

THE LIVING WAGE AND THE LIVING RATE*

BY THEODORE ROOSEVELT.

Recently certain railway men petitioned the Interstate Commerce Commission to be allowed to raise rates. It is announced that the Interstate Commerce Commission is to look into the case. This makes it opportune to say a word or two on the subject; for the ability of the honestly managed railways of the country to render good service to the public and to pay good wages to their employees ultimately depends upon there being a reasonable return to the honest investors, which means that the railways must possess a good earning power, which largely depends on the rates. The very big investor, like the very big shipper and the very high grade wage-worker, can usually get along somehow even under adverse conditions; but for the sake of the small or ordinary investor there is need of a living rate just as there is need of a living wage for the average workingman. The living wage and the living rate are interdependent.

There are railways which have been so foolishly or so corruptly organized and managed that it is impossible for investors in them to get adequate return for their investments; just as it would be impossible for them to do so if they had acted foolishly, or had been the victims of swindling, in connection with a dry goods store, or any other business enterprise. The public must not be expected to sacrifice its own interests and the interests of wage-workers in order to pay dividends on watered stock, or to secure promoters and managers against the consequences of their own folly. What I have to say does not concern railways of this stamp.

But it must be a cardinal principle in dealing with honestly built and wisely managed railways that the investor, the shareholder, is just as much entitled to protection as is the wage-worker, the shipper, or the representatives of the general public. Unless the investor finds that he is to get a fair return on his money, he will not invest, and in such case not only will no new railways be built but existing railways will not be able to repair the waste, the wear and tear, to which they are subject, and will not be able to make needed improvements. All governmental action, whether by the legislature or the executive, should be conditioned upon keeping in view this fact.

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By actual experience it has been found that it is unsafe to leave the wage-worker, the shipper, and the general public, and furthermore that it is unsafe to leave the small investor himself, at the mercy of the big men who manage railways. But on certain points the interests of the big man and the small investor are identical. On certain other points the interests of both of them are identical with those of the wage-worker. On all points the only way of securing permanent justice to each class is by giving permanent justice to all classes. **The public can be well served, and the wage-workers can be well paid, only if the railway is successful;** that is, if there is such certainty of reasonable dividends as to make investors content, and therefore willing and desirous to invest in further developments and enterprises.

This is a sufficiently obvious fact, but it is a fact often in practice forgotten. In certain cases workmen's compensation laws and full crew bills are passed by legislatures at the same time that rates are reduced by commissions, or indeed sometimes by legislative enactment, until the property ceases to pay. Now a cardinal point made by all enlightened advocates of such laws as workmen's compensation and the like has always been that the burden is to be distributed through the corporation upon the public. Public service commissions are created for the very purpose of supervising, controlling, and regulating the activities of the railways so that they shall not only be obliged to treat their employees, the shareholders, and the general public fairly, but shall be guaranteed fair treatment themselves in return. Some railways are so remunerative that it is fair to reduce their rates at the same time that we increase their burdens. There are other railways as to which the only effective way to distribute the burden of payment for extra safety to employees and the public, and extra compensation to and care of the workers, is by rendering the service more remunerative; and this may of necessity mean raising rates. **It is just as much the duty of the Commission to permit rates to be raised when the raise is justifiable as to require them to be lowered if the lowering is justifiable.** The Commission is created precisely because this is the kind of work it can and ought to do, and the kind of work that no legislative body could with wisdom perform. **The Commission is no true servant of the public unless it unhesitatingly raises the rates when justice in the public interest requires such action, and unhesitatingly lowers the rates when this is the course which will ultimately best meet the public needs.**

This is merely part of the general doctrine of administrative con-

trol of big corporations. The control should not be hostile to the corporation; it should merely be hostile to any misconduct on the part of the corporation, and it should protect the corporation against misconduct aimed at it exactly as it protects others from misconduct committed by it. Unless the corporation makes money — that is, unless business men are prosperous — there will be no money to give in proper wages for the wage-worker, there will be no money with which to provide for his protection and to insure him against loss and damage, and no money wherewith to render proper service to the customers and to the public as a whole. Whether the reward comes in the way of big salary to the big manager who makes the business a success, or of dividends to the big or small man who invests money in it, the principle is the same. Our purpose is to see that there is a proper division of prosperity. **But there can be no division unless the prosperity is there to divide.** One of the methods by which the prosperity will certainly be abolished is to draw the line against size and efficiency instead of against misconduct. Another way to destroy it is to impose burdens, however necessary and proper, without facing the fact that some one must pay for the burdens, and that if the investor cannot pay for them and at the same time get a reasonable return on his investment, then either the business will close or the public must share the burden with the investor.

In the concrete case before us it is for the Commission to determine with strict justice to all parties how the relative and often conflicting demands of the shareholders, the wage-workers, the shippers, and the general public can properly be met. I am not discussing — I have not the knowledge which would warrant my discussing — whether the rates should be raised. If the facts do not warrant a raise, then the raise should not be permitted; but if justice and the interest of our people as a whole demand a raise in rates, then that raise in rates should unhesitatingly be authorized.