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R E P O R T

OF THE

COMMITTEE ON WAYS AND MEANS

TO INCREASE THE

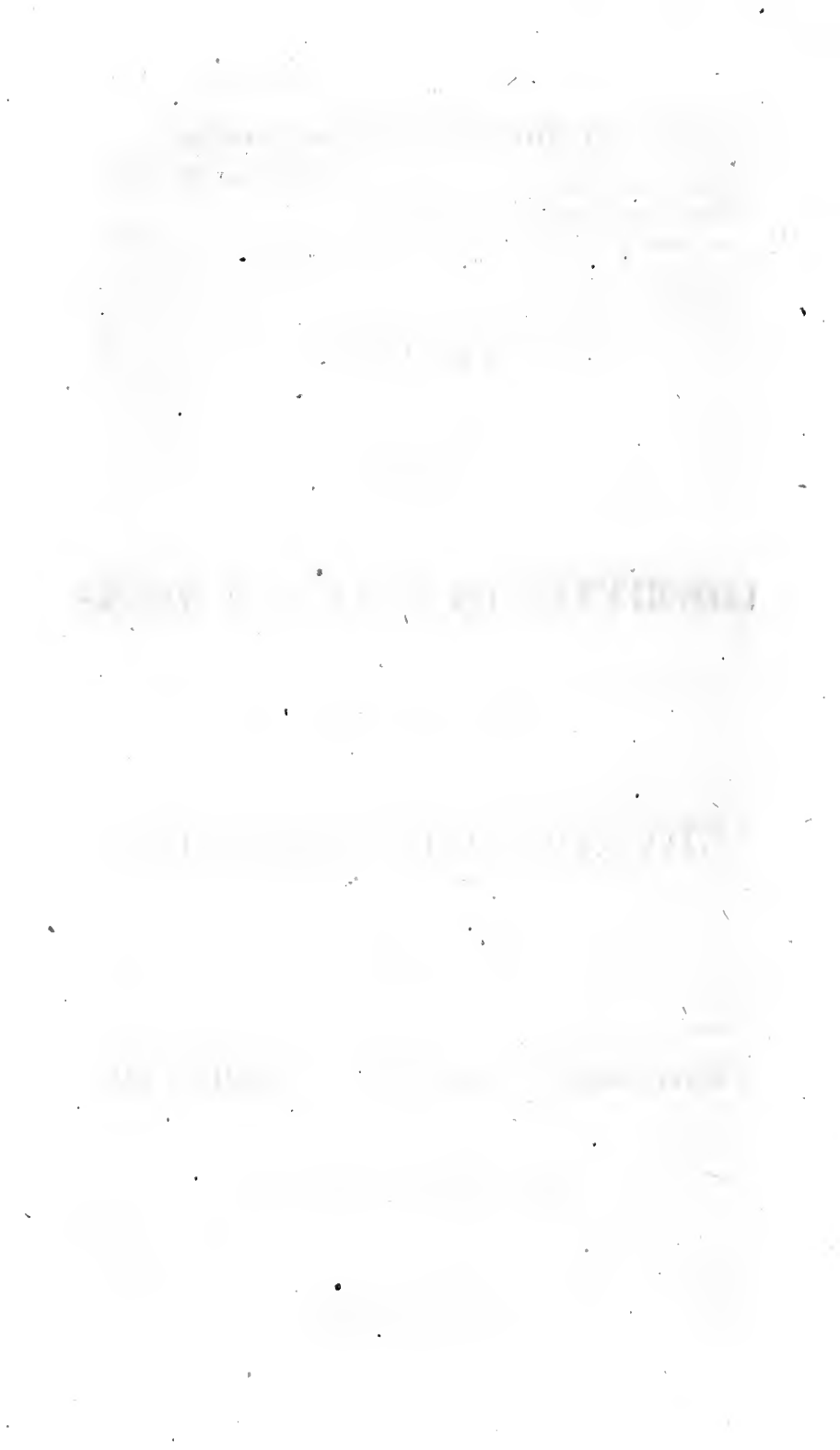
STOCKHOLDERS' DIRECTORS

IN THE

BALTIMORE AND OHIO RAILROAD CO.

JANUARY SESSION, 1864.

ANNAPOLIS:  
BULL & TUTTLE.  
1864.



## REPORT.

The committee on Ways and Means, to whom was referred the bill authorizing the Baltimore and Ohio Railroad Company to increase the stockholders' directorship in said company, so as to give to the said stockholders a controlling influence in the management of said company, have had said bill under consideration, and after patiently hearing the representations of all parties, and carefully and laboriously examining the various phases of the question presented for their consideration, they beg leave to report: that the committee are unanimous in reporting the bill presented to them unfavorably, and with a recommendation that it do not pass.

