

LEADERS TO BLOCK DAUGHTERY BY DEMOCRACY

Campbell of Kansas Declares They Oppose Woodruff-Johnson Bill.

BACKED BY MONDELL

Rules Committee Chairman Says He Will Not Aid War Profiteers.

TRAILED, SAYS CARAWAY

Offers Evidence Attorney-General Uses Secret Service to Track Senators.

Special Dispatch to THE NEW YORK HERALD.

New York Herald Bureau, Washington, D. C., May 24. Republican leaders of the House today frankly declared their intention of blocking the proposed investigation of the Department of Justice and Attorney-General Daugherty's alleged negligence in the prosecution of war profiteers.

Indicating that he spoke not only for himself but for Majority Leader Mondell and other House leaders, Representative Campbell (Kan.), chairman of the Rules Committee, announced that he would oppose the Woodruff-Johnson resolution or any other move for such an investigation.

At the same time Senator Caraway (Ark.) continued his attacks on Mr. Daugherty, saying he could produce evidence before a Senate investigating committee, if one were provided to show that Mr. Daugherty had secret service agents trailing Senators who are opposing him. He also referred to the recent charge of Representatives Woodruff (Mich.) and Johnson (S. D.), joint authors of the House resolution of investigation, that Mr. Daugherty had sent a negro to shadow them.

Senator Caraway's Preference.

"I can submit to it," declared Senator Caraway. "I do not care, but I am going to object rather seriously to my putting a negro on my trail. I would rather be trailed by a white man. I think, however, a negro is a worthy representative of the man who put him on the trail of white members of Congress."

Two Republican Senators, Norris (Neb.) and La Follette (Wis.), declared that if the House leaders blocked an investigation of Mr. Daugherty's department "the lid would be blown off in the Senate."

"They want to keep things quiet," said Senator La Follette, "but it can't be done. Both sides are using smoke screens now which will soon be dissolved."

"There is no reason or sense in trying to head off this investigation," said Senator Norris. "The men in the Republican party who attempt to do it will be repudiated in the end. They can't afford to shut off the light from the public."

This announcement of Mr. Campbell means that the Woodruff-Johnson resolution probably never will reach the floor of the House. The Rules Committee has acted favorably on it, but Mr. Campbell refuses to bring it up for action on the ground that it is against the policy of the Administration. Representative Johnson said he "would bring it to a vote in the House this week by some parliamentary procedure."

Johnson's Support.

In this position Mr. Johnson is supported by nearly all of the Democrats and a few Republicans. But general belief is that unless Messrs. Mondell and Campbell weaken in their determination to prevent the investigation the resolution never will reach the House floor.

"I am opposed to the proposed investigation," Mr. Campbell said, "because I don't propose to aid those war profiteers and other men who are shaking in their shoes as the net draws tighter about them by hindering the work the Department of Justice is doing so well. I am opposed to it as a party to this scheme to add the ones Attorney-General Daugherty is indicting and prosecuting."

Senator Caraway and Representatives Woodruff and Johnson, while innocents themselves, have been receiving photostatic copies of documents against the Attorney-General and alleged evidence of war grafting from attorneys and paid employees of Charles W. Morse and other men Daugherty is seeking to put in the penitentiary. This is nothing but an attempt to discredit the Attorney-General and provide them with a loophole to escape."

Senator Caraway, in his address to the Senate, referred to the removal of Major W. Q. Watts, a special assistant, from the Department of Justice because he gave information about conditions in the department to members of Congress, and the resignation of Henry L. Sciffe, another departmental agent, because he was opposed to the Daugherty policy.

"The Attorney-General now is rather hard put to it," said Senator Caraway, "when, in order to shield himself from the righteous indignation of the American people he comes out in a little interview and says that Major Watts is trying to shield criminals. The man who would make that charge in the face of what the Attorney-General knows the facts to be, cannot and will not retain the confidence of any honest, intelligent American citizen anywhere, whatever his political affiliations may be."

