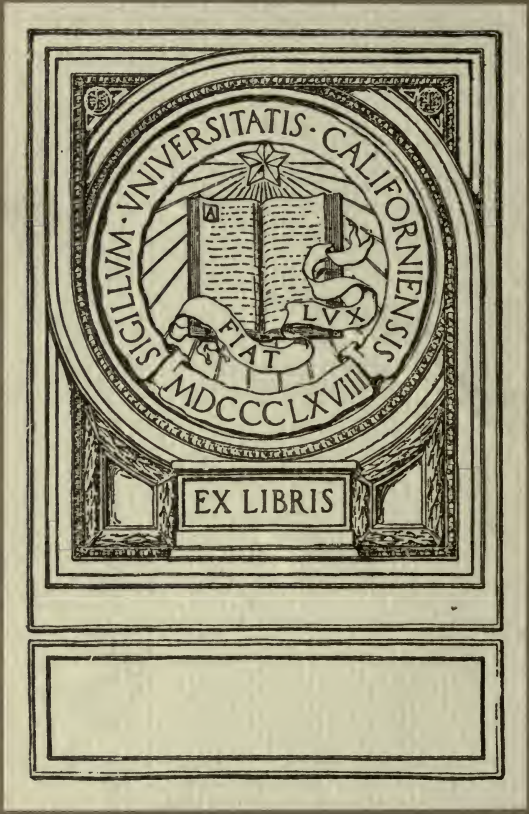


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Shall the Government Own  
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UNIV. OF  
CALIFORNIA

The National Civic Federation

Headquarters: Thirty-third Floor

Metropolitan Tower

New York City

1915

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# Contents

The Trend Toward Government Management  
of Business . . . . JEREMIAH W. JENKS

What Shall the Government Own  
and Operate? . . . . JONATHAN BOURNE, JR.

The Failure of Government Telegraph  
and Telephone Systems . . . . F. G. R. GORDON

Municipalization or a Just Regulation?  
A Plea for the Facts . . . . J. W. SULLIVAN

The Failure of Government Ownership  
of Railroads . . . . F. G. R. GORDON

City Transit Systems: Municipal vs. Company  
Ownership and Operation . . . . J. W. SULLIVAN

Addresses delivered at the Fifteenth Annual Meeting of

## The National Civic Federation

New York City, December 4, 1914

## PREFATORY.

At the Annual Meeting of The National Civic Federation, December 4 and 5, 1914, one session was devoted to a discussion of the question, "How Far Shall the Government Enter into Private Industry?"

The program at this session consisted of addresses dealing with the question as it relates to government ownership of railroads, government ownership of telephone and telegraph systems, and municipal ownership of public utilities. Upon the affirmative side the papers presented were by Former-Governor Walter R. Stubbs, of Kansas; Congressman David J. Lewis, of Maryland; and Dr. Frederic C. Howe, Commissioner of Immigration, and upon the negative side by Former-Senator Jonathan Bourne, Jr., of Oregon; F. G. R. Gordon and J. W. Sullivan. The session, which was presided over by Samuel Gompers, President of the American Federation of Labor, was opened by Professor J. W. Jenks, who analyzed the alleged general trend toward government management of business.

The National Civic Federation intends publishing the entire proceedings of this session in one pamphlet. There has also been a demand for pamphlets containing the affirmative and negative sides respectively. The remarks of Professor Jenks are to appear in each. This pamphlet is devoted to the negative side only.

The paper by Mr. Sullivan on "City Transit Systems" had been prepared, but owing to the pressure of other work at the meeting was not then read.

The price of single copies of the pamphlets is 50 cents; for twenty-five copies or more the price is 25 cents each.



# THE TREND TOWARD GOVERNMENT MANAGEMENT OF BUSINESS

JEREMIAH W. JENKS.

When the war in Europe broke out this summer, I heard immediately from several Americans who were abroad the expression of the hope that the United States Government would at once so amend our antiquated navigation laws as to permit the rapid development of a merchant marine. For some two or three weeks we in Berlin were almost entirely cut off from communication with the outside world, but when we again had the opportunity of seeing American newspapers, most of us were surprised to learn that our Government, while freeing the hands of private individuals in the purchase of merchant ships, had also determined to create for itself a merchant marine, owned and managed by the Government.

If the underlying reason for such action were the greater possibility of having suitable ships promptly available as transports or auxiliary cruisers in case of war, as many people surmise, no one, I think, would object.

If the purpose were to seize the opportunity to take a step forward along socialistic lines, as the recommended purchase of the telegraphs, long distance telephones, and the extension of the work of the parcels post led some to think was probable, many persons would raise serious objections.

There seems to be so strong a trend toward Government management of business, not only in this country but the world over, that it is well worth while to note its direction in various lines of activity, and then to inquire whether it can be determined in individual cases how far it is wise to go, and what the principles are by which a positive decision can be reached.

No one questions that in time of war the Government should go to great extremes in not only direct military defense but also in the indirect defense of the country by preventing commercial loss or financial crises. The most unusual lengths, however, to which some Governments have lately gone have startled not a few people and have naturally aroused these questions.

## TRANSPORTATION.

ROADS.—Many of us are old enough to remember the plank roads of forty or fifty years ago in the lumber producing districts of the Middle West that were afterward followed by well drained and well built gravel or stone roads, all of them built by private companies and managed as toll roads for the use of which all traffic paid a toll, sufficient often to yield a substantial profit to the company, but which beyond doubt yielded a much larger benefit to the community. The local taxpayers were as yet too scattered and too poor to build the roads and the development of the country was largely dependent upon roads that at least were passable. Even after the days of toll roads had largely passed, toll bridges were frequently found, and we, all of us, even here in New York, have the opportunity of patronizing toll ferries to the present day.

Throughout the civilized world to-day nearly all roads are owned and managed by the state, free to the public. They are often poorer than were the old toll roads, but there is much less annoyance. In the newer and wealthier states it has become the universally adopted policy for the public to care for the roads, and since bicycle and automobile owners have become influential, they are often well cared for.

With us the development of roads has been primarily, almost solely, for commercial and social purposes only. In

many European countries, from the days of ancient Rome to the present, the roads, as regards both location and upkeep, have in many instances served a military purpose as well, and that fact has often determined both their location and type. The old Roman Watling Street, stretching across England, is an excellent example of this type.

**RAILROADS.**—The course of the development of the railway systems bears some resemblance to that of the highways, but there are marked differences in all countries which sometimes indicate a difference in principle. In our own country, as we know, the railroads have been and still remain private property, under, however, a government control which has been gradually increasing in extent and stringency for many years. In several foreign countries the Government has built and manages many if not all the railroads. The principles, however, of the administration of the public-owned railroads are materially different from those of the ordinary highways.

In the first place ordinary highways, though they must be built at considerable cost and require a little care and expense for upkeep, differ absolutely in principle from railroads in that the latter demand a skilled organization and management adapted to a highly complex business, while roads require no management at all for their daily use.

Again, in some countries, such as Germany, although the railroads are generally laid out with reference to the benefit of commerce, the decisive factor in determining the location in many instances is military need. And further, they are not free, but are one of the chief sources of revenue, thus taking the place of certain taxes, and in practically all instances laying a burden upon commerce much heavier than that laid by private railway companies in our own country.

In Germany the ultimately decisive factor in determining Government ownership and management is mili-



tary; in some other countries the decisive factor is primarily political and possibly financial. Each country needs to be studied by itself and in making comparison between the experience of different countries one should be careful to take into account all determining factors—a practice that has been by no means universally followed.

Doubtless in all cases the fundamental principle to keep in mind is that of the public welfare, but in a country like Germany, this welfare in the mind of the Government and people as well, is best served by considering first the military aspects of the situation, then the political aspect including the financial, and finally, perhaps, the social aspect. In our own country we practically ignore the military aspect; the political viewpoint is largely a matter of party policy; regarding the financial and social aspects there have been very decided differences of opinion, but I have never seen the viewpoints on either side worked out carefully and without prejudice.

## THE POST-OFFICE.

LETTERS.—The Post-Office is generally cited as the best illustration of Government management. It needs therefore special attention. It should be borne in mind that the post originated with the need of kings and rulers to send messages regularly to distant provinces, and that only afterward, as a matter of convenience, did the post serve private individuals by either giving them transportation or by carrying messages or parcels.

The second reason for Government management was the need for secrecy, first of Government messages, then of private business, it being thought that the Government might possibly be best trusted in this regard. Yet complaint is frequently made that postmen deliver important letters to irresponsible janitors and elevator boys in apartment houses in cities, and that many cases of loss and be-

trayal of confidence thus result. Is the post-office more to be trusted in this regard than the private telegraph or telephone companies?

The development of the uniform rate of postage on letters for all distances is late—not till 1840 in England, and in the '60s in this country, but this mere simplification of rates has had much to do with the success of the postal service and with its extension. It is probably this uniform rate that has thrown into the foreground the social and educational service of the post in sending into the remotest districts at a nominal charge (far below cost in those localities), newspapers, magazines, books and other means of training. Here again we properly put emphasis on the social and educational value of this work in remote districts where letters and papers are carried at a loss. Yet the Western Union Telegraph Co. reports that to a considerable degree it follows the same policy and that a large percentage of its smaller offices are continued at a loss.