In the first place, the committee desire to say that, viewed in reference to the effects upon the finances of the State, it is, to say the least, a very hazardous experiment. For many years past we have seen the dividends and interest of the State promptly paid under the present ratio of representation in the management of the company. Is it not prudent to observe the old maxim, and let well enough alone? But it is argued that the interest of the stockholders being to increase their own profits, therefore the State and the city of Baltimore, as partners, would come in for their share of these profits, and would be participants in the general prosperity. But the committee are by no means convinced that with the direction in the entire control of the stockholders, it would always be their highest interest to enlarge the receipts from the company. It must be remembered that the road connects with certain northern and south-western roads, which are prosperous or otherwise, just in proportion as the rates for through freight over the Baltimore and Ohio Road are low or high. With the stock of these western and south-western roads in

the hands of the holders of the stock of the Baltimore and Ohio, the latter would be managed with a view to its effect upon the stock market, rather than for the purpose of paying regular and legitimate dividends or profits.

But the great financial interest which the State and Baltimore city have in the road is not the mere receipt of dividends. When Maryland loaned her credit to the company, involved herself in debt, and ground down her people with taxation, it was not merely that she might get six per cent. dividend upon her investments. She had a higher object in view, viz: to develop the resources of the Western counties, to open the rich treasure house which was hidden beneath the rough surface, and then, by means of this road, and the branches which should be made to run into it, to pour their treasures into the lap of her commercial metropolis. Lands which, with all their riches were almost worthless, were, by the facilities furnished by this road, to be thrown open to the enterprise, skill and capital of the country, thus increasing the taxable basis of the State. The city of Baltimore, being the point at which the products of these Western counties must find the shipping needed to carry them to different parts of the country and the world, would share largely in the results of this liberal policy, adding thus to the wealth and greatness of the State.

Now, it must be borne in mind that the present ratio of representation was adopted just at the time when the State, by its extra aid to the extent of three millions of dollars, made certain the completion of this road, and its connection with other great lines in the West and Southwest. This fact, then, stood out before the Legislature, that by means of these connections the road might be diverted from its original purpose, and might become—if more profitable to its private stockholders, either in direct dividends or indirect speculations in the stock of the connecting roads—the mere thoroughfare for western and southwestern freight and travel. To guard against such a calamity, they gave to the State and the city of Baltimore a controlling influence in the direction of the road. The wisdom of this action has not been without many illustrations in the past, and the committee respectfully submit that with the increasing demand for more facilities for the products of the Western counties, it would be the madness of folly for the Legislature to give up the only means by which she can control the policy of the road.

The committee have given full force to the argument against the political management of great corporations; but, in considering this subject, they have been forced to meet the question of politics in two aspects, and to consider whether it

is more dangerous to have the corporation controlled by the politics of the State, or the politics of the State controlled by a monster corporation.

During all the many years that have passed since the present ratio of representation in the management of the company was adopted, it has never been successfully shown that political management, as it is called, has interfered to cripple or injuriously interfere with its profitable working. No factious opposition has been interposed to that policy, which gave the largest amount of prosperity to the private stockholders, consistent with the security of the interests of the State and the City of Baltimore. All this too, notwithstanding the fact apparent to the committee, that in some instances the discriminations made by the company, have been against the true interests of the State. Theories of future operations, however strong in appearance, always must give way to facts of past experience. And while it is manifest, that the private stockholders have nothing to fear from the, so-called political management, prudence dictates, as the committee earnestly contends, that a representation which was adopted for the protection of the interests of the State, and which may combine, and ought to combine to oppose a policy detrimental to that interest, ought not to be swept away to gratify a mere chimera of future evil. Seeing therefore, that no evil can result from the control of this corporation by the politics of the State, let us ask if there is not some danger that a great corporation, utterly uncontrolled, may control the politics of the State.

And here the committee are not left to mere conjecture. It is a fact well known to every observer of passing events, that in the great States of New York and New Jersey, certain great railroad corporations do exercise a most powerful influence in State politics. The New York Central holds its power at all times, four Representatives in the Congress of the United States, and a balance of power in the State Legislature; while in New Jersey, the complete control of the Camden and Amboy and New Jersey Railroads, has passed into a proverb. By a singular feature of the charter of the Baltimore and Ohio Railroad, its directors are not required to be stockholders. Increase the stockholder's directors to thirty, as asked by this bill, to be selected at will by the man who for the time may hold the proxies, or even by the small number who control the stock of the company, from any portion of the State wherever the purposes of the ambitious parties may best be subserved, and who can calculate the effect upon the political future of Maryland.

It is due to a minority of the committee to say that while uniting in the unfavorable report upon this bill, they are in favor of some increase in the stockholders' directors. With this brief outline of the reasons which have controlled the committee, and with an earnest hope that the Legislature will not surrender its paramount interest in this road, viz: the development of the resources of the State to a mere fanciful fear of danger from political management, a fear which has its effectual question in the experience of the past, the committee ask to be discharged from further consideration of the bill.

Respectfully submitted.

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