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UNION

REPLY TO QUESTIONS

OF THE

SPECIAL COMMITTEE

ON

RAILROAD TRANSPORTATION

OF THE

NEW YORK CHAMBER OF COMMERCE,

BY

**E. P. ALEXANDER,**

*Vice-President Louisville & Nashville R. R. Co.*

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BRADLEY, GILBERT & MALLORY,  
LOUISVILLE, KY.



*Messrs. Chas. S. Smith, Jackson S. Shultz, B. B. Sherman, F. B. Thurber, C. C. Dodge, Committee Chamber Commerce, New York:*

GENTLEMEN:

I have the honor to submit the following replies to the questions proposed in your circular dated August, 1880, and recently sent to me.

The questions submitted are so framed as to imply very clearly the answers which you expect to receive from all impartial and unprejudiced men; and, looking back at my own views on those subjects, before my identification with railroad management, I am free to say that I would at that time have probably answered the questions in the same way in which you would individually. But a more intimate acquaintance with all the difficulties and complicated relations of the transportation problem, acquired by experience, has convinced me that the views which I formerly held were narrow and restricted, and that it would be impossible to enforce them upon the commerce of the country. That they would, if enforced, upset commercial values from one end of the country to the other, and produce infinitely greater hardships and injustice than any existing ones with which I am acquainted. I believe it to be the true policy of the country to allow, in all industries, the greatest possible freedom of individual action consistent with the stability of society and the security of life and property. This has heretofore been the avowed policy of this nation, and under it there has been a development of national prosperity, which is certainly unequalled in human history. This development is still going on; and, as it goes on, many hardships have happened to individuals and to localities; and they will continue to happen. But the greatest good of the greatest number is subserved by making no exceptions to the law of freedom of individual action.

I will illustrate some of the hardships to which I refer. Before the railroad era, the cities which were located upon

rivers and harbors possessed enormous advantages over interior cities. Property in them was valuable, and trade and commerce prosperous. The building of railroads has, in some cases, utterly destroyed and, in many cases, greatly injured certain flourishing cities which derived their prosperity from river trade, and would have continued to grow under the old systems of transportation.

Appalachicola, Fla., which was formerly a thriving city, is a striking instance. It has been literally wiped out of existence by the construction of railroads, tapping the territory which formerly supported it, and carrying its products to other markets. Now, however hard this may have been upon Appalachicola, I do not believe that it would have been right to interfere with the building of those railroads on that account.

Again: the whaling interests of this country have been greatly injured by the building of railroads, which brought coal to market cheaply, and enabled gas companies to furnish better and cheaper light than could be had from whale-oil. But yet it would be very unwise for the country to insist upon the protection of the whaling interest at the expense of cheap coal.

Edison may come along soon, and damage the gas companies, even more than they injured the whaling interests; and flying machines and Keely motors may destroy the value of all railroads and coal mines. But, for all that, the field must be left open for the utmost freedom of individual action, and the greatest good of the greatest number will be secured.

Now, I am not giving these illustrations as an argument from which to deduce, as a conclusion, that railroad companies should be subjected to *no* restraint or *no* control. The conclusion of my whole story will be that, *if any supervision or control can be suggested, which gives a reasonable hope of curing existing evils, without precipitating far more and greater evils, I, for one, will cheerfully contribute my share toward establishing it.* But the conclusion which I do wish to draw from these examples is, that because a hardship can be pointed out, under the existing system of railroad manage-



ment, to some locality or some individual interests, it does not *necessarily* follow that the railroads are willfully doing injustice, or that legislation should at once be resorted to, to endeavor to cure that evil, or that it would be effective if resorted to. It is the history of creation that development is going on everywhere; that old things are passing away, to be succeeded by newer and better.

No political system, no city, no trade, no manufacture, no individual business, has any divine right to be protected, or to protest against the growth of any other system, or city, or trade, or individual which is able to gain a foothold and make its way in the world.

Let the struggle for existence go on, and let the fittest survive.

This is my political and commercial creed, and it is from this standpoint that I shall endeavor to answer your questions, and to ask no favor for railroads not conceded to every other enterprise, and for the greatest good of the greatest number. And, if your views concur with my own so far, I am hopeful of carrying you to a concurrence with me to the close; for the balance of my argument, I shall endeavor to base upon these principles, and upon facts about which there can be little difference of opinion.

I proceed, therefore, to take up the questions in order, as follows:

*Question 1. "Do you believe that railroads, as public highways and common carriers, deriving their franchises and existence from the public, should treat all shippers with equality under like, or substantially like, circumstances, and with relative equality where circumstances differ? If so, how can the discriminations, both against individuals and communities, which prevail at the present time, be prevented?"*

I answer this: Of course I believe common carriers should treat all shippers with equality under like circumstances. There is no room for two opinions on this point; but I have heard a great many complaints of shippers against common carriers, in cases where the shippers thought the cases were like—or, as you vaguely put it, substantially like—but where

the common carrier did not take the same view of it. I take it to be the fact that there are now few discriminations, as you term them, against any individual or community in the United States, in which the railroad making the discrimination will not *claim* that the circumstances are very far from being alike; that they are substantially unlike, and that they justify the so-called discrimination. Now, in some of these cases, doubtless, the railroads will be in the right, and in some of the cases in the wrong; but, before we can decide in any particular case, whether it is right, or whether it is wrong, we must endeavor to establish a standard of what is right and what is wrong. To establish this standard, we must first lay down the principle upon which a railroad company is justified in making its charges.

I beg your indulgence while I go a little into detail on this subject, as I am assured, from some of the questions proposed by your committee, that you are under misapprehensions in the matter. In the first place, the principle upon which freight and passenger charges should be based is *not* the cost of the service; simply because the cost of rendering any *particular* service can not be ascertained. It can not be ascertained, because far the greater and more important expenses of railroad management do not vary with the amount of service rendered, but are of the nature of what are called fixed charges. These fixed charges go on, whether little business is done or much; and there is no rule on earth by which they could be distributed equitably over the different classes of traffic.

Who, for instance, can say what proportion of the salaries of president, superintendent, attorney, auditor, and treasurer shall be borne by the grain hauled; and what proportion by the lumber; and what proportion by the coal; and what proportion by each of the thousands of different articles transported; or by the passenger traffic; or by the express traffic, or the freight traffic? Probably eighty per cent. of the whole annual expenses of any railroad would be equally hard to distribute over the different kinds of services rendered. I can not, within my limits, stop to emphasize and illustrate this point more fully; but I think that a very little reflection will

satisfy any practical man that any attempt at such a distribution would be mere guess work, and utterly and entirely arbitrary. The result would have about as much practical value as an estimate of the distance to the moon, arrived at by guessing at one-half of it, and multiplying that sum by two.

And this impossibility of assigning a value to every special service is not confined to railroad accounts alone. A lawyer can not say what it has cost him to deliver each separate opinion, and does not base his charges on the cost. Nor does a doctor render his services, nor a farmer sell his eggs on any estimate of cost, for cost in such things can not be ascertained.

But, even if this impossible thing could be done satisfactorily, what would be the result of a tariff made upon this basis?

There would be three results; either of which would upset the business of the country:

1. There would be little or no classification of freights. Grain, lumber, coal, iron, shoes, dry goods, groceries, drugs, and chemicals, would all have to pay near about the same rate, per 100 pounds per mile, and that rate would have to be something like an average of the present rates charged upon the different classes of freight. The higher classes of freight would be a good deal lowered, and the lower classes would be materially raised. The result would be that cheap and heavy products could be no longer transported over the distances that they are now carried.

2. The rates on through freight would have to be proportioned very nearly to the distance hauled; the rate from Chicago to Boston, for instance, would be materially higher, and the rate from Chicago to Baltimore materially lower than the rates from Chicago to New York.

3. Roads having lowest grades and most favorable alignments would have lower rates than their competitors, and would monopolize the business, to the entire exclusion of those lines which traverse more difficult and expensive territory, and upon which the cost of transportation was greater.

And, the tide once turned, the evil would multiply itself; for the rates would decrease rapidly on the favored roads,

with the increase of business, and would increase on the unfortunately located roads with the decrease in volume of their freights, until the latter would be left with nothing but their local business to support them, which would then have to be advanced to the highest figures possible.

These are hard, solid facts, which can not be ignored, and any one of them is reason sufficient to condemn utterly any effort to base a freight tariff upon any calculation of the cost of transportation.