POSTAL SAVINGS BANKS.—For some decades in foreign countries (since 1861 in England), and of late under the Taft administration in our own country, the post-office has been used to serve the needs especially of the thrifty poor in remote districts through Postal Savings Banks, Postal Money Orders, and other devices that are rather means of protecting the poor against fraud and loss than of promoting business. In Great Britain this includes also since 1865 life insurance and annuities. In the United States and most other countries the post-office has not yet gone so far in this direction.

PARCELS POST.—The direct promotion of business through a general parcels post seems to introduce a new principle and at once raises the question whether or not it is wise for the State to perform this business function. If so, it should probably be justified on the ground that it does actually effect a saving of industrial energy to the people; that is a question that seems by no means to have

been settled. A brief investigation made some time ago by the Alexander Hamilton Institute of New York with the aid of some hundreds of shippers as to the relative efficiency in many directions of handling packages by freight, by express and by the parcels post, covering an average business of 118,000 parcels per day, indicated that, although, in the opinion of these shippers, the parcels post had the advantage of the express companies in cheapness, in all other particulars—speed, convenience in pick-up and delivery, care in transit, collections, cost of insurance, tracing of lost packages, adjustment of claims—a large majority of the shippers preferred the express companies. And even in the matter of cost, the charges by freight were cheaper than by the parcels post, but, of course, the character of the packages largely differed. While the parcels post had the advantage of the express companies in cheapness and also in certain instances in reaching out-of-the-way places at times not reached by the express companies, the advantages on the whole rested decidedly with the express companies. Even as regards cheapness some shippers said that the post was unsatisfactory, since it took longer to prepare a package for mailing than for express, and if lost, the Post-Office Department “fills out a paper and makes an attempt to locate it but never finds the goods.”

Again the question of cost to the public in distinction from cost to the shipper seems as yet entirely unsettled, for, so far as one can learn, the Post-Office Department has made no statement of cost accounting in connection with the parcels post; so that no one can determine whether really it is carrying cheaper than do the express companies, or whether, as seems not improbable, the difference in charges to shippers is made up by the low rates forced upon the railroads against their will, or by shifting the burden upon other branches of the postal service, or upon the taxpayers. The railroads claim that they have been most unjustly treated; and many senators and



members of Congress agree that the burden has been placed in good part upon them. Certainly the Post-Office Department has no right to claim success in this regard until it can show cost accounts that are clearly comparable with those of the express companies.

The question of public ownership and management of the telephone and telegraph and the Government management of the parcels post is one not to be settled at haphazard. It is one that demands scientific study and a determination of principles. Yet in this whole field of Governmental activity no principles have been definitely established on a fact basis in this country. Many years ago, in 1867, when the question of the purchase of the telegraphs and railways was pending in Great Britain, W. Stanley Jevons, one of the most careful and unprejudiced investigators of the last century, stated that in his judgment State management possessed advantages only under the following conditions:

(1) Where numberless widespread operations can only be efficiently connected, united and co-ordinated in a single, all-extensive Government system.

(2) Where the operations possess an invariable routine-like character.

(3) Where they are performed under the public eye or for the service of individuals, who will immediately detect or expose any failure or laxity.

(4) Where there is but little capital expenditure, so that each year's revenue and expense account shall represent with sufficient accuracy the real commercial conditions of the department.

In other cases he thought Government management unwise.

Jevons thought the Post-Office, in carrying letters, was a success, while, in the same article, he asserted that it is

“but too sure that some of the State manufacturing establishments, especially the dockyard, form the very types of incompetent and wasteful expenditure. They are the running sores of the country, draining away our financial power.”

In 1875, summing up the experience for some years of the Post-Office with the telegraph, he regretted

“the financial failure of the telegraph department . . . because it puts an almost insuperable obstacle in the way of any further extension of Government industry in the present generation.”

He favored strongly a parcels post, but said that “the experience with the telegraph department demonstrated that a Government department cannot compete in economy with an ordinary commercial firm subject to competition.”

Yet he liked the idea of a parcels post and, four years later, in 1879, he urges strongly the adoption of a State Parcels Post for small packages on the ground that it would be

“a really great work of social reform to be achieved.” He believed “it would be the harbinger of universal free trade if made international.”

His reasons were social and political, not economic.

The same line of argument, however, seemed to convince him absolutely that it was not practicable or wise for the State to take over the railways, chiefly on account of the complexity of management and the waste that would be almost certain to result from Government administration. In connection with the cost accounting that I have just mentioned, this sentence, written in 1874, in England, is interesting:

“No English Government Department has ever yet, I believe, furnished a real balance sheet, showing actual commercial results from a year’s work,

with allowances for capital invested, unless it be the Post-Office, which, as I have said, has little or no capital expenditure to account for.”

The question arises again, can we find a guiding principle to determine where the Post-Office shall stop its work? It has already undertaken in practically all countries the sending of letters, papers, small parcels; in many countries the work of savings banks and postal money orders; in still others, the carrying of parcels to eleven pounds, and in some cases, far heavier than that; in still other countries it manages the telegraphs and telephones, and sells insurance and annuities. Is the principle to be primarily to do work for the Government? Is it the dissemination of information for social purposes, even though it is not self-supporting? Shall it protect the savings of the poor? Shall it promote private business? And if so, shall this be done at the expense of the taxpayers? Or solely at the expense of the shippers? All these questions must be answered before we shall know where to draw the line.

Many important questions of governmental policy must be given a different answer in time of war from that which would obtain in time of peace. Lincoln justified many acts as war measures that he would have unqualifiedly condemned in days of peace. In our own country the State has not insured private property or lives except indirectly, as a pension system may be considered a type of social insurance, and in certain cases of life insurance. No one questions the wisdom of this as concerns soldiers or as regards the pensioning of civil servants; but municipal fire insurance abroad has not always proved successful, and in the United States the great private companies in both life and fire insurance seem to have met our needs, though it has been thought wise to put them under governmental control—many thinking the control at the present time unwisely rigid.



**WAR MEASURES.**—The war, however, has led our Government to undertake marine insurance. In an emergency, as a war measure, it need not be questioned. As a permanent policy, on what principle should it be retained?

In this time of war the English Government has gone very far. It declared a moratorium on debts to safeguard the national finances, then it promptly issued a new currency, based not upon gold reserves but upon the credit of the State—a startling innovation for England. Again, the State guaranteed the Bank of England against loss that it might incur in discounting bills of exchange either home or foreign, bank or trade, accepted prior to August 4, 1914. It guaranteed war risks on wheat and flour shipped from Atlantic ports under existing contracts, and further, assumed 80 per cent of the war risks on vessels leaving port after the war began. The intention was, as the Chancellor of the Exchequer declared, “to secure that our vast oversea trade will go on and avoid an undue enhancement of prices and of food and raw materials for producing industries.” The interference in business in England, on account of the war, has gone much further still in some cases, until it amounts practically to cornering the sugar market, to taking over certain industries if interfered with on account of their ownership by foreigners, the immediate control of the railroads by the Government for military purposes, and so on. These acts are accepted without question as war measures and are therefore not to be discussed. As examples of a tendency in our own country in times of peace along somewhat similar lines, we find some of our states insuring bank deposits and some of our statesmen wishing to have the system widely extended. No one doubts that business should be protected under general governmental rules, but how far? And when a Government guarantees, should it also manage?

## EDUCATION.

Americans have had reason to be proud of their educational system, but our practice in this field also raises many questions regarding Government management. Practically every one assents to free elementary education. In most of our states a free high school education is given and accepted without thought. In most of our Middle Western states, the State Universities furnish substantially a free education to any extent required, even training a man in his profession to earn his living, as lawyer, or doctor, or dentist. I belonged for some years to an institution—chiefly privately endowed, however—that had for its motto: “I would found an institution in which any person may receive instruction in any study.” Personally, I see no reason why our universities should not give technical training in horseshoeing, or shoemaking, or any other line of industry, but I seriously question whether technical training should be given free of tuition in either state or privately endowed universities.

TECHNICAL TRAINING.—The dean of one of our schools of commerce in the Middle West said the other day that a student whose tuition was paid for him by his employer, who required him to study the principles of business, was likely to fail. The dean believed that a fairly high tuition should be charged not only for financial reasons but for the excellent effect upon the students themselves. A teacher who leaves an ordinary college to which young men are sent by their parents to get an education, to teach in an institution where young men send themselves for evening work after a day spent in business, paying their own expenses, is immediately struck with the excellent high quality of the students and the serious work in the latter institution. Are our states going too far in the way of giving technical education? Where shall we draw the line?

But besides furnishing all kinds of education under Government management, we even compel children to take

an education. Still further, the public, at its own expense, if need be, carries them to the school house in order to give them the required training, willy-nilly. In 1913 Greater New York expended \$106,495.29 to pay for transportation of children. For 1914, New York City is making provision in its budget to expend \$119,000 for carrying children by street cars, omnibuses—whatever means best meets the need—from their homes to the school in places where the school houses are too distant for them to walk.

In the most "advanced" school systems of to-day all children are examined free of charge to detect defective eyesight, adenoids, dental needs, mental capacity. In needy cases, adenoids are removed without charge and spectacles fitted, to be paid for by charitable societies, while luncheons are furnished at cost; and many principals recommend that they be supplied free and that more than one meal be given. Playgrounds, recreation piers and dances are supplied free now. Shall we go further? I am now not objecting to these things. I merely inquire, Is there danger of carrying this too far? Will the poor children get health at the expense of feeling like paupers? Or can we find some other way of giving them strength? And if we are not doing too much for little children, shall we compel the taxpayers also to give men from 20 to 40 years of age the training to become engineers or dentists or bankers or accountants? And how far shall we go to amuse them? Shall we do even more? If so, why? Is it best for the taxpayers? Is it even best for the men themselves?

