

The Policy That Now Prevails in the Department of the Interior

A Sketch Showing Some of the Economic Views of Secretary Franklin K. Lane and the Wilson Administration

(By Honore Wilds in Harper's Weekly.)

The new administration represents the last stand of individualism in American national politics. This is what certain members of the administration say and what many persons well versed in economic history believe.

A group of men came to plead an irrigation matter before the secretary of the interior. Mr. Lane's face was inscrutable while he listened for five minutes to an impassioned speech. Finally he interrupted calmly:

"We will waive the oratory," he said. "What I understand is that you are asking to impel the water supply during dry seasons of one of the government projects by permitting your company to set into a watershed where they have no right to be."

"Oh, no, Mr. Secretary!" exclaimed the man, "you misunderstand! It wouldn't impel your project. And what is to become of our project during a dry season? Have the farmers on a government project more rights than those on a private enterprise? Is this government going to get more and more paternal, to hamper free enterprise more and more, to stifle freedom of initiative? What is to become of our opportunities when the government controls them all?"

"The individual must be protected from himself," replied Mr. Lane. "But that ought to increase, not injure opportunity. It should add to a man's self confidence. Governed by

power monopoly. The use of electricity grows daily. Developed from waterpower it can be made so cheaply as to be brought within the reach of factories and homes, down to the simplest detail of cooking and cleaning. Already some of the great transcontinental lines are beginning to electrify their equipment, serving it with hydro-electric power. Natural gas may be exhausted, oil wells may cease to flow, coal beds pinch out. Still the water will run in our streams, an inexhaustible power supply, an enormous opportunity for trust building.

What shall be the water-power policy of the government, both with regard to streams on the public domain and navigable streams not on the public domain? What shall be the relation of the state and national government with regard to water-power control? How shall they co-operate so as to make rules liberal enough to encourage vigorous development and yet fully protect the public interests?

There is an almost endless number of points to be considered in formulating such a policy. Shall the department of the interior which controls the streams on the public domain attempt to derive a revenue from such streams? Inasmuch as the government does not attempt to undertake the development of waterpower, it ought to offer to private concerns who do undertake it enough profit and protection to encourage them in the undertaking. But the consumer must be protected. Hitherto

horse-power the lower the charge per unit of power. This is intended to assure the full use of the stream.

2—The lower the rate to the consumer the lower the charge on the part of the government.

3—No charge whatever for a period of five to 10 years, during which the power company is finding its market.

4—Acceptance as a public utility of the states jurisdiction over intrastate rates and service and of federal jurisdiction over interstate rates and service and of federal jurisdiction over interstate rates and service.

5—Absolute prohibition of combination and monopoly and the right of revocation on the part of the government in the event that it is established to the satisfaction of the secretary of the interior, or the courts, that such combination has been made, or that prices have been fixed by the agreement of competing companies.

When he had outlined this policy Mr. Lane asked hydro-electric men who had solid engineering and business reputation to confer with him in Washington as to practical working details of his ideas. It was a most interesting group of men who gathered in Mr. Lane's office.

"I want," said the secretary, "criticisms and suggestions regarding the water policy this department has developed. I want to know where it is to your mind practical and where impractical. Mr. Gorham, what do you think of it?"

"Mr. Secretary, I can say frankly that my people are well pleased."

"But how are we to arrange it?" insisted Mr. Lane, "so that the consumer will surely get the benefit of this? How, for example, can I prevent your company, after it has fulfilled the conditions I have made, after it has developed the full capacity of the stream and has put a reasonable price on the power—how can I keep you from selling it to yourselves, under the name of another organization as a distributing company, at this very reasonable rate, and then selling it to the consumer at an exorbitant rate? You know that in the Phoenix we pay a high rate. It is not my point."

"Well," the water-power man smiled. "Mr. Secretary, after we have given the power at a reasonable rate to a distributing company I don't see what more you can do to us that will not be confiscatory in its nature."

Mr. Lane looked at a lawyer who was listening keenly. "Do you get what I want to avoid?" asked the secretary.

"Yes," replied the lawyer, "but it seems to me that your public service commissions must attend to that detail. Where there is no public service commission the secretary of the interior must be called upon to regulate."

"That last is not a good idea," said Mr. Lane. "You can't get men to loan money for a development company under conditions that are contingent at one man's judgment. We must standardize as much as possible."

"But," suggested the lawyer, "competition ought to regulate the price to the consumer, particularly the sort of competition provided for by this policy."

"No government," returned the secretary, "attempts to regulate anything on the basis of competition, and you can't raise money to swing a proposition that is constantly open to regulation. We must have freedom for the investor, the freedom of protected opportunity."

The water man from the northwest who had been fanning himself and listening intently spoke for the first time.

"My idea," he said, "is that the public under this new policy will just about do its own regulating. This policy is going to force a complete openness on the part of the power-producing company. It will have to keep a very careful account of the per cent of possible horse-power it develops and of costs. These accounts will be open to inspection and the public can keep itself informed about them. Even if the producing company makes itself the distributing company under another organization you still have this entire publicity. You have forced, as far as accounting and

publicity go, a separation between the power-producing and the distributing business that will give the consumer the discrepancy between the cost of making and the selling price, and when he once gets this the consumer will do the rest. He always does, once he knows."

A grin and a nod went round the circle of power-producers. The secretary's eyes twinkled and he adjusted his glasses to his right thumb, which is a sign that he is glad that one of his ideas had got across.