It will, of course, be admitted that the whole volume of business done over any railroad should support the road, pay an interest upon and gradually retire its debt, and yield a fair profit upon the investment. Anything less than this would be communism.

Now, in order that the business of the country may flourish, and that the products of distant territories may be brought to market, and that cheap and heavy articles may be transported, the burden of maintaining the road *must be distributed where it can be best borne*. And this is not for the benefit of the railroads so much as for the benefit of the whole country.

I trust that I have your concurrence in this principle at least. It is the principle upon which the charges for service of all kinds is based in every branch of trade and commerce. And can any more *equitable* principle be suggested for distributing the expense of maintaining railroads, or all other enterprises of public importance, than that the expense of maintenance should be borne in proportion to the value of the service rendered? The adoption of this principle has, in fact, *been forced upon the railroads by the necessities of commerce, whether they like it or not*. It would be far simpler and easier for the railroads, if it were not so. There is great expense and trouble attached to the classification of freight and the use of varying rates per mile. In the early days of railroad-ing there were no classifications, or, at most, only two—light goods and heavy goods; and the rates were made originally almost entirely an exact pro rata per mile; and if that principle could be readopted it would be a great boon to railroad managers.

It is a gross misrepresentation to distort this principle into the assertion that the railroads are charging "*all that the traffic will bear.*" The flourishing condition of the commercial, agricultural, manufacturing, and mining interests of the whole country, and the very existence of every fortune, or competency, accumulated in any of these enterprises, the open doors of every firm in trade, the smoking chimneys and humming wheels of every manufacturing establishment, and the rising walls of every new enterprise, all proclaim, as with a million tongues, the tremendous falsity of such assertion.

And, on the other hand, the notorious fact that no investments—as a whole—have paid so badly as original investments in railroads, confirms and clinches the statement that, not only have the railroads *not* charged all that the traffic will bear, but that they have not been able to enforce charges high enough to save themselves from bankruptcy in a large majority of cases.

I hope, therefore, that we may be agreed, that the principle upon which railroad tariffs should be adjusted, is, that the price charged should bear a reasonable relation to the value of the service rendered.

Now, when this principle is once admitted, we are prepared to take up any case of alleged discrimination, and apply the test to it. If it should appear that the tariff is in itself reasonable, it seems to me that that is all that can be expected of the railroads.

Discrimination, so-called, of course, exists. It exists in every branch of trade and commerce in the world. The very meaning of the word is simply to discern between different things. To be called of a discriminating mind was once considered a compliment, and I trust that, even yet, those who hate the word so bitterly will not lay aside utterly the thing itself.

But the railroads do not make the discriminations or differences themselves, and it is out of their power to entirely remove them. The Creator instituted them when He determined not to make his creation a dead level of mud and water, and all other material elements stirred up together in

uniform solution, inhabited, perhaps, by a single variety of queer fish which would enjoy that sort of premises. And when He gathered the waters together, and raised up the dry land, and gave every large city—according to His own free will and pleasure—either some kind of a harbor or navigable river, and sometimes both, and left the little towns, in the interior, without any, then He laid the foundation of every so-called discrimination in freight rates which exists in the United States to-day. *Every one of them is simply a railroad trying to compete with a water-route.* On the water the Creator gives free right-of way, and maintains the road-bed and furnishes the motive power, if man is not too much hurried to wait on sailing vessels.

Hence, water-routes can carry freight at average rates far below what any land-route can give. But while a railroad cannot work at average rates as low as a water route can, if it already has a certain amount of interior business, which will enable it to meet a large proportion of those fixed charges which do not vary with the amount of business done, it can take an additional amount of extra business, at figures so far below its average, as to enable it to compete for extra business with the water-route. But I will refer more fully to this matter hereafter.

I wish here only to emphasize the fact that the discriminations which exist, in the rates of freight, from interior points to the large markets, all existed in far greater degree before even a foot of railroad was ever built in the United States. The railroads have been able to remove these discriminations to a very great extent. They have given to the interior of the country, even in the most difficult portions, a system of transportation, which is infinitely superior to anything but a water-route, and one almost equivalent to that. But, because they have been able, partially, to remove natural discriminations, they are unjustly held responsible for those that remain beyond their power to remove; and are represented as willfully, and maliciously, and foolishly being themselves the authors of them. This point also will be more fully referred to hereafter in my answers to some of the remaining questions.

I proceed now to the last part of your question: "How can the discriminations, both against individuals and communities, which prevail at the present time, be prevented?"

These discriminations, against communities, as above stated, are but the remnants of far greater discriminations, which existed before ever railroads were built. With the development and improvement of the railroad system, they have decreased year by year, and will continue to decrease; and, whenever railroad transportation can be so perfected, in all its branches, as to be rendered at an average price as low as water transportation, then they will disappear entirely. Until that time, I believe that those localities which possess natural or geographical advantages will enjoy lower average rates than those which do not. I believe that progress and improvement in this direction will be more rapid under the same system of freedom of individual action, than under any system of restraint which I have yet seen suggested. But this point, also, I will speak of more fully hereafter. So far as any discriminations exist simply against individuals, under like circumstances, I condemn them utterly; and I am sure no railroad manager can attempt to justify them. But circumstances, I think, will often justify cases of apparent discrimination which would be pronounced unjust where the circumstances are not understood.

Will you allow me an illustration of a case of this kind which I have used recently in an argument before a committee of the Alabama Senate? A single case of this sort will illustrate the whole subject, and can be discussed and referred to far more understandingly than abstract theories.

A certain Southern road runs through a country which produces a great deal of turpentine, and has made rates for the distilleries upon its line which are satisfactory, on the whole, to all its customers.

One of those customers is located near a river, beyond which there is a considerable virgin forest of pine. But the difficulty and expense of crossing the river, and its wide swamps, made it impossible for the distiller to bring the products of

that forest to his distillery without a loss. He, therefore, represented the facts to the manager of the railroad, and proposed that if the railroad would reduce its rates upon the turpentine, which he would get *beyond* the river, enough to pay the expense of bringing it over, he would build a ferry and a causeway through the swamp, and bring into cultivation the forest which was inaccessible, at the ordinary rates of freight.

The arrangement was made, and proved satisfactory and profitable to both parties. The turpentine distiller continued to pay, cheerfully, the original rates upon all products of the forest on his side of the river. For the turpentine he brought across the river at a considerable expense, he paid a lower rate of freight, which left him the same profit as on his original productions. The railroad company got the steady hauling of the products of this forest, which would have otherwise gone to waste and benefited no one. The owner of the forest received a royalty on his trees, bringing him an income which he could never otherwise have derived. A number of laborers received daily employment which they could not otherwise have gotten. And the whole mercantile community which is interested in naval stores received the benefit of the increased production.

Who was injured?

Nobody that I have ever heard of. Ycet, if there had been any law against discrimination, that railroad manager could not have made that concession in rates to the distiller, without, at the same time, reducing his rates for hauling turpentine to every other distillery upon the road.

Such a reduction would have cost him, perhaps, five hundred dollars, where the new business would have made him one dollar.

This example affords an opportunity for me to say a word, also, on the subject of rebates. A rebate in itself is only the simplest and the shortest way of giving a special rate. To republish the whole printed freight tariff, covering over a thousand articles, on every occasion when any special rate is required, would be a great deal of labor and expense, and cause a great deal of delay. But, the printed tariff is what



must govern the numerous agents and employes in freight agents' and auditors' departments who have the billing of freight and the supervising of these bills. When, therefore, a special rate is made, it is often customary to instruct the party in whose favor it is made, to ship his freights under the regular printed tariff, and, at the end of each month, come forward with his freight bills paid, and receive as an overcharge the reduction in freight which would have been allowed to him. For instance, in the case of the turpentine distiller, it would save a great deal of printing and complicated instructions to a number of people, to arrange with him that he should pay the full rate upon all the turpentine he shipped, and at the end of the month bring forward evidence of the number of barrels of turpentine brought from his forest beyond the river, on which he was to have the reduced rate, and receive the overcharge per barrel allowed, to enable him to stand the extra cost of getting it to the railroad. Here, then, is a sample case of a discrimination and rebate. Is the practice of making rebates and discriminations such as this, such a crying evil as to call for the indignation of the country and the invectives which have been launched against them? Is it any more than the legitimate freedom of action which is allowed in all kinds of business to persons engaged therein. Is not its tendency in the right direction, that of building up new industries, and bringing into cultivation waste places?