We ought not to let our judgment be warped in the discussion of public questions by our sympathy with little children, or with the poor. Clear thinking and sane judgment does not harden the heart, but tender feeling without clear thinking and judgment is a chief cause of many grave social abuses. Let us note that we are in fact getting far beyond the educational field in our public work.



AID TO FARMERS.—Are our states going too far in helping our farmers by showing them without charge how to run their farms? Or by showing their wives and daughters how to sew and bake, and feed the babies in a sanitary way and how to kill bedbugs most effectively? And our Government does all these things. If farmers are to be helped, why not help mechanics in the same way? And is it best to aid any of these classes without definite, considerable direct contribution on their part?

This whole question of public help, including education, might seem outside our topic, were it not for the fact that state management of business seems, in the judgment of some, to have almost invariably a strong element of lack of efficiency which moves us to ask for a guiding principle, and public education is collateral in that regard. Moreover, have we any other Government-managed factory so important as the one in which we aim to produce citizens?

Reports from workingmen's sources claim that the so-called social insurance of workingmen in England is sapping the foundations of independence of character of the English workingmen, and that the workingmen are losing in consequence vastly more than they have gained. It is important that a right decision be reached.

PUBLIC UTILITIES.—The question of municipal utilities—whether they shall be owned and managed by the municipality or by private companies under municipal control—has been much discussed of late and the literature of the subject is abundant. I, therefore, pass this over with simply the statement that many countries have gone far in taking municipal utilities into Government hands and that the tendency seems strong in that direction, and with the question: What are to be the guiding principles? Better service? Cheaper service? Even free service? Revenue? But whatever the principle may be, the actual facts should be known. If we are to compare costs, let

us have identical systems of cost accounting. Do any of our municipal utilities charge rent or depreciation for the City Hall, salaries of mayor and aldermen and similar expenses as part of their overhead? Ought they to do so in order to make fair comparisons with private establishments? If the question is service on street railways, let us know whether the people prefer a seat, or to wait for half an hour before they get a ride, as I have more than once done in Paris and other Continental cities.

If the Government is to take the telephone and telegraph—why? For better service? For cheaper service? For the effect upon the people in the way of protection? We must seek a guiding principle and we must be sure of our facts.

That the tendency is at the present day strongly toward increasing the field of Government management is clear. It is by no means yet clear how far it is wise to go in that direction, and we are still more in the dark as to the clean-cut principles on which decisions should be reached, and as to the actual facts of existing conditions so gathered that the experiences of different systems are clearly comparable.

Let it not be thought, because I raise these questions, that I am opposed to the Government doing these things, or many of them. On the basis of our present very imperfect knowledge I am opposed to its doing some of them. Until we can get a better system of cost accounting, so that we can know who it is that pays the cheap rate on parcels, I am opposed to any further extension of the parcels post. I favor our postal savings bank. But I am very positively of the opinion that the State ought to undertake nothing without very careful consideration of the principles on which it is acting, and without accurate, definite knowledge of the facts by which it should be guided.

## WHAT SHALL THE GOVERNMENT OWN AND OPERATE?

JONATHAN BOURNE, Jr.

The desideratum of all government should be the protection of its citizens and only such restraint of individual action as is absolutely necessary to insure the desired protection of all its citizens.

The limit of the individual's restraint should be clearly expressed by law and not left to the whim or fancy of an executive, a commission, a department or bureau.

A government of rule and regulation, a bureaucratic government such as ours is rapidly tending toward, cannot long endure.

I am strongly opposed to government ownership of railroads because of the following three objections:

First: The fundamental objection that it would be absolutely destructive of popular and representative government;

Second: The unanswerable objection that government ownership necessitates government regulation; that the failure of government regulation necessitates the failure of government ownership; that the success of government regulation eliminates the necessity or desirability of government ownership;

Third: The economic objection that government ownership would be more dilatory, less efficient and far more costly to the people of the country.



## SELF-INTEREST GOVERNS DELIBERATED ACTION.

All government, society and business are composed of human units and directed by the forces controlling human action. Hence, in approaching governmental problems, we should carefully analyze these forces. Where any individual is called upon for immediate action many forces, such as sentiment, love, passion or hatred, may determine the action. I am convinced that every deliberated action of any individual in his primary capacity is controlled or influenced by the individual's opinion as to the effect such action will have upon his own selfish interests. If this be true, then the least power delegated to single individuals in government the better for the interests of those governed.

There are no two people in the world exactly alike and probably there never will be. Hence each individual has a different viewpoint as to what constitutes his own selfish interest. Under community action no individual can secure gratification of his own selfish desire, but must rest content with what the majority of the community believe to be for the best interest of all. Therefore, the more you force the people to act collectively, the more you can distribute governmental power, the better the general welfare of the community governed.

In all organized society there are three great forces continually struggling for supremacy: the police force of government, the religious force and commercial force. The best government would be correlated action between these forces, but with domination of the police force over the religious and commercial forces.

The people as a whole and not any individual should constitute the police force of government. No individual should constitute a government. Our whole political organization is founded on this idea; and yet the present trend of this country, or at least of the present adminis-

tration and some previous ones, has been towards centralized government, with practically plenary powers in the hands of the executive, or department or bureau heads.

The evil results of the police force, commonly called the State, being represented or dominated by a single individual are today most forcefully and horribly illustrated in the European situation where one man by virtue of his occupancy of a throne has involved four hundred million people in a continental war resulting in the slaughter of millions of men, the destruction of billions of dollars' worth of property, and cessation of industrial activities with resultant economic waste beyond human comprehension. Had the policies of European nations been left to legislative bodies rather than to individual monarchs the situation which now exists could not have been developed.

Selfishness and ambition so generally control human action that great delegated power must always be a menace. It is certainly axiomatic that centralized power in an individual or commission can only produce results commensurate with the integrity, ability, experience and unselfishness of the individual or individuals constituting the commission.

## GOVERNMENT OWNERSHIP MEANS CENTRAL- IZED POWER. I

Returning to my first objection to government ownership of railroads, I assert that it would be absolutely destructive of popular and representative government. The ownership of railroads would be quickly followed by ownership of telegraph and telephone lines, express companies, water transportation companies and electric railways doing an interstate business. I am opposed to government ownership of any of these public service corporations.

I present herewith a table I have prepared giving the number of employees, for the years specified, of the United

States Government and of the different public service corporations, showing a total of 3,054,988 employees:

1914, number of government civil service employees.....	469,000
1912, telephone and telegraph employees.....	220,656
1913, railway employees.....	1,815,239
1912, electric and street railway employees.....	282,461
1906, water transportation.....	188,348
1907, express employees .....	79,284
Total .....	<u>3,054,988</u>

Reflect over these figures. Remember that in the last ten presidential elections the President has been chosen by a plurality varying from a little over 7,000 to about two and a half millions. Can any persons familiar with the politics of this country doubt the correctness of the assertion that, under government ownership of these public service corporations, with the resultant addition of over two and a half million employees to the government pay roll, those employees and their friends would inevitably control the government under our political machinery? The tendency would be more pay and less service in governmental employment, resulting in ceaseless efforts on the part of outside labor to secure government employment because less onerous and more remunerative, with cumulative dissatisfaction and irritation in all private enterprise.

In the past, presidents have been able to dictate the nomination of their would-be successors, either themselves or others, because of subservience to the executive of the great number of Federal office holders. While it is true that universal adoption of presidential primaries would minimize the possibility of repetition of this misuse of power in the future, yet, even under a primary system, the existence of over three million employees, subject to removal, promotion, transfer or demotion by executive order, would give a political power that should not be delegated to any single individual if the government is to last.



## WOULD THROW RAILROADS INTO POLITICS. X

Advocates of government ownership urge that the taking over of the railroads by the government would eliminate them from politics. In my opinion, it would have the opposite effect, throwing them into politics.

The assertion that the railroads are now a positive factor in politics is untrue. Undoubtedly there was a time when railroads and other large corporations exerted a very large and very effective influence upon state and national politics, but that time has passed. The Direct Primary has overthrown the power the corporations had under the old convention system and the people have the power to-day not only to select between candidates, but to choose the candidates as well.

Government ownership would be followed by organization of government employees for the promotion of their own interests. These employees would immediately become an organized factor in every campaign. Their influence would be exerted, not primarily for the promotion of the best interests of the country, but for the promotion of their own interests. Their influence would be thrown with the party or candidate that promised most for the fulfillment of their desires.

So long as the party in power kept on good terms with the three million government employees, it would have their support, and the support and co-operation of their relatives. While it would be absurd to argue that any such body of men would act as a unit at all elections, it is altogether probable that a sufficient number of them would so act as to make them a formidable political organization.

An administration backed by an active organization spread throughout the length and breadth of the country would thereby have a tremendous and practically overwhelming advantage over the party seeking to supplant it.

The establishment of classified civil service rules and regulations would not remove the menace to truly repre-

sentative government. Even though appointments be made in part in accordance with competitive tests, the fact that chief officers of the party in power have control over promotions, demotions, transfers and removals, would make the individual governmental employee subservient in politics, except where practically the whole body of employees acted in accordance with prearranged plans for the benefit of the employees themselves.