They said: "If you go on a project you will make a better farmer; if you have to pay for the dam we will build for you. We will give you time and ask no interest on the nation's investment. But you must consider each of your acres in debt to Uncle Sam until it has paid for its share of the dam. We do this that you may water your land not as an object of the nation's charity, but as a business man doing business with his government."

As soon as the service was organized it was inundated with pleas from the various states for the starting of a project in their arid regions. The service responded to the limit of its capacity. By 1906 25 projects had been started. By 1912 nearly \$70,000,000 had been invested. The business of the service became huge and complicated beyond what any one had foreseen. Not only was each dam a colossal engineering problem but each had a unique business administration to be worked out. The service had to develop concrete-manufacture, hospital, and amusement and police service. All the details of administration that could be brought to a great manufacturing and construction business and to the camp town of thousands of humans had to be worked out by the director and engineers of the service. And these problems were in addition to the problems of actually administering the water, of taking care of the farms and the farmers.

not permit monopoly. We must keep the individual free."

The secretary held a hearing in May to allow the water-masters of the reclamation projects to lay before him personally their complaints against the service.

Everything about that hearing, except the quality of human nature involved, was unusual. The mere fact Mr. Lane had thought to have this kind of a hearing was unusual. The great import of the matter to America was unusual.

Ostensibly the people who were on trial were the engineers of the reclamation service. Yet really they were not. The people of the United States were being tried as to whether or not they were capable of undertaking and handling the magnificent experiment known as the reclamation service. To get the import of Mr. Lane's acts after this hearing one ought to understand pretty well what the service is and what are its problems.

The reclamation act was passed in 1902. Its idea was to bring water to the arid regions of the country, through money raised by the sale of public lands in the various states and territories. Its originator, Major Powell, did not want this work to be done for the real estate man or the land-speculator or the long-hog. He wanted the reclaimed land to be to support a man and his family and he wanted this man to be the man who could not get land without government help.

The framers of the act were wise. divided into tracts just large enough

live department. There should be no friction between the state and the federal government on this score. We should co-operate. We must look out for the interests of the public and for those of the concessionaries. We must

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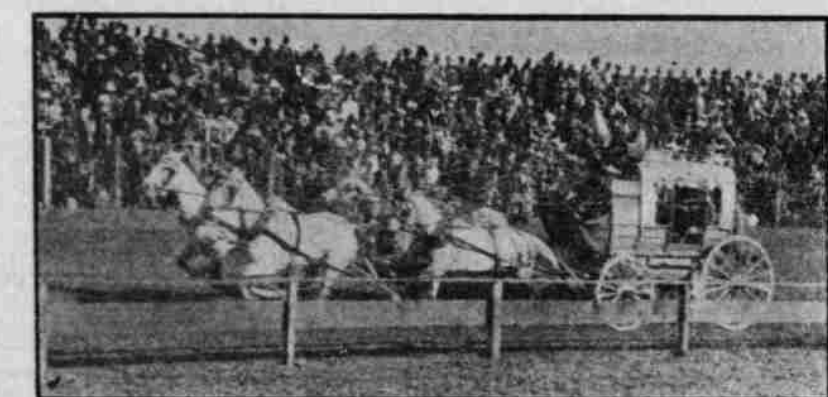
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a knowledge of what has been done, the American is not overawed by tradition or convention, or by learning of a physical condition. He feels that there is a possibility for realization for the man that has a will and a purpose. He feels that because in so many cases he has known it to be true. That means that opportunity can not be shut against him. In trying to save opportunity for the future, for the coming manufacturer to have a free field, for the young man to have a chance to get at the land for farming and at our natural resources we are fighting to save the spirit of the American people.

"The American is not resigned to a mediocre lot, because he believes he can do for himself. And he always will believe that, if the government—and by that I mean the people—concerns itself now in giving the boy a tangible, economic basis for the belief that he can do what his father has done. It is a new freedom that we are trying to bring to America, a freedom that means a fair chance for every man to live and best serve himself. It is from this point of view that I must look on all the business that comes to this office."

The irrigation man fingered his brief thoughtfully. He was an intelligent young man. It was not only what Mr. Lane said that challenged his attention. It was also the clean-cut sincerity and simplicity with which the secretary spoke of this new freedom. There was a quality of direct purposefulness about the secretary, a sense of his force and singleness of direction that made the young man eye Mr. Lane keenly.

One of the most important matters now before congress and the country is the control of waterpower. Electricity developed from waterpower is going to play an enormous part in the industrial and social life of America in the immediate future. Some of the great monopolies are realizing this fact much more thoroughly than the general public, and are quietly directing their efforts toward water-

to the policy has been that the only way to protect the consumer was to provide that the permit to the power-producer might be revoked at any time by the official that granted it. But this has been found a serious obstacle to encouraging investment.

If the state or the national government is called upon to spend money in protecting or improving the stream and the stream can be made to procure a revenue, ought it to be compelled to do so? Shall the state or the federal government grant water-power permits and collect the compensation? How shall the monopoly by private interests of the public utilities developed from the streams be prevented? Shall the permits be used as a source of revenue to the state or the federal government?

These are a few of the questions that faced Mr. Lane when he undertook to formulate a water-power policy. He began by laying down a basic principle. This is that the greater the benefits the consumer derives from the development of resources the less the government should tax the individuals and corporations receiving concessions. For such concessions, Mr. Lane has laid down the following conditions:

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