Now, the only argument which I have ever urged against this view is that such power, in the hands of a railroad, is liable to abuse. Granted, but the same argument will condemn the marriage relation, and the placing of any power in any human hands. In my humble judgment, the certain benefits resulting from the allowance of freedom of action to railroads, in matters of this kind, of which I can cite hundreds of examples, in my own personal knowledge, are far greater to the community than any possible harm which could result from its abuse. I am sure public sentiment, the public press, and the common laws applicable to carriers, are ample protection to the people without forbidding, by law, a practice

which is after all of far greater importance to the people than to the roads. That Southern road, for instance, could much better afford to withdraw its special rate on that turpentine, than the distiller, the land owner, the laborers and the consumers of turpentine could afford to lose it.

But there is another fact to be noted in this connection. *Unjust* discriminations, in favor of individuals, are nearly always the result of railroad wars. The large shippers are cultivated, and every possible means resorted to, to secure their business.

The usual means are rebates made privately; and for such no apology can be offered. They demoralize business and build up the large shippers at the expense of the small.

In "Exhibit C," accompanying your questions, you refer especially to the rebates paid the Standard Oil Company. So far as I am familiar with the history of these rebates, they were the result solely and entirely of a war between the railroads for the oil business. No railroad was so foolish as to wish to give away its revenue in this manner; but each one was willing to give a rebate, to secure a share of the business, rather than see it all go to its competitors. I do not believe it possible, either, to devise any laws or system of governmental control or supervision which can prevent, effectually, the recurrence of cases of this kind. There are a hundred ways of making arrangements between railroads and large shippers, which will accomplish the same purpose, and which can never be found out, and could not be punished, if they were found out. The only way to prevent them is to remove the temptation to make them. Railroad managers are sensible of their evils, even more so than the community at large, and have racked their brains, and exhausted every possible expedient to abolish them. The only effort, which gives any promise whatever of success, is a system of pooling, which will restrict competition within reasonable limits.

I shall have more to say on this subject in answer to your sixth question. It is sufficient here to refer to it in connection with the rebates paid the Standard Oil Company, and to

say that "pooling" is not the cause of rebates, but is intended solely as a preventive of them.

With these explanations of the facts, upon which my opinions are based, I sum up my answer to your first question as follows:

Discriminations against communities can be lessened by all improvements in the system of railroad transportation; whether improvements of machinery, rolling-stock, or road-bed; or whether by consolidations of lines, which will reduce expenses of operation, and restrict competition within reasonable limits, and reduce the average cost of transportation to an approximation with the cost by water-routes. I don't think it will ever disappear entirely, until the cost of transportation by rail can be made as cheap as the cost by water; or, in other words, until art can furnish transportation as cheaply as nature does. Then, only, will places to which nature has given no advantages be put on an equality with the places which she has favored. Discriminations against individuals can be prevented only by allowing carriers to restrict their competition within reasonable limits, and remove the temptation to make them.

I now proceed to the second question, which I can answer more briefly, having already laid down the more important facts and principles upon which my opinions are based.

*Question 2. "Railroad managers justify the practice of giving low rates to some shippers, and refusing them to others, on the ground of development of business in certain localities. For instance, in consideration of establishing a flouring mill at Niagara Falls, the proprietors were given a five years' contract, with rates more favorable than those charged mills already established at Buffalo and Rochester; the latter thereby being placed at a disadvantage in competing for business. Is it consistent with the public welfare and the rights of citizens to allow railroad managers to decide what persons and places shall be thus developed?"*

I have already laid down the principle that freight rates should be reasonably proportioned to the value of the service rendered, and have illustrated it by the rates given the tur-

pentine distiller, to enable him to bring into cultivation a forest inaccessible except at a high cost. Now, in the case of the flouring mill at Niagara, I can neither justify or condemn the rates given, without a more intimate knowledge of the facts than you supply. The whole question turns upon facts and figures. If the reduced rates given were conceded on account of certain local disadvantages which may have existed at Niagara; and if they did no more than equalize those disadvantages, so as to place them on an equality with Buffalo and Rochester, then I would justify the rates. If they did more than to place them on an equality, I would condemn them, provided the rates at all three places were under the control of one and the same party.

You ask: "Is it consistent with the public welfare to allow railroad managers to decide such questions?"

I answer, that if we could import superhuman intelligence and honesty to decide them, I should prefer to refer all such questions, along with a good many others that come up in commercial and political life, to that intelligence. But so long as we are confined to human agents, there seems to be more wisdom in leaving their decision to be regulated by the railroad managers, than in attempting to establish any political tribunal to do it. The history of political rings, and the management of all matters involving a great deal of money by the politicians who always gain control of governmental institutions, do not encourage me to hope that the experiment would be satisfactory to the community. And I certainly think the good of the community demands that the power to discriminate should exist *somewhere*. As matters now are, there is a competition among all the roads in the country in building up and developing their local interests; each railroad manager is, to a great extent, a check upon all others. For, if exceptional advantages are given by any one, even to his own localities, the others soon discover it, and the result is a policy about as uniform as could be hoped for. And both the public press, and the common law governing carriers, are checks upon all.

*Question 3. "What do you think of the practice of charging*

*“more for a short than for a long distance? For instance, four dollars per hundred pounds from New York to Salt Lake City, and two dollars and fifty cents from New York to San Francisco?”*

I reply to this, that, if the railroad company were able to fix the rates from New York to Salt Lake City, and also the rates from New York to San Francisco, and should, arbitrarily, make the lesser rate for the longer distance, it would be very foolish. It would be simply equivalent to making a present of that much money to the San Francisco shippers, and, while there might not be anything particularly wrong in it, it would hardly be considered a business transaction. But, if the rate from New York to Salt Lake City is in itself reasonable, and less than the service is worth; and if the rate from New York to San Francisco was already less by water-route than the rate to Salt Lake City, then, I think, the railroad would be entirely right to compete in San Francisco for New York business at whatever rates it could get. By being free to do this, it could gain a considerable new business. Profits from this business would help to pay its expenses and interest, and contribute that much to reducing the average rates, which it could afford to make to Salt Lake City, and all other points along its line. A moment's reflection will show that Salt Lake City is one of the places against which nature has discriminated most heavily of all places on the continent, being surrounded by mountains and deserts. Before railroads were built, while the rate from New York to San Francisco—a thousand miles further—was, perhaps, as now, two dollars and fifty cents, the rate to Salt Lake City was, perhaps, a hundred dollars. Here, then, was a natural discrimination of ninety-seven dollars and fifty cents against Salt Lake City. The railroad has reduced that discrimination to one dollar and fifty cents. Whenever the railroad can secure a still larger amount of through business from San Francisco, and, perhaps, from China and Japan, so as to reduce its average expenses, the rate to Salt Lake can be still further reduced, and the discrimination lessened, so that, in fact, the discrimination, which en-

ables a road to secure San Francisco business, is in the true interests of Salt Lake Shippers.

Will you allow me to use another case illustrating the same principle, which I recently used, also, before the Alabama Senate Committee?

Corinth, Miss., at the intersection of the Mobile & Ohio and the Memphis & Charleston railroads, is ninety-three miles from Memphis, and three hundred and twenty-eight miles from Mobile. A reasonable local rate on a bale of cotton from Corinth to Memphis would be, say one dollar per bale. Memphis is about as good a cotton market as Mobile. Consequently, all the cotton raised in the vicinity of Corinth will go to Memphis, unless the rate to Mobile is made the same as to Memphis. Between Corinth and Mobile, however, are many stations where much cotton is brought for shipment. We will take Tupelo as an illustration, two hundred and eighty miles from Mobile. Now, if a dollar a bale is a reasonable rate for ninety-three miles, the rate from Tupelo to Mobile—two hundred and eighty miles—might very well be two dollars. If, therefore, the Mobile & Ohio road competes in the market at Corinth for cotton, it will be charging less for the longer haul from Corinth than for the shorter from Tupelo. And if the law should step in and forbid this practice, the Mobile & Ohio road would simply have to withdraw from competition at Corinth. The shipper at Tupelo claims that the Mobile & Ohio is discriminating against him when it hauls Corinth cotton for a dollar and charges two dollars from Tupelo. But would it benefit him to have the road give up all Corinth cotton and withdraw from competition at that place? It could not afford to reduce at Tupelo, and twenty other stations similarly situated, in order to secure a few hundred bales from Corinth at a low rate. It would then be less able to reduce rates at Tupelo, and all other local points on its line; and nobody on earth would be benefited but the Memphis & Charleston railroad, which would have a monopoly of the hauling of Corinth cotton, and Corinth would lose the benefit of competition from the Gulf.