### DISTRIBUTION PREFERABLE TO CENTRALIZATION.

Our government was founded upon the principle of distribution, rather than centralization of power. The framers of the American constitution provided for three branches of government, the legislative, executive and judicial. The legislative branch, composed of a large number of individuals, was designed to be the dominant branch, for it was vested with the law-making power. The judicial branch was designed to interpret and the executive branch to execute the laws enacted by Congress.

But in practice we have drifted far from the principles adopted when the government was founded. Ours is a representative form of government, generally conceded to be the best thus far evolved by the brains of men, because it is a government of, for and by the people. Yet, especially in the past two years, our tendency has been, in my opinion, entirely contradictory of the theory upon which our government was constructed, and, unless checked, must result in absolute destruction of representative government.

Some political leaders seem to have gone commission mad. Every social and economic problem, in their view, calls for the creation of a new bureau or department or commission with power to make rules and regulations for the government of the American people. Congress, the legislative body of the constitution, is becoming but an instrumentality for the creation of bureaus and commissions vested with the real law-making power. The citizen

of to-day who wishes to know what he can or cannot do within the law, consults not merely the statute books, but the latest pamphlets of rules and regulations adopted by some department or bureau head or commission.

While I believe the Interstate Commerce Commission has accomplished and is accomplishing much good; have favored its receiving the power to regulate railroad rates; yet I realize that it is yet to be demonstrated whether the powers it already has should be enlarged or curtailed, and I am appalled at the realization that the legislation of the past two years has so centralized government as to place the interstate business of this country practically in the hands of nineteen men, or possibly of eleven; the Interstate Commerce Commission, consisting of seven members, or a majority of four, practically determining rates affecting the welfare of the whole nation; the Federal Reserve Board, consisting of seven members, or a majority of four, practically determining currency expansion or contraction affecting all business of the country; the Trade Commission, consisting of five members, or a majority of three, that will practically dictate the policies of 160,000 of the large corporations of this country, with the inevitable result that attempts will be made to use these boards as political machinery for the advantage or disadvantage of some administration and ultimately of some individuals,

## REGULATION NECESSARY UNDER GOVERNMENT OWNERSHIP.

Proceeding now to a consideration of my second objection:

It is strange that the advocates of government ownership, who assert the failure of government regulation, overlook the fact that government regulation is just as essential under government ownership as it is to-day. If the Interstate Commerce Commission must be charged with the duty of regulating rates, supervising provisions



for protection of life, and guarding against favoritism and discrimination, surely all these duties must be performed under government ownership.

The conflicting interests of competing shipping points would exist under government ownership just as they exist to-day.

Every section of the country and every industry would be before the managing board of the government railway system asking for reduced rates on certain commodities, or between certain points.

Every community would be before the Board asking for improved service, improved equipments and extension of lines.

Where the Interstate Commerce Commission has one problem to solve now, it would have ten under government ownership.

It cannot be expected that discrimination will be eliminated under government ownership. Those who anticipate any such reform need only recall the serious differences that have arisen already in the Federal Reserve Board over the effort of the Secretary of the Treasury to extend special favors in financial matters to one section of the United States.

## DISCRIMINATION IN GOVERNMENT SERVICE.

Another proof that we would have discrimination—unfair discrimination—under government ownership, may be found in the records of the Post-Office Department, where such discrimination has been practiced. In 1910 Postmaster-General Hitchcock ordered the establishment of what is known as the "Blue Tag Service," under which certain publications were ordered transported on freight trains while rival publications of very similar character and competing for the same trade were continued in the mails.



Please remember that, although these magazines which were ordered transported on freight trains paid exactly the same rate of postage and were admitted to the mails under exactly the same laws as those that were continued on fast mail trains, yet they received under the Postmaster-General's deliberate order a far less efficient character of service.

When such a discrimination can be made in the postal service, who can doubt that there would be similar discrimination under government ownership and operation of the railroads?

Government ownership of telegraph and telephone lines would result in intermittent press censorship and continuous press subservience to the administration in power, thereby utterly destroying our zealously guarded "freedom of the press."

Discriminations no doubt exist to some extent to-day, but they have been reduced to a minimum. The point I wish to impress upon your minds is that government ownership would not relieve the country of the necessity of a government regulation.

If government regulation is a failure to-day, we have no good reason to believe it would be a success under government ownership. We cannot hope to secure for the management of a government-owned railroad system men who are more honest or more capable or more aggressive in the performance of their duty than are the members of the Interstate Commerce Commission and the officers of the Department of Justice.

If they cannot succeed in enforcing the law and in preventing discrimination, we cannot expect them to establish and maintain equitable service under government ownership.

If a member of the President's cabinet will undertake to favor one section of the United States in the operation of a Currency and Banking Law, some other member of

the President's cabinet would attempt to favor some section of the country in the management of government railroads under his control.

Therefore, I assert again, that if government regulation is a failure, government ownership will be a failure, and if government regulation is a success, the reason for government ownership is eliminated.

### GOVERNMENT SERVICE MORE EXPENSIVE.

The economic objection to government ownership is the one I deem of least, and, in fact, of very slight relative importance. I am not one of those who think that government ownership would lead to financial disaster, or ruin of the transportation service, or the destruction of internal commerce. I have no doubt whatever that the government could acquire the railroads, operate them with a fair degree of success, inaugurate some reforms and save some waste through the elimination of duplication. But I am also convinced that while the government, as the owner and operator of the railroads, would likely inaugurate improvements in some respects, these would be more than offset by deterioration in the service in other ways, and that the economies accomplished by elimination of duplication would be more than counterbalanced by increased expenses in other respects.

It seems to me to be absurd to argue, as some gentlemen do, that the government could take over the railroads, provide better equipment, install the most up-to-date and expensive appliances for the protection of employees and passengers, increase the wages and reduce the hours of employees, and at the same time give service as good as now rendered at a less cost.

That every practicable precaution should be taken for the protection of life, no one will question. This, as I understand it, the Interstate Commerce Commission now has the power to require. I have no doubt whatever that

it has ordered the installation of protective equipment as rapidly as it is deemed practicable.

Undoubtedly there is some waste in the present system of management because competing roads maintain more frequent train service than is necessary between certain points, through an effort on the part of each to secure as large a share as possible of the traffic. The elimination of some of the trains would mean a somewhat reduced service, a correspondingly reduced cost and a consequent saving. I cannot agree, however, with those who believe that this reduction in service, due to the elimination of competition, and reduction of supervisory organization in the management due to the consolidation of all the railway systems into one, would effect any economy whatever, when allowance is made for the increased number of employees incident to government ownership. That it costs the government more to perform service than it does a private concern is so generally recognized that it requires no demonstration.

Under present conditions, passenger and freight rates are practically uniform on competing lines and the only competition is in the matter of service. The effort of the managers is to secure a larger portion of the traffic by providing superior facilities and rendering superior service. With the elimination of competition under government ownership, this incentive would be entirely removed. At the present time, every employee is urged by his superiors and compelled by his own desire to retain his position and secure promotion by demonstrated ability, to put forth every effort to secure business for his company by offering the traveler and the shipper the best service practicable. Under governmental ownership that incentive would be removed. The employee would perform his routine service with faithfulness, no doubt, but without putting forth unusual effort.

One of the arguments made in behalf of government ownership is that it would mean increased compensation



to railroad employees. That this result would be realized, no one will question, nor shall I assert that it ought not be realized. What I do contend is that the advocates of government ownership who base their arguments upon economic reasons, err in their contention that the government can both increase compensation of employees and reduce the cost of transportation to the shipper.

The average compensation of the present railway employee is about \$723 per annum. The lowest salary paid to the railway mail clerk during the first year of his employment, when he is performing practically unskilled service, is \$900 per year. The average compensation of the railway employee is therefore below the least compensation of railway mail clerks in the employ of the government.

If the average compensation of railway employees should be increased one-third, which is a very conservative estimate of the increase that would be experienced under government ownership, the total addition to the compensation account would be \$400,000,000 annually—the present pay roll of the railroads amounting to over \$1,200,000,000 in round numbers.

### GOVERNMENT SERVICE LESS EFFICIENT.

My assertion that government ownership would be less efficient is based to a large extent upon a personal experience I had some four years ago. On December 21, 1910, by the adoption of a resolution which I introduced, the Senate called upon the President to inform the Senate as to the total number of officers and employees of the government, exclusive of enlisted men of the army and navy. Sixty-five days elapsed before the information was transmitted to the Senate, it being received on the evening of February 24, 1911.

While waiting for the receipt of this information I became curious to know how long it would take large corporations to supply similar information regarding their



own service. I therefore addressed letters to the Standard Oil Company, United States Steel Company, and the Western Union Telegraph Company asking them how long it would take them to supply the information. The Standard Oil Company replied that it could supply the information in three days; the Western Union could supply it within a few days. I received no response from the United States Steel Company.

It was a cause of great surprise to me that it should take the departments of the Government, all located in Washington, sixty-five days to inform the Senate as to the number of their employees, when all appointments are made from Washington and all pay rolls audited there.

The Post-Office Department and its service is frequently lauded, especially by Postmasters-General and their assistants, for its efficiency and economy. Let us analyze: mail is deposited by citizens in post-offices and letter boxes, picked up by postal employees, carried to assembling points, routed for destinations, delivered to privately owned railroads, transported by them all over the country; received by postal employees and distributed in post-office boxes or by carriers to the addresses. Could this service be performed without the privately owned railroads? Is the Post-Office Department entitled to sole credit for this activity? Are not the railroads entitled to some credit for safe and expeditious transportation all over the country, especially when public opinion compels them to carry the mail, and at rates which I am satisfied after two years' special study of the subject are too low?

