cynicism. It is astonishing that the professed conservative moulders of public opinion take so little notice of the widespread cynicism of the mass at the present time. They are even more credulous than those whom they appear, superficially, to dupe. This attitude of indifference and opposition is now passive and unorganized. But it exists as a direct result of the disillusionment caused by the contrast between things as they are actually found to be and things as they had been taught in the schools. Some day some more or less accidental event will crystallize the scattered indifference and discontent into an active form, and all the carefully built up bulwarks of social reactions will be washed out. But unfortunately there is little likelihood that the reaction against reaction will be more discriminating than the previous state of things. It too will be blind, credulous, fatalistic, confused.

It seems almost hopeless to name the remedy, for it is only a greater confidence in intelligence, in scientific method. But the "only" marks something infinitely difficult of realization. What will happen if teachers become sufficiently courageous and emancipated to insist that education means the creation of a discriminating mind, a mind that prefers not to dupe itself or to be the dupe of others? Clearly they will have to cultivate the habit of suspended judgment, of scepticism, of desire for evidence, of appeal to observation rather than sentiment, discussion rather than bias, inquiry rather than conventional idealizations. When this happens schools will be the dangerous outposts of a humane civilization. But they will also begin to be supremely interesting places. For it will then have come about that education and politics are one and the same thing because politics will have to be in fact what it now pretends to be, the intelligent management of social affairs.

John Dewey.

Sophistry

The triviality of Death, he said,
Confronts us in the dropping of a leaf.
He would not ever give himself to grief,
Or keep the silence with uncovered head.
There was no consummation in the grim
Wedding of earth to earth, in which we bear
Unwilling witness; tears and the despair
Of leave-taking were mockery to him.

Once to a house bereaved he came and said:
Let in the sunlight, pinch these candles out!
How should a man be sorry, brought to bed
By such a well-earned weariness! . . . No doubt
He rests in God. But for our faith he might,
Dying, have made not quite so good a fight.

Leslie Nelson Jennings.

The Federal Valuation of the Railroads

THE theory of public utility regulation is a modern product—scarcely a generation old—and its corollary, public utility valuation, is still younger. The father of the valuation idea is the late governor Pingree of Michigan, who distinguished himself as the first man to initiate and direct the fight against the corporations of that state in the interests of the people. In one of the public parks of Detroit the citizens have erected a monument to his memory which bears an inscription to this effect. His special achievement was to place upon the statute books a law fixing the rate of taxation which the railroads must pay. This made a valuation of the properties necessary, and those to whom the task was assigned had little precedent to guide them. Since that time many valuations have been made throughout the country of railroads and other public utilities properties for various purposes—for taxation, for public purchase, for fixing stock and bond issues and for assistance in determining the reasonableness of rates. During this time valuation suits have occupied the attention of courts and commissions time without end, and engineers, lawyers and experts have waxed fat on endless litigation which has produced certain basic court rulings, especially in cases involving the determination of the reasonableness of rates. In the practical application of these decisions, however, the theory of valuation has advanced little beyond the point where the Michigan engineers found it twenty or twenty-five years ago.

Courts and commissions have ruled, time and again, that a public utility property is entitled to earn a "fair return" on a "reasonable investment," yet a generation of endeavor has failed to produce a satisfactory definition of the second, although the first seems fairly well settled. The regulation theory proceeds upon the ground that a monopoly of certain public rights is granted and therefore the return must be closely restricted, but must be liberal enough to attract capital. Investors in such properties now know that, whatever the amount of their "reasonable investment" may be, they can expect no more than a five, six or possibly seven or eight percent return. It now seems settled that more than these percentages, depending on quite a variety of conditions, will not be "fair." Years ago the investors in the securities of public utilities corporations gave up all idea of speculative profit—such profit as might be derived from investment in private enterprise. No twenty or fifty percent dividends are possible for them as for the more fortunate investors in other fields. Yet no guarantee goes with such an investment any more than with an investment in Dupont or Bethlehem Steel. It is not our purpose to enter into a discussion of the fairness of return on invested capital, but rather to take up the second question involved in the court rulings—the "reasonable investment"—and here valuation comes into play.

The Interstate Commerce Commission had long been confronted with the task of adjusting railroad rates in fairness to all concerned, but it labored under the handicap of being without definite and accurate knowledge of the amount of the investment upon which it was expected to regulate the rate of return—hence, the Valuation Act of 1913, an Amendment to the Interstate Commerce Act of 1887. In passing this law it was clearly the intent of Congress to provide for a usable set of figures that would demonstrate what the railroads of the country are really worth from all angles: their commercial value, their physical value, the value of their securities—a valuation that could be arrived at with the expenditure of a reasonable amount of money in a reasonable length of time. The committees on Interstate Commerce of both branches of Congress gave the matter most serious consideration prior to reporting the Amendment that was finally passed. They summoned expert advice from all quarters—from the railroads, from state commissions, from authorities on economics, from engineers who had had previous experience in conducting valuations in different states, from lawyers and from business men. The committee hearings lasted many days and the printed record of their doings fills a good sized book.

It was upon an estimated expenditure of something like three or four million dollars and two or three years time that Congress undertook the work. The nine years and more that have now elapsed, however, have as yet produced no single final valuation and have settled but few of the theoretical points involved. Up to date the work has cost approximately eighty million dollars and will undoubtedly cost a hundred million before it is finished. The representatives of the government are continually at loggerheads with the representatives of the railroads on the interpretation of the Amendment, but in point of fact there is nothing wrong with the Valuation Amendment. It is capable of intelligent, workable interpretation if those responsible for carrying out its provisions and those for whom they are being carried out care so to interpret it. It was drawn in good faith and proceeds upon the theory that effort will be made to conform with the spirit as well as the letter of the text, and that a degree of fairness will be exhibited in so doing. The framers of the Act did not, probably, anticipate that hair-splitting controversy would develop over the exact meaning of this or that paragraph, as has been the case for the past nine years.

In the spring of 1920 Congress passed the Transportation Act which, among other provisions, required the Interstate Commerce Commission to work out a freight and passenger rate for the railroads that would produce a net operating income of 5½ percent (6 percent under certain conditions) on the railroad investment. This provision being mandatory, the Commerce Commission had to do the best it could with a valuation that was far from complete. It took the book value of the carriers, as reported, and against these it placed its own valuation arrived at in a manner not disclosed. Placed opposite one another these conclusions showed the following for the entire railroad mileage of the United States:

Railroad Book Value	$20,040,572,611
Commission's Value	18,900,000,000
Difference	$1,140,572,611—94.6%

It is upon the Commission's valuation, as above, that the high rates of 1920 for freight and passenger service were based.

Early in the valuation work the Commerce Commission created the Bureau of Valuation and up to last year in all the official findings of tentative value served on the carriers and made public, it is the reports of the Bureau to the Commission that appear. In July 1921, however, the Commission made public a report on 145 of the smaller carrier properties in which, for the first time, it attempted to fix, as its own work, what it calls tentative "Final Values." Such findings do not represent the sum total of the elements of value reported to it, but are rather amounts determined by methods not disclosed, by the use of these elements and such other information as it has at its disposal.

In this list are found few of the conspicuous representative lines of the country, the largest being the Norfolk and Southern and the Kansas City Southern; each with a mileage of less than a thousand. 12,042 miles are covered by the 145 roads. The "Final Value" reported, which includes the cost of reproduction, new, less depreciation, plus the value of the land, amounts to $479,000,000; the investment in road and equipment carried on the books of the companies amounts to $692,000,-000; their capital stock to $344,000,000, and their debt, covering floating debt, bonded and other ob-