The effect of any law to restrict the freedom of roads to act in this manner would simply destroy competition.

I am sure it is not the intention of your committee to advocate the abolishment of competition, and I am equally sure that this would be the sole effect of abridging the freedom of the roads in this particular.

*Question 4. "If it is right and necessary that banks and insurance companies should be subject to Government supervision, in order to protect the public interest, is it not still more necessary that railroad companies, as common carriers, exercising a function essentially public in character, and which, by its nature, must, necessarily, to a great extent, be a monopoly, should be supervised and regulated in the interest of the public?"*

Arguments from analogy are always loose and vague, and prove little. Yet, I think that, if the supervision exercised by the Government over banks and insurance companies should be accepted as the foundation of any argument, the conclusion drawn would certainly be against the supervision of railroads with respect to their rates.

The governmental supervision exercised over banks is solely the supervision necessary to protect those persons—depositors and bill-holders—who are compelled to accept on trust the ability of the banks to comply with future contracts. No such contracts arise between the public and the railroad in its capacity of common carrier. It simply sells its services; and the shipper does not pay until after the service is performed. Similar transactions on the part of the banks are subjected to no governmental supervision. They lend their money at what rates they choose, and they sell exchange at whatever premium they can get, and pay their depositors interest or not, as they see fit. In all such transactions as are complete in themselves, and as represent simply the selling of something to an individual, it is left for the individual himself to look after and protect his own interests. So, too, with an insurance company, where the individual pays many long years in advance for considerations which he buys; and where the financial soundness of the institution selling such a peculiar thing as life insurance requires a special and technical investigation to determine

it, it may be desirable that there should be a governmental investigation by experts to establish the probable ability of the company eventually to comply with its contract; and, should that ability not be established, to forbid its offering to sell its wares. But the Government does not pretend to fix the rates at which the insurance company shall sell its insurance. It simply says to the citizen: "This company is able to comply with its contract with you, if it makes one. You are free to inquire into their terms, and accept them if they suit you, and decline them if they do not."

The only conclusion which we can draw, therefore, reasoning by analogy from the governmental supervision of banks, is, that the Government might require of a railroad to keep on hand a sufficient amount of funds to pay for any freight, which might be deposited with it for transportation, in case it was to lose or destroy the freight.

The analogy of the insurance companies would lead only to the conclusion that the Government might appoint an inspector to supervise the bridges, roadway, and rolling-stock of the company so as to be able to say to the proposed passenger: "This company has a safe track, and is able to comply with its contract to transport you to any point on its lines should you see fit to make such a contract with it; but the terms we leave to you and the company to agree upon."

If I now argued by analogy from the governmental non-supervision of butchers, bakers, lawyers, doctors, undertakers, etc., the weight of the argument, as a whole, would be decidedly against any supervision. But the phrase "governmental supervision" is in itself so exceedingly vague, and may cover so much or so little, that I sum up my reply to this question as follows:

The right and the power of the Government to supervise, if necessary, is freely admitted. But the means by which the supervision should be exercised, and the extent to which it should go, are most delicate and difficult questions, involving the prosperity of every commercial, manufacturing, or producing enterprise in the country. Whenever the people are



ready to have all commercial rivalries settled, by either a cast-iron law, or by a governmental commission, rather than by their own interaction, the railroad managers will be relieved of their most harassing perplexities, and can cheerfully see the experiment tried. It will be as little their funeral as anybody's else.

*Question 5. "What do you think of the English system of regulation by railroad commission, to whose approval all rates, (which must be public and uniform for like services), are subject, and who, also, exercise a general supervision and act as a court to which shippers or railroad companies can apply for relief from grievances, either as between railroad companies and shippers, or railroad companies themselves, and from whose decision there is no appeal, thus affording cheap and speedy means of justice?"*

My information on the subject of the English Commission and its workings is of only a general character. I am not sufficiently acquainted with its details to form a very clear conception of exactly how far its powers and duties extend. The general impression that I have had has been that its principle and most important functions have been in restraining the English roads from wild and reckless competition among themselves; and assuring to the English people uniformity and permanence of rates, simply by keeping the railroads from fighting each other. My impression is, that there is little or no complaint in England of exorbitant rates; and that the English Commission finds little to do in matters of that kind; although, I believe, the average rates, per ton per mile, paid in England is considerably more than the average rates paid upon American roads which are located in equally populous districts.

While having, therefore, a very favorable opinion of the English Commission and its workings, believing it is well adapted to a small and isolated country as England is, I think the conditions, both physical and political, in America are so very different that it is a grave question for the people to consider, whether or not any commission, appointed by the Government, would be capable of grasping the innumerable

questions, and able to comprehend and regulate the vast and conflicting interests, existing and being multiplied every day, in the enormous territory of the United States.

I can not think that you, yourselves, upon reflection, or the people in a single town in the United States, would be willing to have the future development of this country confided to any political tribunal. It is a very easy thing to find fault with railroad management, as well as with a great many other affairs of every day-life. But to find fault is one thing, and to suggest feasible remedies is another. I freely admit that there may be hardships frequently experienced by particular interests in the development of the country under the present system of railway control and management. But it does not by any means follow that every remedy which has been suggested, or any of them, would lessen the evils. For my own part I very much doubt the power of legislation to accomplish any good. The general tendency of the present situation is, certainly, rapidly toward improvement. Rates are lower now, and discriminations are less, than they ever were before. A study of the causes which have led to this result, I think, will indicate that the consolidation of railroad interests, to such an extent as to restrict competition within reasonable limits, is the only method which has been attended with any success whatever. Wherever that has taken place, discriminations have been reduced, and local freight charges lessened. The efforts in this direction are as yet in their infancy, and it is possible that the establishment of some court, or tribunal, of high character, such as to command public respect, and to concentrate public opinion upon any cases of unfairness or oppression, may foster the growth of such consolidation in the proper direction and to the proper extent. Railroad companies have endeavored, themselves, to provide such a tribunal, at their own expense, in the appointment of a board of arbitrators of the highest ability and character which money can command. For my own part, I would prefer the establishment of such a tribunal by proper legislative authority, if it should be so guarded as to assure a selection of only the best talent and the highest integrity. Yet, I doubt it being so ac-

ceptable to the public as it would be to the railroads. Your committee is, of course, aware of the intense jealousy which exists between all rival communities. Let us take, for example, the rivalry between Baltimore, Philadelphia, New York and Boston for the export trade from the West, and the earnest efforts of New Orleans and other Southern ports to participate in this trade. Is the Chamber of Commerce of New York prepared to take all power away from the railroads which work in New York's interests more directly, and to have any three men invested with a power to determine what the comparative rates shall be from Chicago to each of those cities?

The *positive* figures will be of small importance. It is the *comparative* figures which will make all the difference in the amounts of traffic which will be done through each port. The present comparative figures have been arrived at by long struggles among all the lines participating in the business to the different ports. As matters stand at present, the growth of all of the cities continues; and no one seems to enjoy any special and marked advantage over the others. But what three men can be found to whose judgment these cities will all agree to leave the decision of their comparative rates? And I wish to emphasize the fact, that there is *no principle or theory upon which these figures can be adjusted*. It would not do to base them upon cost of transportation by rail, for that, as I have explained before, is something which can not be determined. The cost of transportation is an average, varying each month in the year, and the rate on each article must be a special, and vary as little as possible. The cost of transportation varies with the amount of business done; and the business done varies with the rate charged. And, if the rate charged is based upon the cost of transportation, we have reasoned around in a circle to the point at which we started. The rate can not be fixed until we know the business; and the business can not be estimated until we know the rate. Should, therefore, the question of fixing these rates be left to a governmental tribunal, there would be no theory upon which they could fix them, and no right or wrong to the matter. When matters can be

adjusted on a principle involving right or wrong, it is very well to leave them to a qualified tribunal to be adjusted. But, when there is no such principle, everything would be trusted to the accidental bias of some man's mind.\*

*Question 6. "Considering the nature of the function they perform (operating public highways), and the fact that in most instances competition is now supplanted by pooling or other form of combination; and that during a portion of the year all competition, by water-routes, is suspended, do you think any legal limit should be placed upon the charges of railroad corporations?"*

Before proceeding to answer the question—which is the essential part of the above sentence, I wish to note the bland manner in which, in nearly all of these questions, is combined a little statement of fact and argument, as if neither could be questioned. It makes very little difference to my mind whether a railway is to be called a public highway or not. It is not a public highway in the old sense of the term, for that