I have no desire to minimize the credit due the postal mail collectors, clerks and distributors, yet comparison with large mail order houses, where I have known a mail order for twelve different articles from eight different departments to be filled, with the packages on the platform at the car within four hours from the time of the receipt of the letter containing the order, shows an efficiency and organization in the mail order house that does

not exist in the postal department, because of better executive direction in the former than exists in the latter.

The head of a mail order house or other large business establishment engaged in distribution devotes his time to increased efficiency, better service and intelligent economies, while a Postmaster-General's time is too apt to be consumed in an effort to build up a political organization by the distribution of nearly 60,000 post-offices among the faithful followers of the administration.

Successful private business is run on the merit and promotion plan, while we are prone to run the government on the demerit and demotion basis.

### STATISTICS UNRELIABLE.

In this discussion I make very little use of statistics, for it has been my observation and experience that statistics are very unreliable and are very likely to be misleading, even when used with the best of intentions. Statistics are quite frequently derived from a prejudiced source and usually selected and used to support preconceived ideas.

Let me elaborate a little on my statement that I have found statistics unreliable.

You will all remember that the Postmaster-General of the last administration declared in his last annual report that he had succeeded in placing the Post-Office Department on a self-supporting basis and had a surplus of \$219,000 as proof. The first report of his successor, the Postmaster-General of the present administration, challenged this statement and asserted that the apparent surplus was produced by a "faulty method of accounting" and that instead of a surplus there was in reality a deficit of \$732,000.

I shall not take your time to enter into a discussion of the relative merits of the two assertions which involve a

difference of \$951,000. It is sufficient to know the indisputable fact that one of the Postmasters-General was wrong. The incident serves to illustrate not only the unreliability of statistics but the probability that government statistics are manipulated to suit the purposes of the management of the department.

Just as it was to the interest of the Postmaster-General of the last administration to make a bookkeeping showing of a surplus in the management of the department of which he was the head, so it is to the interest of the management of government-owned railroads of every country in the world to make the record show successful management. Because of the personal interest of those in control, the statistics which they make public should be viewed with care and accepted as true only after the most thorough scrutiny.

It is not necessary that statistics be inaccurate or used with dishonest intent in order to be misleading. Correct figures may be used with the utmost good purpose and yet lead to erroneous inferences.

For example—in an article in the *Saturday Evening Post* of June 6, 1914, Governor Stubbs said:

“During the year 1913 the railroad companies of the United States received in revenue \$3,171,000,000. There are in this country approximately twenty million families of five persons each. The average cost of living for these families last year was approximately \$625 each. Railroad transportation cost each of these families an average of \$158.50, or a quarter of its total expense.”

Later, Mr. Stubbs refers to this railroad revenue as a “tax.” While Mr. Stubbs does not say in express words what conclusion he wishes drawn from his use of these



figures, the unexpressed inference is that each family was mulcted to the extent of an average of \$158.50 during the year.

In a reply to the Stubbs article, President Ripley, of the Santa Fe, presented what he termed a "reductio ad absurdum," in which he enumerated nine items of family expense which totaled \$12,848,000,000, or an average of \$642.35 per family. These items did not include food, clothing or rent, yet they exceeded the total average cost of living.

The thought that occurs to me in connection with the manner of presentation which Mr. Stubbs has adopted is this:

If a computation of the average revenue of the railroads per family is pertinent to a discussion of government ownership of railroads, why is it not also pertinent to compute the average railroad expenditure per family? If the railroads are to be charged with the revenue collected, why not credit them with the money expended?

I have not at hand the documents from which Gov. Stubbs secured his statistics as to the total revenue of the railroads of the United States. I have here, however, the text of the 1912 report of the Interstate Commerce Commission covering the financial operations of 246,828 miles of road that reported to that body. The report does not state the amount of the total income of the railroads, but by addition I ascertain that the report shows for this mileage of roads a total income from all sources of \$2,995,596,275, or an average of almost \$150 per family, assuming that there are twenty million families in the United States. These same roads paid out for wages, supplies, taxes, interest and dividends, a total of \$2,942,682,321, or an average of over \$147 per family. The remainder of the income was spent for additions, betterments, new lines, extensions and reserves.



In this connection the following table on ton mile revenue and distribution may be interesting to some:

Average receipts per ton mile.....	0.744	cent
Distributed as follows:		
Wages .....	0.321	“
Material and supplies.....	0.200	“
Taxes .....	0.030	“
Rentals (net) .....	0.012	“
Interest (net) .....	0.108	“
Balance for stockholders, to cover adjustments, improvements, dividends and surplus.....	0.073	“

The average rate of dividend on all railway stock in 1912 was 4.64 per cent.

The average rate of interest accrued on all railway funded debt in 1912 was 4.22 per cent. This represents interest legally accrued and charged by the railways to their income account, whether the interest was actually paid to the bondholders or not. In other words, this covers interest defaulted as well as interest paid. If the amount of defaulted interest could be ascertained and subtracted from the total amount of accrued interest, this rate would unquestionably be somewhat smaller.

Personally, I see nothing pertinent in the computation of the average railroad revenue per family, but, if there is any force in the presentation of the figures as to income, I submit that the average railroad expenditure per family is just as pertinent and the averages are so nearly the same as practically to counterbalance.

### EXAMPLES OF DEPARTMENTAL VACILLATION.

In 1879 Congress directed the Postmaster-General to secure from the railroad companies transporting mail certain information relative to operating receipts and expenditures, the purpose being ascertainment for proper compensation for railroad mail transportation. Intermittent attention was paid to this congressional direction, and in 1907 a departmental commission of five was appointed by Postmaster-General Cortelyou. Over 140 questions were

prepared and propounded to the 795 steam railroads then carrying mail.

It cost the railroads \$250,000 to furnish the information and the government a direct out-of-pocket cost of \$19,423 for tabulation of the information contained in the railroads' answers which is set forth in Document No. 105, 62d Congress, first session, and reported to Congress August 12, 1911. Accompanying said document was a suggested draft of a bill indorsed by Postmaster-General Hitchcock, accompanied by a letter conveying the impression that the result of the adoption of such legislation would be a saving to the government of about \$9,000,000 in railway mail pay.

Here we have a concrete result of four years' research work in a department with an expense to the people of practically \$270,000, for, in the final analysis, the people pay the railroads as well as the government's bill.

Study of the bill showed that Mr. Hitchcock and his assistants had failed to realize that rights of way, road beds, track, equipment and terminals were necessary prerequisites in the operation of mail cars, for in his method of payment he had made no allowance whatever for capital charges, recommending that the government only allow 6 per cent on the ascertained cost to the railroad companies for carrying the mail, and his predicted \$9,000,000 saving to the government was based entirely on this premise.

Fortunately Congress had created a Joint Congressional Committee which made an exhaustive study of the subject. With tardy realization of the absolute fallacy and injustice of his first suggested plan, Postmaster-General Hitchcock, on January 23, 1913, submitted a second draft of bill for regulation of railway mail pay. Study of this plan by the Joint Congressional Committee soon demonstrated that the plan was practically unadministrable and certainly undesirable.

On February 12, 1914, a third plan, in the nature of a tentative draft, was submitted, and the Joint Congress-

sional Committee was soon satisfied that same was unscientific and most undesirable, giving unnecessary and dangerous powers to the Postmaster-General and containing rates, which, if adopted, would be absolutely confiscatory.

The Joint Committee's demonstration and the ultimate realization on the part of the Department of its mistake in its third bill resulted in the submission to the House of Representatives of a draft of what is known as H. R. 17042, introduced in the House of Representatives on June 4, 1914, sections 13, 14 and 15 of which cover "Compensation for the Transportation of Mail." The Joint Congressional Committee again demonstrated the department's suggested rates under its new plan to be absolutely confiscatory.

Here we had four departmental plans suggested and urged for enactment within a period of three years, each differing from the others in fundamental features, but all seeking further dictatorial and plenary powers for the Postmaster-General. Do you expect successful government ownership of railroads under such a vacillating management as that?

During the nearly two years' study made by the Congressional Joint Committee the department presented estimates of annual over-payments to the railroads to the amounts of \$9,000,000, \$10,531,792, \$1,615,532, \$319,832 and \$221,832. Many other instances of very inadequate and unreliable statistics furnished by the Post-Office Department during this investigation could be cited.

#### POSTAL STATISTICS ERRONEOUS.

Very similar was the experience of a Congressional Committee between 1898 and 1901, when the department submitted statistics that the railroads were paid on an average of 6.58 cents per pound for transporting mail averaging 40 cents per ton mile, with an average haul of 328 miles, whereas a special weighing demonstrated



that the average payment was, in fact, 2.75 cents per pound, averaging only 12.56 cents per ton mile, with an average haul of 438 miles.

Commenting upon these statistics, Congressman Moody, afterwards a Justice of the Supreme Court, said:

“In other words, we were not paying one-third as much as the Post-Office Department had led the people of the country to believe we had been paying.”