"He is content to blacken Watts' reputation because Watts would not sit down and acquiesce in the Attorney-General's wholesale criticism of the man who had robbed the Government. Watts was discharged by the Attorney-General, as he was discharged by what these Republicans themselves say were corrupt interests in the War Department, for exactly the same thing, because he would not condone a crime. They drove him out of the army for being honest. They drove him out of the Attorney-General's office because he would not sell his soul, and now the Attorney-General, to defend himself, attacks Watts."

HUTCHINSON, Kan., May 24.—Replying to-night to charges contained in Washington dispatches that he had while Secretary of the Treasury accepted a fee from the Charles W. Morse interests to intercede in a case pending before the Interstate Commerce Commission, William G. McAdoo declared: "Any insinuation or suggestion that I represented professionally anybody while I was Secretary of the Treasury are also and unworthy of notice."

RATES CUT \$400,000,000; WAGES DOWN \$200,000,000

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SINCE the enactment of the transportation act the Interstate Commerce Commission has made four sweeping rate reductions and, including that of to-day, several minor ones. It is estimated the reductions previously ordered have resulted in a lessening of revenue to the roads of approximately \$186,000,000, and that the reduction ordered to-day will lop off \$225,000,000.

In the same period the Railway Labor Board, following the wage increase of 22 per cent. made in 1920, has made one wage reduction of 11 per cent., or half of the increase of 1920. The railroads now have an application pending for a further wage reduction of 11 per cent., which the board is considering. It is estimated the reduction made and the one proposed would add to the revenues of the roads approximately \$350,000,000 or \$400,000,000, balancing the loss of revenue suffered by reduction in rates.

The sweeping reductions in rates already made include the Western live stock reduction of last August, amounting to a cut of approximately 20 per cent., varying in different sections; reduction in Western rates on hay and grain, effective December 27 last, amounting to a cut of from 12 1/2 per cent. to 17 1/2 per cent.; reduction in rates on Southern hardwood lumber, varying on different kinds of lumber shipped.

On January 6 last the railroads voluntarily made a 10 per cent. reduction on agricultural products to last six months.

FREIGHT RATES CUT A TENTH TO BRING NORMAL TRAFFIC

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can or should be stabilized on the present high basis is futile. In discussing the fixing of 5.75 per cent. as a fair return standard the commission also observed that the Federal Corporation income taxes are subtracted from earnings before profits are figured and that the figure it set "would be approximately the equivalent of a fair return of 6 per cent." out of which the Federal income tax was payable.

The general question of whether railroad transportation charges in the United States had attained levels too high for business and industry to support was brought formally before the Interstate Commerce Commission in the autumn of 1921 on the commission's own motion, although in response to nation wide commercial and political suggestions.

Before the commission, however, the railroad executives, statistical experts and attorneys developed the argument that railroad earnings were insufficient to justify any general decreases, at least until operation expenses and wages were reduced. Every major industry in the United States was represented in the hearings, most of whom sought regulatory bodies, most of whom sought lowering of transportation charges, but diverged in the degree of urgency, which they suggested for the commission's action. The hearings extended over four months.

Secretary of Commerce Hoover, appearing at the request of the Chamber of Commerce of the United States, proposed that the commission should make over the existing rate structures on the principle of applying proportionately lower freights to the bulky, low priced raw materials of industry and agriculture, such as coal, primary foodstuffs and ores. Higher price finished materials and passenger traffic, Mr. Hoover suggested, might bear the charges until such time as railroad revenues had developed to the point which would allow reductions without endangering railroad credits. Immediate and tangible cuts, he said, probably could not be made.

The Secretary's position contrasted radically with that of State commissions, members of which centered a good deal of their attack on passenger rate schedules, which they alleged to be too high for the traffic and in reality the cause of low railroad earnings.