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\*Since the publication of the first edition of this pamphlet, I have seen presented an argument in favor of giving the power of regulating railroads to a Commission, as follows: "Are not the lives, liberty, and property of the whole people of the State subject now to three men who constitute the Supreme Court of the State? To quote a homely saying, 'we can not have better flour than can be made of wheat'—we can not get better judges than men." The fallacy of this argument lies in its false assumption that the present status of transportation affairs is due to the will of any one, or of any three or more men. As explained above, it is the result of many years of struggles and competition between thousands of conflicting interests; each seeking, as it had a perfect right, its own advantage, and the result, so far, being the constantly increasing greatest good to the greatest number. There have been no "judges" in the case, and it is an entirely new proposition to import them. And, if imported, the conditions under which they must act will be very different from the conditions surrounding the Supreme Court Judge, who sits over the "lives, liberty, and property" of his fellow citizens. The latter has, first, within his breast, that conscience or common standard of right and wrong between man and man, in which all men agree together, and to which can be referred every question he is called upon to decide. And, in addition, he has to restrain and guide him, laws and precedents embodying the wisdom and experience of two thousand years of civilization. But what instinct in a man's soul can be appealed to, to respond to the question: "How shall rates Chicago to Baltimore compare with those Chicago to New York?" And what volume of Coke or Blackstone will throw any light upon such a subject as that? Would Commerce feel itself based on a more sure foundation which was at the mercy of decisions to be made by a man who had neither principles nor precedents to guide him?

Its gravest questions would be decided, as stated above, only by the accidental bias of some man's mind. The Law may, very properly, assure equal liberty to all, but it is a new departure to seek to assure equal property to all.

expression meant a road upon which all were at liberty to travel, with their own vehicles, at their own pleasure. No sensible man will contend that a railroad can ever be a public highway of this sort. But if it is intended to imply an argument that the State has certain powers to regulate and control, I waive all criticism of the validity of the argument, admitting the fact that the State has the power. I am simply discussing here certain other questions, upon the answers to which intelligent men will form their own opinions, as to whether or not it is desirable for the State to exercise the power; and, if so, how should it be exercised to assure the greatest good to the greatest number.

You have assumed, in this question, as a matter of fact, that competition is now supplanted by pooling.

Now, I honestly think, that that can not remain the opinion of any man who will look into the facts without prejudice. I certainly think that competition should be checked to such an extent as to remove the temptations to give rebates and private concessions. There has been some progress in this direction within the last two or three years; but it has by no means, as yet, reached such success as to attain even that most desirable end. But the fact is unquestionable, that the great public outcry against pooling has come from the men who received rebates before pools were instituted. So the position of railroad managers has been that between the upper and the nether mill-stones. The public complain of discrimination and rebates. The railroads resort to pools as the only means of preventing them. Then the men, who had formerly profited by the pools, join in the outcry against the railroads, declaring pooling to be the worst iniquity of all.

I now proceed to your direct question—whether any legal limit should be placed upon the charges of railroad transportation.

I cheerfully admit that it is desirable that it should not be in the power of any individual to ask extortionate prices for transportation, or for clothing, or beef, or bread, or either the necessaries or luxuries of life. I might, therefore, answer di-

rectly that I do consider it, at least, not undesirable; but I see even greater difficulties in the way and more hardships to result from attempting to place a legal limit upon railroad charges, than there would be in placing a legal limit upon the butchers, the bakers, and the lawyers. It would be impossible to frame laws which would classify every article which the country offers for transportation, and assign a rate to each article for every possible distance, from one mile to a thousand. And yet, such a classification and such a scale of rates, *not based in exact proportion to distance, or upon any definite rule which a law could formulate*, must be made, in order to distribute the cost of transportation where it can be best borne, so that cheap and heavy articles can be transported.

Even if such a law could be framed for one railroad, it would work injustice, or partiality, among other roads whose circumstances were more or less favorable.

Again, if such a law was framed by State authority, it would apply only to articles transported within the State, and endless confusion would result in establishing rates for articles transported across the State lines. If the law were passed by Congress, it would apply only to the latter class of articles, and not to the first. In either way inevitable confusion would result.

But, perhaps, I am not understanding your question exactly, and your inquiry was, rather, whether railroad charges should be limited by limiting the amount of dividends which railroads could legally earn, and requiring a reduction of rates as fast as the legal limit of earnings was reached.

I don't see that there would be either fairness or good policy in any such law. There is no investment of money by capitalists which benefits the community at large so greatly, or nearly so greatly, as investments in railroads. Investments in commerce, in bonds, in agriculture or manufactures, benefit only a very few, while investments in railroads benefit all adjacent interests. Certainly, therefore, the State should encourage such investments, by allowing them

to hope for profits equal to the best that can be expected in enterprises less publicly beneficial.

The parties building a road take nothing from the community which it would possess without them. They take land, of course, but only at its full value, and with full compensation to the owner for all his injuries and losses, assessed by his own neighbors.

Again: there are few investments exposed to so great risks as investments in building railroads. They are usually built on faith in a business yet to be developed. The ardent projectors invariably under-estimate the cost. Once built, the railroad can never be removed, or used elsewhere, or applied to any other purpose. It is also subject to unusual expenses, in hard winters, unusual losses in bad seasons, and, occasionally, enormously expensive accidents, such as that at Ashtabula.

And last, but not least, a rival line may at any time be built; or the course of trade changed, and cut off its earnings.

With so many elements of uncertainty, therefore, and so many chances of total failure, the reward allowed in cases where good judgment has brought about success, should be equal to the best success reasonably to be expected in any other enterprise.

Moreover, if a railroad is restricted in its earnings for its stockholders, within a legal limit, as that limit is approached, all inducement is taken away from the road to improve its facilities, build branches or extensions, or in any way seek to improve its condition. Now, surely it is not desirable that our railroads should be placed in this position. It is not desirable that all stimulus should be taken from them to render more facilities to the communities they serve and to seek increased patronage from year to year.

Certainly no road would ever have been built under conditions which would rob the investors of all returns over ordinary interest, while giving them no security against loss, however severe. And it hardly seems fair to enforce upon them, now, conditions which would never have been accepted had they been suggested when the communities were crying out for investors to come and build railroads for them.

*Question 7. "Do you think it safe to allow railroad managers to disregard the old theory upon which charges for transportation were based, i. e., that they should be reasonable, and based upon the cost of service, and adopt the new theory which they have enunciated, of charging all that the traffic will bear, themselves being sole judges of this question?"*

There is a whole universe of blandness in the statement of this question, in the vagueness of the expressions "reasonable," and "cost of service;" and the implication, that things have been going from good to bad, instead of improving rapidly in every respect from year to year.

I am sure I might, with more justice, assert that your own profits in mercantile transactions, and the fees charged his clients by Judge Black, are "all that the traffic will bear," yourselves being the soul judges, and your profits scrupulously concealed from the public, in private books, and under private marks.

I have already explained in my answer to Question 1, that in order to distribute the cost of transportation where the burden can be best borne, and to permit the carrying of heavier and bulkier articles which are of small value, the charges must be necessarily proportioned to the value of the service rendered. If it were true that the charges were all that the traffic will bear, every industry in the country would be less flourishing and lucrative than railroad investments.

Now, it is notorious, that as a whole, there have been larger losses and bankruptcies in railroad investments than in any other class. In comparatively few cases have the original subscribers to any railroad derived an average return from their investments; and the list of bankruptcies and foreclosures which have taken place, even within the last ten years, are a large per cent. of the total amount of capital invested in railroads.

But I have already referred to these matters sufficiently in my reply to Question 1, and I will only add here some comments upon your extract from Gath's letter in the *Graphic* of April 7, 1880, where he criticises the action of the Central



Pacific Railroad in adjusting its freight tariff upon ores in proportion to the assay value of each ore. I certainly think that this is the principle upon which to base them, otherwise only the more valuable ores could be carried to market, and many mines would become utterly valueless. He states that the charge of the Union Pacific Railroad is one-third of the assay value of the ore. Now, whether one-third is an excessive charge or not I can not say, as I do not know how far the ores are hauled, or in what quantities they are furnished, or what is their average value, or whether the cars which haul them have to be returned empty. But, waiving the question whether or not the percentage of value which is charged for their transportation is too high, I think the policy of charging in *some* proportion to the value is the correct policy, and will contribute far more to the development of mining interests than a fixed and uniform charge per ton per mile, regardless of value. If I were going, myself, to expend capital in the development of a mine, I would gladly contract with the transportation company to take the ore to market for a reasonable percentage of its value. I would be willing to pay the company a little more, if my ore proved rich, if they would contract to divide the depreciation with me if it turned out badly. Of course, there should be both an inferior and superior limit to this agreement. If my ore turned out worth three dollars a pound, the company would not expect to receive a dollar a pound for hauling it. If it was worth only three dollars a ton, they would not be able to handle it for one dollar a ton. Their rates would increase with the value of the ore, probably, until they approximated rates on average merchandise; and, after that, there would be no increase, were the ore even solid silver, unless there should be risk of stealage or robbery to be borne.