The commission appointed in 1911 to investigate the subject of Postage on Second Class Mail Matter, of which commission Justice Hughes of the Supreme Court was chairman, had a similar experience. It repeatedly found the statistics submitted by the Post-Office Department to be erroneous and the department changed its figures where compelled to do so by demonstration of their inaccuracy. So glaring and numerous were the errors that the commission commented upon them as follows:

“It seems hardly worth while to include subsidiary tables from which these results are taken or to criticize the details, as the commission has little confidence in their accuracy.”

I have made frequent references to the Post-Office Department not through any desire to specially criticize that department, but because the postal service is the only government activity which corresponds with the government ownership and operation of railroads and furnishes the only demonstration based upon experience of what we might expect under government ownership of railroads and other national public utilities.

### REMEDY FOR EXISTING EVILS.

I recognize the fact that evils exist in every line of human activity, and that remedies must be provided. My own theory is that government should leave as large opportunity as possible for individual enterprise and industry,



holding out as an incentive the assurance of enjoyment of the rewards of legitimate endeavor. In order that opportunities may be equally open to all, wrongful acts must be prohibited by criminal statutes which should impose penalties so severe and make punishment so certain that violation will be extremely rare. This assurance of a large degree of liberty and also definite restrictions upon improper action should not depend upon the varying whims or prejudices or even the sound judgment of bureau heads, but should be prescribed by act of the law-making body established by the constitution, so that every citizen can read in the plain language of the statute the extent of his rights and the limitation upon his liberty.

No one will condemn more severely than I the wrongful acts of corporation managers who have pillaged their stockholders or wrecked the institutions over which they had control. Deeds of such character should be made criminal by law, if not already so defined, and prison doors should swing open to receive and confine the culprit who is unfaithful to his trust.

But eradication of evils of this kind does not require government ownership. There is no need to stifle individual enterprise, ambition and energy in order to prevent repetition of wrongful acts. Advocates of government ownership propose a remedy worse than the disease. In the misguided effort to cure evils in railroad finance, they would fasten upon the nation evils far more serious, far more insidious, more deeply affecting the welfare of present and future generations, striking at the very vitals of truly representative government.

For my part, I have not lost confidence in government by law. I am not convinced that the crooks in railroad-ing so far outnumber the honest men that elimination of the dishonest is hopeless. The day is not near so dark nor the prospects so gloomy as some would have us believe. There is still a preponderance of good among the American people and we have not yet reached the time when we

must write upon the pages of our history the declaration that we shall buy the railroads because we cannot control the crooks.

I am not satisfied that efficiency goes with government employment. I am not ready to give my approval to a plan which means the establishment of a political machine composed of three million government employees and their relatives and friends. I have the utmost confidence that if Congress will take its magnifying glass off the White House and relieve itself of the delusion that a citizen becomes an omnipotent statesman as soon as he has become president, we shall be able to solve a considerable number of the problems that now confront us, and without placing a check upon that marvelous American enterprise which is justly the admiration of the civilized world. I believe that the American people still have confidence in representative government and that when they realize the trend of public affairs they will rebuke the effort to establish one-man government with dictatorship from the executive mansion.

## FAILURE OF GOVERNMENT TELE- GRAPH AND TELEPHONE SYSTEMS.

F. G. R. GORDON.

The most common argument made in favor of the socialization of the telegraph and telephone is that under private ownership they are a monopoly, operated for profit, with high rates and poor service; and that by having the government own and operate them they can become a part of the postal system with large economies in operation, and in turn supply the people with cheaper rates, good service and higher wages to the men and women who operate the lines, and, lastly, provide a surplus for the Government.

I shall prove just the opposite of all this glittering dream; I shall prove that wherever the telegraph or the telephone has been socialized there is extremely poor service, with large financial losses, low wages for employees, and rates that, on the whole, are fully as high as they are in this country, and in many instances higher.

Nearly all the nations of Europe, as well as New Zealand and Australia, own and operate both telegraph and telephone systems and have done so for many years.

The alleged "success" of our Post-Office Department is used as an argument for the further extension of the socialization of the means of communication. But, as a matter of fact, there are fundamental differences existing between the social function of the Post-Office and the work of the telegraphs and telephones. The mail service is universal; it requires mostly only the simplest character in its operation; its work is to a great extent performed by private common carriers. But, despite its comparative simplicity and ease of operation, our Post-Office has not been a financial success from any standpoint. All the gains, where any have been made, have come from the private ownership features of that business.



The Hon. David J. Lewis, author of the bill to nationalize the telephone system, asserts that 1.85 per cent of the business of the Post-Office is franked and that but for this free transportation, and the further fact that 29.24 per cent of the business pays only 5.19 per cent of the revenue, our Post-Office Department would have paid an annual profit each year since the Civil War. This is merely a half-truth and an assumption, and in this case the half-truth is pretty bad. In the first place, if that 1.85 per cent of franked mail were not free, three-fourths of it would not be sent through the mails at all, so Mr. Lewis is 75 per cent wrong there. And the same thing is true of at least half of the 29.24 per cent which he says pays 5.19 per cent of the revenue. Congressman Lewis is either not very familiar with these facts, which are self-evident, or he is merely a dreamer of strange dreams. And as for the franking privilege, he ought to know that the Post-Office Department is the recipient of large favors from Uncle Sam, which rightly are a part of the expense of conducting the business but which are paid for by the Treasury Department.

The most striking example of this last statement is that the Postal Department does not build or care for the public buildings which it occupies. While the Post-Office does an annual business, on both sides, of about \$600,000,000 it has only five or six million dollars of capitalization for the entire Nation. Even some of the salaries of the staff are paid out of the other departments; the Postmaster-General, Assistant Postmaster-General, the Assistant Attorney-General and the subsidiary general officials connected with these officials are not paid from the postal revenues. The expenses of this character, as shown by an examination of the Appropriations Act of March 4, 1913, were to amount in 1914 to \$1,913,350. In the appropriations for the Treasury Department we also find that for the office of Auditor for the Post-Office there was appropriated for salaries in the

postal savings system and other expenses the sum of \$766,620, with an additional sum of \$18,000 for the postal savings banks, and \$5,000 for the Department of Justice for the Attorney General for the Post-Office. This figures up a total of \$2,702,970 of expenses that legitimately belong to the Post-Office Department, but which are met by other departments. It is quite pertinent to ask Congressman David J. Lewis, public ownership advocate, why he failed to give us this information.

Vastly more important than these expenditures are those for public buildings and their repairs and care. In the twelve months from July 1, 1911, to June 30, 1912, the total cost for public buildings and their care amounted to the great sum of \$22,660,212.85, and at least 75 per cent of this outlay legitimately belonged to the Post-Office, and was paid by the Treasury Department. Keeping in mind the statement of Congressman Lewis that but for the franking system, etc., the Post-Office would have paid every year since the Civil War, I point to the fact that the entire revenue of the postal system from 1865 to 1913 was \$3,775,838,529, and the total gross expenditure was \$4,055,106,045. This shows a direct loss of \$279,267,516 in these 48 years. The indirect losses were millions more. For instance: The public buildings used exclusively for the Post-Office had cost for construction, sites, and extensions and alterations the sum of \$58,991,738.42 up to June 30, 1912. And other buildings which were jointly used by the Post-Office, Custom House, etc., had cost \$127,080,549.68. If we allow but 75 per cent of this last cost to the postal service, then we have a total up to June 30, 1912, of more than \$153,000,000 as a capital investment which properly belonged to the Post-Office to pay interest upon, though it paid not a cent. The annual interest charge at 4 per cent would amount to \$6,000,000. When Congressman Lewis was using the Post-Office to bolster up his argument for a socialized telephone he didn't give us this very valuable information. Take this interest charge and the cost for salaries paid by other

departments which should be paid by the Post-Office, amounting to nearly \$3,000,000, and the care for the public buildings, their extension and repairs, we have a total annual deficit of more than \$14,000,000 on the average for every year since 1865!!! Here is a grand total loss of \$672,000,000 in 48 years, and this is what public ownership advocates call a "success."

Just now these advocates are boasting of the wonderful success of the parcel post. The alleged facts about that much-praised system are simply more half-truths. The mails are weighed once in four years and the railroads are paid on this basis for the succeeding four years. Nearly every railroad official in the country is complaining of inadequate pay for this service. Some statistics will tell why the postal revenues for 1907 were \$183,585,000, and for 1912 they were \$246,744,000, or an increase of \$63,159,000. The railway mail pay in 1907 was \$51,008,000, and in 1912 it was \$50,703,000. In other words while the mails were increasing several hundred million pounds the railway mail pay was decreasing. This was before the parcel post was established January 1, 1913. The service was inaugurated with a weight limit of eleven pounds, and for the first six months the railroads received no compensation whatever for this greatly increased business. On July 1, 1913, all the railroads which did not have a weighing in the Spring of 1913 were allowed an increase of five per cent for mail transportation. A month later the Postmaster-General increased the weight limit to 20 pounds and on January 1, 1914, a further increase was made. This naturally produced a large increase in the volume of traffic, which the railroads were forced to carry absolutely free. It was estimated that the parcel post would carry 600,000,000 packages for this year (1914) and that it would yield a revenue to the Post-Office Department of \$60,000,000. This is how Uncle Sam makes money on the parcel post.