Representatives of the steel and iron industry asked more stringent and immediate action, principally arguing that the commission should remove the entire 40 per cent. increase put on Eastern rates on their products in 1920.

The National Industrial Traffic League, representing shippers generally, took much the same position. The coal industry elaborated Mr. Hoover's proposals, asserting that basically coal costs influenced prices of so many other commodities that cuts in rates on it, particularly upon bituminous coal, would have a beneficial effect. The farming interests were not so urgent, particularly in view of the fact that agricultural rates went down while the discussion was before the commission.

Members of the commission themselves found much difficulty. It was indicated during the weeks after the taking of testimony ceased, in working out a line of action. A decision expected by April 1 was many more weeks in the making than even the traffic experts

and the railroad observers expected, but it was pointed out that the record of testimony and the transportation subject itself were of immense magnitude. There was also a suggestion that delay might have been desired in the matter to allow business conditions and price levels to stabilize further and to see whether or not the Railroad Labor Board might find it possible to allow wage cuts railroads were seeking.

Frederick D. Underwood, president of the Erie Railroad, said it was impossible prior to the receipt of the full decision to estimate the resulting loss in the annual freight revenues of the railroads, and that the Association of Railway Executives, in which more than 95 per cent. of the country's railroad mileage is represented, would probably call a meeting of its members before May 31 to determine this point and decide whether the carriers would voluntarily effect the cuts proposed or the issuance of a formal order by the commission.

Julius Kruttschnitt, chairman of the Southern Pacific, said it was difficult to conceive of the railroads voluntarily shifting the responsibility for a program which would be forced upon the carriers if they do not accept voluntarily. Regarding the fixing of 5 1/2 per cent. as the rate of return on railroad property investment, Mr. Kruttschnitt said that "in comparison with what other corporations are permitted to earn it is a question whether this figure will attract additional investment capital as intended." He added that the commission could not be expected that if the railroads cannot attract capital they will not be in a position to give good service.

"We must necessarily compute the difference between the rate cuts which we already have instituted and the amount contemplated by the commission's announcement before an estimate can be made as to the ultimate effect," he said.

L. F. Loree, president of the Delaware and Hudson Company, expressed doubt whether the roads could earn a return of 5 1/2 per cent. on their property valuation under the existing freight rates and was certain they would not be able to do it under the reductions decided upon by the commission. He declared that even a 6 per cent. would not be a high enough return on the tentative property valuation of the country's roads, since that figure represents their value in 1914.

H. E. Byram, president of the Chicago, Milwaukee and St. Paul Railway, expressed the opinion that announcement of the commission's conclusions arranged before any knowledge had come of the rate cut. Just what the conference can do now is problematical. A still further "cut" undoubtedly will be opposed by the railway executives, and such an attitude in the meeting will leave nothing to get together on.

President Harding and members of the Cabinet have felt that heavy commodity rates were out of line and should be lowered independent of other rates. The Interstate Commerce Commission's decision will not serve to bring them in line, as the reduction is a percentage one. It is not expected, however, that the executives will press for further action at this time.

Even with the loss of probably \$225,000,000 in revenues as the result of the cut ordered, the troubles of the railway executives are not over. The executives are in the position of being compelled to face the popular demand for relatively lower rates on coal and other heavy basic commodities, which has been insisted because of the indorsement given by the President and his advisers.

The sudden handing down of the decision calls attention to the fact that White House statements explained the President was not attempting to arrogate to himself the rate making power, which is vested in the Interstate Commerce Commission, in accordance with the provisions of the transportation act. The President was dealing with questions of a most difficult nature, affecting the public, and irrespective of the legal considerations by which the quasi-judicial Interstate Commerce Commission is bound.

ORDER SURPRISES RAIL EXECUTIVES

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ATTACK RATE OF RETURN

Kruttschnitt and Loree Doubt Whether 5 1/2 Per Cent. Is Sufficient.

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