I have, myself, made similar contracts for the development of coal and iron interests at the request of capitalists who wished to embark money in those enterprises on roads under my management. Their general tenor is as follows: An average rate is agreed upon as satisfactory when coal and iron are at an average market price. Then, if from any cause the

market value of coal and iron decline, the rates decline with them, so as to enable the enterprise to go on, even in unprosperous times, and to keep its employes together, and at work. On the other hand, when coal and iron advance in price, and there is a larger profit to the manufacturers, the rates advance upon an agreed scale.

The operation of such contracts has been found entirely satisfactory to all concerned. In dull times the mines are still able to keep going; and miners and railroad employes, who would otherwise be out of work, are kept from joining the army of the unemployed. When the market improves, and the mines receive high prices for their production, they cheerfully pay the agreed rates, which are an inappreciable fraction of their largely-increased profits.

It is plain that joint arrangements of this kind contribute to the stability of all producing enterprises; and, wherever they are practicable, they deserve encouragement.

*Question 8. "The law of the State of New York limits the rate for passengers on the New York Central R. R., which has a very large passenger traffic, to two cents per mile. Do you think this is a just law, and, if so, should not the same principle be extended to freight charges?"*

I think the New York law probably works no hardship upon the New York Central road, considering the dense population along its line, and the enormous volume of passenger traffic that it controls. If, however, it did work a hardship, I would think it an unjust law, unless it had been accepted by the company in return for privileges or concessions of some character.

As to the application of the same principle to freight charges, as I have already explained, in my answer to Question 6, I do not think it *practicable*. Whether it would be just or unjust, would depend upon what was the limit fixed. But, as the limit should be different on innumerable articles, depending upon many technical considerations, and should not be a per mile, per ton rate, but varying for all different distances that freight is carried, I am sure that no law could be framed adapted to the necessities of the case.

Question 9. "The railroad law of some of the States limits railroad earnings to ten per cent. upon the actual cost of construction; but this has been largely evaded. Do you think this is a just provision, and, if so, should not means be taken to prevent evasions of this law, by creating a fictitious basis of cost through construction companies, and other forms of stock-watering?"

I do not think it either a wise or a just provision, to limit railroad earnings, any more than to limit the manufacturer's, the miner's, the butcher's, baker's, lawyer's, or doctor's. I have given my reasons more fully in my answer to Question 6. I believe that free-trade principles work the greatest good to the greatest number; that, where legal restrictions are put upon industrial development, an artificial state of affairs results, which will gradually become unstable. I believe that those who put their money into railroad enterprises should be allowed to earn as much, if they are wise, and prudent, and lucky, and to lose as much, if they are foolish, or unlucky, as those who put their money in other enterprises of far less public benefit, provided, of course, that they charge only reasonable rates in comparison with value of services rendered.

We may be entirely assured that whenever the earnings of a road become excessive, another road will be built to divide them; and this other road will always bring benefits to some parts of the country, which they would not otherwise enjoy. So that the evils of excessive earnings are more healthfully checked by the operation of natural causes than they can be by any law.

Another objection to such a law is, the very fact to which you refer yourselves, that *it can be evaded*.

It is very easy to suggest the taking measures to prevent evasions; but I am at loss to see exactly how any law could regulate this matter, unless the State should appoint a power to make the contracts and superintend the construction of every road built. Construction companies, like all other human devices, may be abused, and used as means to ends more or less obnoxious or unlawful. But, for all that, they are not

necessarily dishonest contrivances, and are often absolutely necessary to carry through desirable enterprises.

Considering the difficulties of enacting a law which could discriminate between the numerous enterprises of this kind, and the fact that State laws, after all, operate in limited territory, my honest conviction is, that it is better to let the whole thing alone, and let it regulate itself on free-trade principles, rather than make an abortive effort to cramp it within some form of law.

*Question 10. "Do you think it is right that the production and commerce of the country should be taxed to pay dividends upon stock, or other obligations of railroads, which were issued to represent improvements made with surplus earnings?"*

I do think it right to allow railroads to earn reasonable dividends upon their whole investments, whether the investments are made with surplus earnings, or with original subscriptions. I do not think they should have any earnings which are not honestly theirs, and for which the full equivalent in value has not been rendered. But when they have rendered a full "*quid pro quo*," the earnings are honestly theirs; and if they will expend them in further improvements and facilities, rather than put them in their pockets at once, it is for the benefit of the country that they do it, and they should be rather encouraged than otherwise.

Surely the people want all the improvements they can get—more railroads, more branches, more double tracks, more quadruple tracks, finer depots, more trains, and more cars—more of everything to facilitate travel and commerce.

*Question 11. "Do you think it right to water the stock of railroads through the device of construction companies, or by other means through which a fictitious basis of value is established?"*

I don't think it right or wise to "water" anything in the sense of giving it a fictitious value. Fiction seldom deceives the public in these days. Judge Black, for instance, watered heavily the figures he gave the public concerning railroad extortions, but Mr. Fink has made such an exposition of the water that I doubt if Judge Black can ever command the public confidence again in any matter of figures.

I think that railroad stockholders should be entitled to a fair showing of the value of their investments; and value is rarely represented by cost, either among railroads, manufactures, mines, or any other such enterprises. One hole in the ground may cost as much as another; but the one may strike oil, and be fairly represented by a large capital, and the other may be worthless. Location determines value far more than cost. A house on Baxter Street may cost more to build than one on Wall Street; but location may fairly give the latter ten times the value. So, one railroad may be built through a mountainous and poor country, and strike little or no paying business. Another, through an easy country, may join populous and growing cities, and prove unusually profitable to the owners, until its success induces the building of a rival line.

Let the law let them all alone. The State can not make good the losses of the unfortunate individuals who invested in the mountain road. They must wait, and take their chances in the future. It should not interfere with the more lucky and more prudent, who built between the growing cities. They also have chances in the future which may turn against them, and, finally, make them no better off than the others. And, meanwhile, it is as communistic to rob any investment of that portion of its value due to location as of that due to cost.

*Question 12. "What do you think of the practice of railroad companies, or railroad managers, contributing large sums to control elections, or to influence legislation, for or political campaign funds?"*

I regard the practice of expending money to control elections, or to influence legislation, by railroad companies, or by railroad managers, exactly as I regard such expenditures by any other companies, or interests, or individuals. That is to say, I condemn most heartily and unequivocally all such efforts in all cases that can be considered in any way tainted with bribery or corruption.

It is, of course, universally the case that, when laws are under consideration involving the interests of any class of

people—whether they be merchants, lawyers, doctors, manufacturers, or what not—that the persons interested will use the best means in their power to have their views laid before the Legislature, and urged upon them; and will endeavor to have elected to the Legislature persons sharing their sentiments.

It is the theory of this republican Government that this should be so—that every class interested in legislation should also have a voice in legislation. What injustice, for instance, might not be done to the merchants, distillers, tobacco and sugar growers, or manufacturers, or importers, if their mouths should be shut, and their hands tied, from equal participation with all other men in the legislation of the country?

The railroad interests, as a whole, have been less active in such matters than any of the others; *and fewer laws can be pointed out as enacted for their special benefit, and more enacted with hostile intent towards them than towards any other large interest in the country.* So far as my own personal observation and experience goes, their principal appearance in Legislatures has been to secure charters to build and extend railroads, which usually benefit the communities even more than they do their projectors; or, on the defensive, in endeavoring to prevent hostile and class-legislation against them, inspired by ignorance and prejudice.

So I would briefly say, that railroad companies have as much right to take an honest part in political affairs as any other institutions or individuals, and as little right to take a dishonest one; and, as human nature goes, I think they are as little guilty of the latter as any of their neighbors.