If a shoe manufacturer had free rent and heat for his plant and paid only 75 per cent for the cost of transporta-



tion for 100 per cent of service, is there any reason why he should not make a howling success while his competitors all about him were failing? As a matter of fact the Post-Office Department is underpaying the railroads to-day to the extent of from \$20,000,000 to \$30,000,000 annually, and at the same time is losing about \$14,000,000 every year on the average if we take all the facts into consideration. It's about time that the enthusiasm directed upon blindly lauding the Post-Office Department be concentrated upon a constructive effort to overhaul the system and remedy its glaring defects. It is the worst managed big business in this country, and talk of its success simply encourages the growth of the socialistic idea in other lines, and more especially as to railroads, telegraphs and telephones. Uncle Sam pays the railroads less than twenty per cent of the total expense of the postal service, while the British Post-Office pays 24 per cent in general, and 55 per cent on the parcel post business.

Fortunately for us, other nations have socialized both telegraph and telephone systems, and therefore comparisons between private and public ownership can be shown. In both Europe and Australia the publicly owned telegraph and telephone has passed far beyond the experimental stage. I propose to show by facts and statistics that government ownership of these means of communication has resulted in failure. In the first place let me point out the foolishness of attempting to socialize the telephone and leaving the telegraph under private control. Governments of Europe which had public ownership of the telegraph socialized the telephone just as soon as it was demonstrated that it could carry conversation, for the very reason that they did not dare to face competition, and likewise if we are to socialize the telephone we must also own and operate the telegraph or else suffer a competition that Uncle Sam can not successfully meet. It is assumed by the advocates of public ownership that the telegraph and telephone can be consolidated with the Post-Office and thus save large expense in operation. It is, however, the general outcome

in the administrations of the several nations of Europe that this does not work out in practice and that the supposed economies do not materialize.

### TELEGRAPH RATES COMPARED.

A great deal of loose talk and misstatement has been made regarding rates on the publicly owned telegraph systems of the world. A very important fact in connection with this is that in Europe the address and signature are both counted as a part of the message. Take the telegraph system of Great Britain as an example. It looks like a very cheap service when we hear that a twelve-word message is sent over the wires of Great Britain for 12 cents. But if you send a message from London to Liverpool, you will naturally give the city and street address and the names of sender and receiver. This will consume at least ten words, leaving only two for the text, or in reality six cents a word, as compared with the method in this country, where the address and signature are not counted. The following table shows the different rates in Europe for a ten-word message with address and signature, allowing ten words for address, etc.:

France .....	\$0.193	Great Britain .....	\$0.200
Norway .....	.268	Germany .....	.238
Belgium .....	.116	Italy .....	.212
Sweden .....	.268	Denmark .....	.268
New Zealand .....	.200	Austria .....	.244
		United States..	.250 to .300

The corresponding rates for ten-word messages, allowing five words for address and signature, are as follows:

France .....	\$0.102	Great Britain .....	\$0.15
Norway .....	.201	Germany .....	.179
Belgium .....	.096	Italy .....	.164
Sweden .....	.201	Denmark .....	.201
New Zealand .....	.15	Austria .....	.183

For the preferred rates we find that several countries in Europe actually charge from two to three times higher than we pay in this country, allowing *ten* words for address

and signature. In Germany, for example, the rate is 71.4 cents; in New Zealand it is 40 cents; in Italy 63.7 cents; in Austria it is 73 cents. In Great Britain there is no urgent rate. Urgent or preferred rates in the United States are on the above basis—25 to 30 cents. Allowing only five words for address and signature, the preferred rates for ten words of text would be: Germany, 53.6 cents; New Zealand, 30 cents; Italy, 49.2 cents, and Austria, 54.9 cents.

With the exception of Russia all the countries of Europe are small compared with the great territory of this country and Canada. The trade and commerce of Europe may be compared in practice with that of the different States or Provinces of this hemisphere. Thus the international messages all over Europe are numerous, as is natural among more than 300,000,000 people living mostly within two thousand miles of one another. Twenty-seven per cent of the telegraph messages in France are domestic non-commercial and international inward and transit telegrams; 50 per cent in Norway; 44 in Sweden; 51 in Switzerland; 24 in Germany; 25 in Italy; 40 in Austria, and 10 in Great Britain.

I have attached to this paper as an Appendix a table showing the percentage to total telegrams (a) of international telegrams of all kinds; (b) of outward international telegrams; and (c) of domestic non-commercial telegrams. These figures are taken from those published by the Office of the International Telegraph Union at Berne (the source from which Congressman Lewis's statistics are derived), without any attempt to check their accuracy. An ordinary message of 15 words, which includes the address and signature, sent from Belgium to France costs 35.7 cents, but if the same message be preferred or urgent the cost is \$1.071. The rates from Belgium to Germany are the same. A like message from France to Germany (ordinary) will cost ordinarily 43.4 cents; urgent, \$1.303. A 15-word message from Great Britain to France costs



60.6 cents; from Sweden to France, ordinary, 72.4 cents; urgent, \$2.171. From Switzerland to France, or to Germany, the rate is ordinary 38.6 cents, and urgent, \$1.158. For the distance from Stockholm to Paris, 1,000 miles, the rate for a 15-word message, address and signature is 72.4 cents. From New York to Chicago, about the same distance, the rate for a 10-word message, address and signature free, is 50 cents. And this 72.4 cent rate is not far from the average all over Europe. For "urgent" everywhere in Europe the rates are much higher than in this country. Thus we see that in Europe on the whole the international rates are double the domestic, and it is the international rates that should be compared with rates in this country because the distances are more nearly even.

We should not lose sight of the fact that what is known as "ordinary" service on the socialistic telegraph lines throughout Europe is a service that is so poor, so utterly incompetent, that it would not be tolerated in this country. The "preferred" service is the only kind that corresponds with the average service on the telegraph lines of this country, and the cost in Europe is very much higher than for the same service in the United States.

Congressman Lewis and other advocates of government ownership of telegraph lines submit tables of rates in Europe which to a considerable extent are misleading, owing to the fact that on messages passing through two countries a single message is counted as two and the cost split; if it passes through three countries, it is made to count for three messages, with a one-third rate. There is no more justification for this "splitting up" of a message than there would be for our counting a message from Smith of Massachusetts to Jones of Pennsylvania, as three messages and dividing the cost, making it one-third per message the real rate because it happened to pass through three states.

From Paris to Vienna is about 650 miles, and the cost for a 15-word message is 57.9 cents as against only 40 cents

in this country for the same distance. But Mr. Lewis would divide the message between Paris and Vienna into three and split up the cost, and thus demonstrate that rates are higher here than in Europe.

The following table shows the great difference in the area of this country and the different countries in Europe:

	Area in Square Miles	Per cent of U. S.
United States .....	*3,026,789	100.0
Austria .....	115,800	3.8
Belgium .....	11,400	.4
Denmark .....	14,800	.5
France .....	207,000	6.8
German Empire .....	208,800	6.9
Great Britain .....	121,400	4.0
Hungary .....	125,600	4.1
Italy .....	110,700	3.7
Netherlands .....	12,600	.4
Norway .....	124,100	4.1
Sweden .....	172,900	5.7
Switzerland .....	16,000	.5

This table gives you at a glance the tremendous differences in distance within the boundary lines of these countries. The average telegraph haul in the United States is about 570 miles, and the average for the night letters is 1,025 miles. In Belgium the average haul for domestic telegrams is only 42.5 miles, in Great Britain 150 miles. Thus, measured by the distance served, the average cost for telegraph messages in this country is far cheaper than in Europe. As for service, every one who has lived in Europe, or who has taken the trouble to investigate, knows that the telegraph service of this country is far superior to that of any other country.

## WAGES.

Another point which public ownership advocates seem to know nothing about, or they ignore it, is the difference in wages in the several countries compared. Facts show,

\* This area excludes Alaska, the Canal Zone and the Island Possessions.

however, that the wages paid to telegraphers in this country will average about two and one-half times those of Europe.

### DEFICITS.

Deficits is another thing that the public ownership fellow seems to forget about. Nearly every government owned telegraph system in the world is run at a loss. In 1870 the British nation completed the ownership of the entire telegraph systems. It is reported that the profit under private ownership was an average of \$1,600,000 annually. The government had only fairly got started when the deficits commenced and they have ever since been growing. For the last few years the annual loss on the system has been over \$5,000,000. For the twelve months ending March 31, 1913, it was £1,175,347 or \$5,723,940. The year before, according to a statement made by a socialist leader to the official organ of the Socialist Party of this country, it was \$6,196,285. These losses include the interest charges upon £10,867,644 or \$52,925,426 of capital. It has been stated by several writers, who assert that they have the facts, that this \$52,925,426 does not, however, represent the full cost of the system, and that some \$30,000,000 additional capital should by right be included in the capital cost. Sydney Brooks places the loss since 1870 of the socialized system at \$200,000,000. We are told by the socialists that this loss is more than offset by the cheaper rates. This is not true, but if it were, where would it leave us? The system would be in the position of taxing all the people in 43 years some \$200,000,000 in order that the dukes, the lords, the rich bankers, merchants and manufacturers might have their telegraph rates cut in two. In other words it would be taxing all the people in order that less than 10 per cent of them might have "cheap" rates! Ten per cent of the population send 90 to 95 per cent of the messages. And, as already explained, the rates are not so cheap as they appear in the reports. The cost of twelve cents for twelve words sounds pretty



good until one understands that the address and signature are charged for. John L. Jones, 3 Lane Street, Liverpool, counts seven words and A. T. Smith three more, making ten out of the twelve used for address and signature, which shows about how much of a message one can send for 12 cents. Each additional word is charged one cent, so that 12 words with the foregoing address and signature would cost 22 cents, and not 12, as we are told by those who want our aid in giving the people of this country more socialism. In 1901, which is the latest available figure in regard to telegraph losses in that country, the government telegraph system of Germany lost \$3,500,000, while that of France lost \$1,880,000 in 1905, the latest figure available. In 1912-13 the loss in Australia was \$799,206 and in New Zealand on telegraph and telephone combined the loss was \$313,212. Nor must we lose sight of the fact that the publicly-owned telegraph and telephone pay no taxes. The taxes which they would pay were they in private hands would have to be paid by the people under other forms.

