democracy. He treats in a comprehensive way all important phases of present day activities of Marxian Socialists.

For many years the author has made a careful study of radicalism, and during that time has read not only many thousands of Socialist and I.W.W. papers, leaflets, pamphlets and books but also most of the leading works against Socialism in the English language. The books and pamphlets from which he quotes were in many cases purchased by him during the Spring and Summer of 1919 at the National Headquarters of the Socialist Party and also in leading Socialist book stores of Chicago, New York and Philadelphia.

**NEW TOWNS AFTER THE WAR.** An Argument for Garden Cities. By New Townsmen. Published by J. M. Dent and Sons, Ltd., Aldine House, Bedford Street, Covent Garden, London, W.C. 2. Price, one shilling net.

The spirit of this strong argument in favor of garden cities can be gathered from the following quotation from the closing chapter:

A Great Constructive Proposal.

"The creation of a hundred garden cities will give a far better return to the State in health, happiness, public spirit and efficiency than any other method of meeting the shortage of houses. Merely to scatter a million dwellings in our suburbs and villages, whenever a chance economic demand may occur, is a feeble and planless proceeding. It means that a colossal national enterprise is undertaken without national consideration or design, and in total disregard of some of the most vital factors. The nation is in the position of a man regarding a runaway vehicle; there is nothing for it between cowardice and courage. To neglect this magnificent opportunity would be ignominious; to seize it would be glorious. No more inspiring task can be imagined than the provision of millions of our people, of the best

physical environment that modern art and industry can produce.

What a dramatic opening for the era of international re-construction—Britain, which led the world to industrialism, now showing the way to a system in which industrial wealth is compatible with a sane, natural and cultured life for all! And what an impulse it will give to the solution of the major problems of society! Even the great questions of income and control now underlying the industrial and political conflicts of every nation will be profoundly modified. If so many town dwellers secure their houses, beauty and grace in their surroundings, sunlight, fresh air, health, and a share of civic power; if the rural workers gain the social pleasures and opportunities of the town; if people of all classes in town and country are brought together and come to understand the interests of each other; then vital political issues will be immensely clarified, and the rise of numerous groups of alert and responsible citizens will quicken national progress in every sphere."

### Against State Insurance.

The "Post Magazine and Insurance Monitor" of London makes some interesting comments on the report of the Home Office Departmental Committee on Workmen's Compensation, appointed in Great Britain in May of last year to investigate the whole subject of workmen's compensation. The committee recommended a continuance of the present system, modified, however, to provide for State supervision of rates, limitation of commissions, expenses and profits to not over 30 per cent. of the premiums, bringing mutual associations under the same regulations as stock companies and making insurance compulsory except for certain specified classes of employers.

The Post Magazine says:—

"There appears to have been overwhelming evidence against State insurance, and the recommendation to continue the present system, subject to State supervision of rates of premium and restriction of working expenses and profits, practically meets the main objections of the trade unions; nor do we think the true insurance broker or agents will take serious exception to the recommendation that the commission payable should be on a graduated scale, so as to produce, as nearly as possible, 5 per cent. overhead, inclusive of all charges. Insurance companies will welcome the proposal to make insurance compulsory, and to place mutual associations (among whom we must assume they will place the Underwriters of Lloyd's) under the same obligations as the companies themselves."

### Why New Telephone Rates Are Necessary

We are faced with the problem of meeting the greatest demand for telephone service in our history with revenues which are not sufficient to pay operating expenses and attract new capital for necessary extensions and additions to our system.

Our expansion programme for 1920 alone calls for an expenditure of over \$10,000,000.

Our revenues, to-day, earn less than 4% on our \$55,000,000 property. With Government Bonds yielding 6%, Trust mortgages 7% and good industrial stocks 8% and higher, the capital we need cannot be attracted by offering 4 cents per dollar per year.

The only solution of the problem is adequate telephone rates. Rates which will guarantee sufficient revenue to pay fair wages to investor and employee alike.



**The Bell Telephone Company of Canada**