One of the aphorisms of the day is, "The State must control the railroads, or the railroads will control the State." There would be as much wisdom in saying, "People must drive asses, or asses will drive people."

For my own part, if I owned a dozen Legislatures, I don't know what possible use I could make of them, except to adjourn them.

*Question 13. "Do you think the uncontrolled power of large railroad corporations and their consequent violation of public*

*“rights, as developed in railroad investigations, is responsible in any degree for the growing spirit of communism and the antagonism of capital and labor in this country?”*

I am compelled to say, in reply to this question, that I think the efforts of your committee and others, who, doubtless, with the best intentions, but without due reflection, are endeavoring to concentrate public opinion against railroad corporations, are alone responsible for “the growing spirit of communism” to which you refer, so far as it exists.

In “Exhibit J” you give your argument against this view in the statement that railroads are public highways, upon which all are entitled to equal rights, and that the benefit of the application of steam for the purposes of transportation is a public right. These statements are founded on fact, as far as they go; but they do not go far enough for the purpose of your argument. There is no argument in them. To make them answer your purposes, you must also claim that shippers alone must have the right to decide whether they are given equal rights; or, in other words, that buyers must have the right to fix the price for transportation services, and to decide upon their value, without any reference to the views of sellers.

I do not think you would be willing to adopt this principle in the management of your own personal affairs.

You must also claim that because steam is a boon to humanity, its benefits must be furnished free, and that those who endeavor to realize a profit from its use are extortioners. Such logic is simply absurd.

And, meanwhile, you are endeavoring to create a public sentiment against the possession of wealth, and to hunt for and justify means of attacking it wherever it is found. The whole gist of your arguments and appeals to the public is: “Such a railroad started with ten millions, and now has twenty. Help us take away ten millions from them.”

Would it not be equally legitimate for me to inquire into the private fortune which each of you now possess, and that with which you commenced business; and, if I found that you had increased it by more than simple interest, to cry out:

"Here is a man who started with a thousand dollars, and now has a hundred thousand. Let us find a way to make him divide." Where is the difference? You and the railroads are the two middle men between the producers and the consumers, and we both make our money out of the same people. Are your services more essential than ours? Are you of a different stock of humanity, and more unselfish and honest than we? And where one railroad doubles its capital, do not a thousand of those whom it serves quadruple theirs? Is it not as honest to be a Vanderbilt as it is to be an Astor or a Stewart? And does not the Vanderbilt do far more for the benefit of the whole country, and is he not the first necessity, in order that Astors and Stewarts may arise? And will the communism which would rob the one hesitate to rob the other also?

*Question 14. "In view of the important part played by our water-routes, in regulating rates for transportation during the season of navigation, do you favor a liberal policy on the part of the Government in improving them and increasing their efficiency."*

I do favor the most liberal policy on the part of the Government toward the water-routes, but no more so than toward the railroads; for the reason that the possible development of the water-routes is, after all, very limited, and, when developed, they simply give more facilities to those cities and towns which already possess them to a greater extent than all others. It is like buttering, on the other side, bread which is already buttered on one side. If the butter is plentiful there is no objection to it. I like to see everybody have all of it they want. I only ask that a contrary policy should not be pursued toward railroads, as the railroads alone can give transportation facilities to inland sections. I urge, therefore, that they should, at least, have a fair showing for themselves. That if the General Government is going to expend its millions to open up canals and rivers, that it should, at least, allow those private individuals, who expend their own millions in building the railroads, to receive whatever return they may be able to make on their hazardous ventures, so long



as they willfully oppress no man, and render value received for all they earn.

Having finished your list of questions, will you now permit me to suggest one in return to your committee? Large oaks have all had their origin in little acorns. So, at the bottom of all the theories which you advance on the subject of railroad rates, there must be a little row of figures, which expresses your wishes and ideas. So many cents, for instance, first-class, Chicago to New York; so many cents second class; so many third class, etc. And a similar row of figures, representing the rates from Chicago to Boston, Chicago to Philadelphia, Chicago to Baltimore. All theories are shadowy and unsubstantial until we have them expressed in figures. Then, only, can they go on the way-bills and freight-bills; and then, only, will people understand exactly what they mean.

Now, can not I ask your committee, in all earnestness and in good faith, to make up a set of rates which you think will give satisfaction to everybody and a reasonable profit to the railroads? To make the task as easy as possible, let us have first simply the rates, on grain alone, from Chicago to the different Atlantic ports, and from St. Louis to the same ports. It may not close the discussion, but it will, at least, advance it. It will be then so much easier for us all to understand each other, and the people to understand us both. They may not half appreciate some of the best arguments on each side, but all of these arguments can be left out of the discussion if we can simply get down to a set of figures, and see how St. Louis and Chicago, Boston, New York, Philadelphia and Baltimore, will each be affected, and whether they can agree.

It would be an instructive sight to see six men brought together, representing the wishes of these six cities, and required to agree upon a set of differences or comparative rates, which should be satisfactory to all. There would be heard six of the most convincing and overwhelming arguments that have been produced since the days of Demosthenes, but

the six conclusions would be as irreconcilable as oil and water.

And it would then plainly appear that not one of these cities would care, comparatively speaking, a straw whether the present absolute rates, per 100 pounds, were reduced or not, so that the comparative differences were in its favor.

An astonished public might then begin to realize that nine-tenths of the clamor about rates is simply a part of that fierce and uncompromising struggle, between all commercial cities, to take away each other's business, which will continue long after lions and lambs lie down together, and all the rest of the millennium is successfully inaugurated.

But, as we don't wish to delay the discussion that long, I will only urge now, that you give your own idea of what these comparative rates should be. You have, doubtless, already given the matter that grave consideration that it deserves, as it involves the fates and fortunes of all the ports and markets which compete with you, and you are, perhaps, already prepared with a set of figures which you would like to see enacted into a law by Congress, with penalties, especially for any railroad which shall dare to give a competing market anything lower. At least, if you have not such a set of figures digested, I think a good deal of the agitation you have set on foot is premature.

Now, whenever such a set of figures, on grain alone, for instance, is proposed, I want to call your attention to the fact, that, however low they may be, a railroad can doubtless be found ready to contract to work them, under certain conditions. I can not say exactly what the conditions will be until I can see the figures proposed. But some of the conditions would, doubtless, be of the following character, if the figures proposed are much lower than the present prevailing rates. First: they will want a certain volume of business guaranteed to them, to be delivered in uniform quantities, daily, during each season of the year; that is, a certain amount, daily, in the summer months; and a certain amount, daily, in winter months. Or, perhaps, it may be necessary, to meet a very low rate, to do it all in the summer and fall,

when there is no snow or bad weather to increase the expenses.

Next, they would probably require to be relieved of all expenses of soliciting, and, perhaps, to be allowed a slower schedule than those made at present, in competition with each other.

In the next place, they would require some assurances on the subject of the rates allowed to be charged on local freights, and on return freights of all kinds, for it is plain that the whole earnings of the roads, on all kinds of business, must enter into the calculation, whether or not the rate on any one particular class of business can be reduced. In fact, it can be made to appear *possible* for certain railroads to haul a very large amount of grain entirely free of charge, if they are allowed to distribute the cost of maintenance and operation on their other business. But is this desirable? Is it better for the country that any one product should be hauled free, or nearly so, at the expense of other products and commodities? Should not each commodity bear its own proportion of the expense of maintenance of transportation lines?

I think you must agree with me, that this is most equitable. When, therefore, a lower rate than the present is asked, upon any one commodity, the question arises, whether or not that commodity is now paying more than its just share as compared with others. An inquiry of this sort is one of the most complicated character, involving an inquiry into all other rates charged by the railroads, and the value of the service rendered by the railroads in the transportation of each.

I do not mean to say that the present freight rates are accomplishing, in the most equitable manner possible, such an equal distribution of the burdens to be borne. If they are, it will be unfair to reduce the rates on any one article without, at the same time, reducing proportionately upon all others. If they are not accomplishing it, then, for every article which is charged too high a rate, and which should be reduced, there may be some other which is charged too little, and should be raised.

If we could import, from above, a superhuman intelligence,

capable of grasping and solving the problem of a perfect and equitable adjustment of rates, among all the thousands of commodities which railroads have to transport, and among all competing markets, it would, doubtless, be most desirable to have it done immediately.

But even if this could be done, I fear the result would not give universal satisfaction.

Mortals, with less intelligence, and prejudiced by their personal interests, would accuse even the immortal of "discrimination." Judge Black would prove that he was "robbing the people of six hundred and seventy-five millions a year, on through freights alone;" and if popularity, or a good advertisement, could be gained by it, politicians and prominent merchants would try "to make the people realize how they were being oppressed."

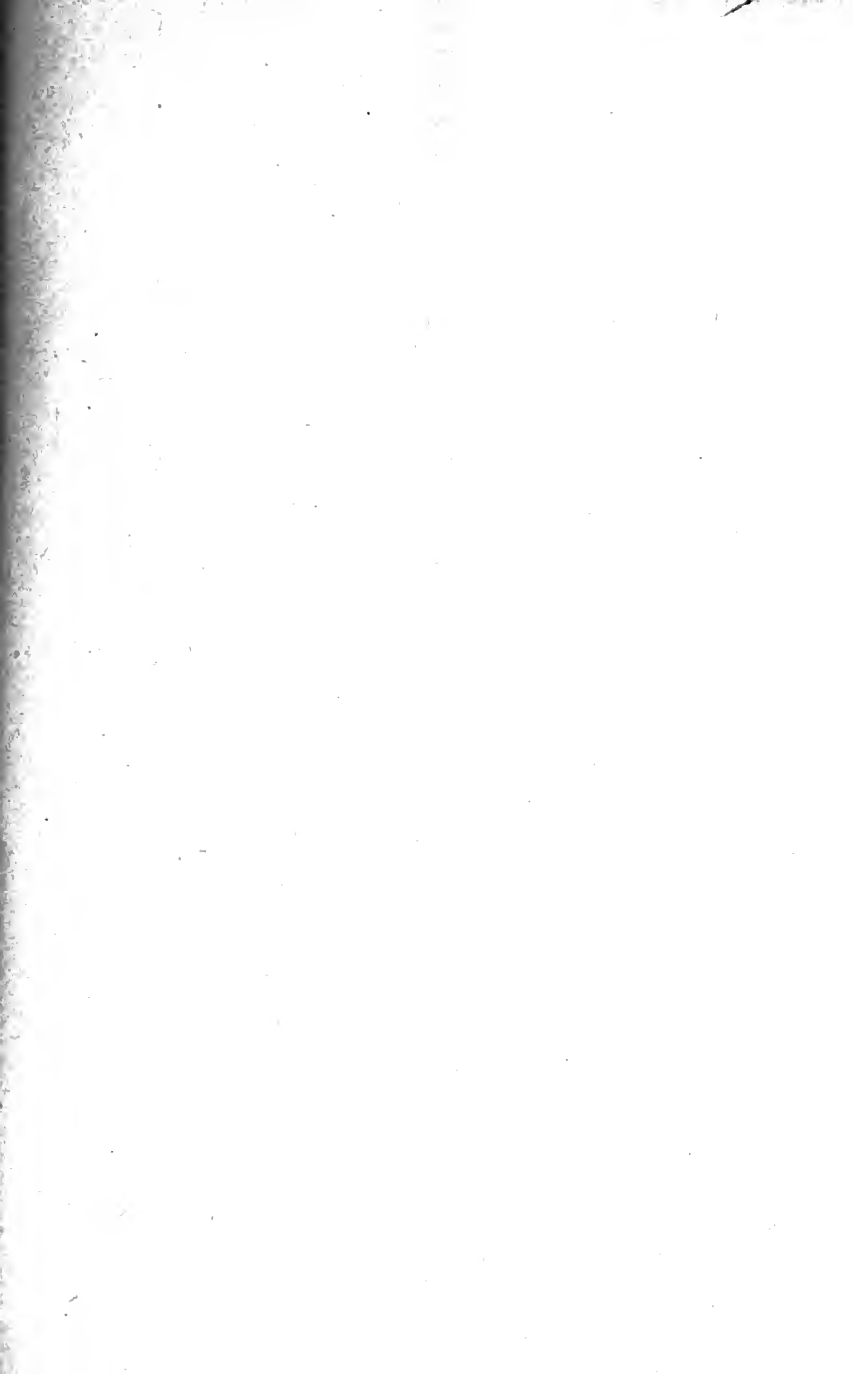
When, therefore, reforms are agitated, and new methods of regulation of railroads are proposed to be instituted, it is at least due to the public, that in a matter of such very grave importance and great difficulties, the discussion should not be confined to theories alone, but the reformers should declare frankly and fully the results at which they wish to arrive, in plain figures, and to demonstrate in figures their fairness to railroad investors, to the public, and to competing markets.

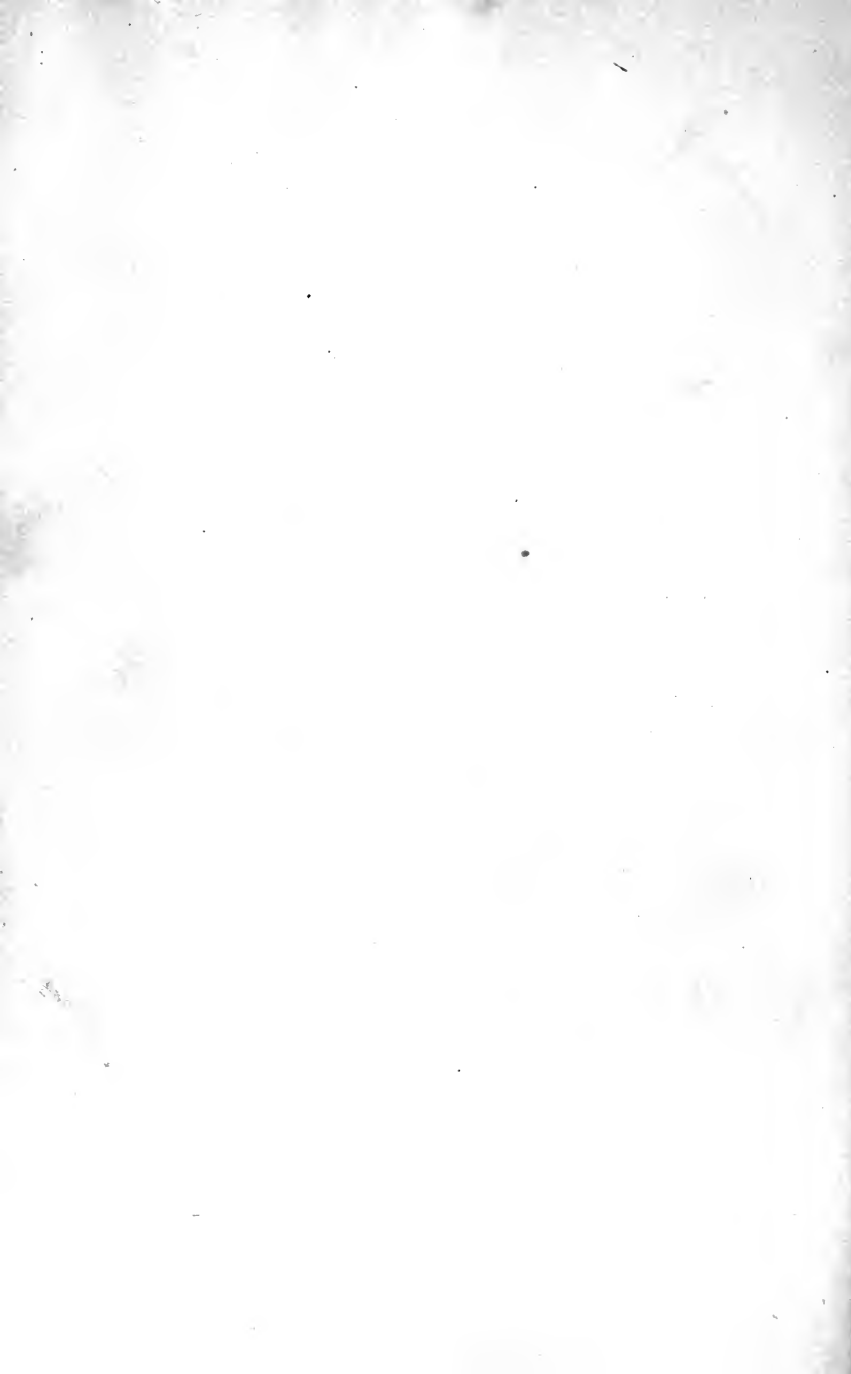
Very respectfully,

E. P. ALEXANDER,

*Vice President L. & N. R. R.*

LOUISVILLE, KY., April 6, 1881.











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