No thoughtful man can imagine that the great telegraph system of this nation can be operated anywhere near as cheaply under government ownership as under the present system. Public ownership everywhere has increased the cost of operation and almost always lowered the standard of efficiency. If we were to socialize the telegraph system to-morrow, in less than two years we would add 25 to 35 per cent to the cost of operation; we would overstaff the system, hedge it about with red tape, and in time make of it what our postal system is, namely the worst managed big business in the nation.

### TELEPHONES.

As with the telegraph so with the telephone. We are presented half truths and whole misrepresentations of the government owned telephones of the world by Socialists and public ownership advocates.

For example, we all know that in this country we enjoy a telephone service that is continuous, 24 hours a day and 365 days in a year. In Europe and Australia there is a limited service. Only a small percentage of the stations are open 24 hours a day, many are closed Sundays and holidays. In Switzerland only three and a half per cent of the total telephone offices give a 24-hour service, while 46 per cent are open from 7 A. M. to noon, then closed for two hours, open from 2 to 6 P. M., and from 8 P. M. to 8:30 P. M., and closed the rest of the day. Forty-two per cent are open from 6 A. M. to 9 P. M. only. In New Zealand only 6.3 per cent give a continuous service; 34.1 per cent are not open after midnight, and 59.6 per cent are open from 9 A. M. to 5 P. M. only; while 84.7 per cent are not open on Sundays at all, and 80 per cent are not open on holidays. In Germany an extra charge is made for service at night in the limited number of exchanges which give night service. Thirty per cent of the German exchanges are closed during the noon hour. Many exchanges in Great Britain are closed from 10 P. M. to 4 A. M. Most of the small exchanges in France are closed during the noon hour and after 10 P. M., and on Sundays are open only to 10 A. M. In Limoges, a city of 92,000 population and the seat of the great pottery industry of France, an all-night service is given, but is paid for by the Chamber of Commerce. Imagine the Springfield, Mass., Board of Trade paying for night service for the population of that city. In Nimes, a city of 80,000, there is no night service after midnight. Recent statistics covering the whole of Belgium show that out of the 272 central offices in the country, only 12 are operated day and night; 190 are open only from 7 A. M. to 9 P. M., while in 60 the hours of service are even more limited.

It is of importance that the telephone systems of

Europe cost more than in this country from an investment standpoint, as the following shows:

	Average Investment Per Telephone
Austria .....	\$211
Belgium .....	276
France .....	257
German Empire .....	178*
Hungary .....	192
Switzerland .....	190
Australia .....	163
United States (Bell).....	153

Yet the labor per day or hour in this country for the building of a telephone plant is more than twice as high as in Europe.

### COMPARISON OF RATES.

There are several grades of rates in this country for the same cities; but in Europe this is not the system. In Paris, for instance, there is only one rate for business and residence, the cost being \$77.20 a year. In New York, with graded rates, 79 per cent of the telephones cost less than the uniform Paris rate, many of them being as low as \$36 to \$42 per subscriber. Paris has 95,000 telephones; New York, 483,653, and Philadelphia over 133,000, and 90 per cent of these are under the Paris price. Chicago has more than 300,000 in use and 91 per cent cost less than the Paris rate; Budapest has 24,567 telephones, which cost just \$60 a year each; St. Paul, Minn., has 23,000, which cost a maximum of \$72 and a minimum rate of \$24, and 94 per cent of the telephones in use in St. Paul cost less than the \$60 rate of Budapest. In connection with these rates, which are in many respects higher than those of the United States, we must not forget to speak of the wages, which are most important, for they are a large part of the cost of operating a telephone plant. The following tables

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\*A German official has recently told me confidentially that the telephone plant account, on which this figure is based, is a fictitious account.



give the wages of telephone operators (in the largest exchanges only), in the countries named:

	Wages Per Week
Austria .....	\$3.00
Belgium .....	2.60
France .....	4.10
German Empire .....	4.60
Great Britain .....	2.65
Switzerland .....	5.20

The above are for a minimum wage, the maximum averaging about 10 per cent more. The maximum wage in Europe is not reached until after from ten to thirty years of service. The minimum wage in the City of New York is \$6 a week, the maximum \$10, and the average in general is about three times higher than the average rates in Europe. Then, again, we should not lose sight of the ability of the people to pay for either telegraph or telephone service. As the average weekly wage in all occupations in this country is from two and a half to three times that of Europe, we see that if our telephone rates were two or three times as high as they are in Europe, from a relative standpoint they would be the same. As a fact, the telephone rates in this country are actually cheaper than upon the government owned lines of Europe.

Here is a table that gives the average exchange revenue per station in terms of equivalent American dollars in several countries equated on the basis of operators wages:

	Revenue		Revenue
Austria .....	\$75.60	German Empire .....	\$49.40
Belgium .....	114.80	Great Britain .....	59.30
France .....	63.60	United States (Bell)...	30.95

## LOSSES ON GOVERNMENT TELEPHONES.

Another important point not alluded to in Congressman Lewis's tables is the annual losses on government owned telephone systems. For instance, in Australia the annual deficit amounts to over a million dollars; in New Zealand on the combined telegraph and telephone toll serv-

ices, for five years, it was \$318,000. In Austria the annual losses on post office, telegraph and telephone, combined, amount to \$500,000. In France, on the telephone alone the loss in 1905 (the latest figures available), was \$380,000, and on the telegraph \$1,880,000. In the Kingdom of Bavaria the annual loss on the telephone is 150,000 marks. From 1899 to 1909 inclusive the total loss on the Swiss Government telephone system was \$1,327,647. The Government telephone and telegraph systems of Denmark lost \$395,000 from 1876 to 1911. The total loss on the Australian telegraph and telephone since it was socialized has been nearly \$20,000,000. In every country from which I have been able to get any information there is an annual deficit in both telegraph and telephone under Government operation.

An important fact in Congressman Lewis's comparisons is that he gives in almost every instance the maximum rates in this country and the minimum rates in foreign countries. For instance, he gives a rate for the telephone in Los Angeles of \$63 a year, where the Bell company gives a minimum rate in that city of \$36. Indianapolis is quoted by him as having a rate of \$54 a year, but the Bell rate for minimum service for business is \$42, and for residence only \$18. Mr. Lewis quotes Seattle as having a rate of \$90, but the Bell company gives a business minimum rate of \$54, and \$24 for residence. He quotes a rate for Washington, D. C., at \$168 a year, yet the Bell company has rates as low as \$30 in that city for both business and residence.

Mr. Lewis does not show the proportion of subscribers having maximum and minimum rates. His comparisons for long distance rates are also worthless. He has not mentioned the higher cost of labor in this country. He does not show the losses on the toll service in Europe, losses which have to be made up by general taxation. In

some instances he has called a kilometer a mile, whereas it is only .62 of a mile.

Mr. Lewis tells us that the toll rate in Austria is 38 cents for all distances; but it is 38 cents for 100 miles, 61 cents for 300 miles, and 81 cents for 500 miles.

Another point of vast difference which Mr. Lewis fails to mention is the fact that in Europe if you wish to talk with a particular person an additional charge is made; in Germany this is often twice the regular charge. Nor does he mention the most important fact of all, namely, quick and good service. The average time to complete a long distance telephone connection in this country is about five minutes, but between large cities it is much less. From New York to Philadelphia the time is only 70 seconds. Compare this with the half-hour it takes for London to connect with Paris. From London to Liverpool it requires twenty-five minutes; London to Manchester, twenty-five minutes; London to Birmingham, thirty-five minutes, and so on. In Germany it requires thirty-two minutes to complete connection between Berlin and Cologne, thirty-six minutes between Berlin and Paris, and thirty-five minutes between Berlin and Frankfort.

The figures re waiting times in German toll service refer to 1906. The German Government has recently attempted to discredit them. Recent and official statistics as to France, however, are available, and are as follows:

Line	Average Waiting Time—Hours
Paris-Berlin .....	1/2
Paris-Brussels .....	1
Paris-Zurich .....	2
Paris-Marseilles .....	1 1/2
Paris-Lyons .....	2
Paris-Bordeaux .....	1 1/2

Such service in this country is unthinkable. In almost every instance the foreign toll rate is higher than in the United States. In this connection Sydney Brooks says:

“In almost every country where the telephone is a government monopoly, you will find that it has not been carried beyond the tentative and experimental phase that America



left behind two decades ago. More rigid and with less initiative than private corporations, hampered by political considerations, unwilling to concentrate responsibility, less disciplined and less elastic in their organizations, the governments of Europe, with perhaps two exceptions, have made their administration of the telephone a synonym for all that is wasteful and incompetent. They pride themselves on the comparative cheapness of their subscription rates and call rates. But a cheap service that is inefficient and backward is far worse, from the standpoint of public welfare, than a dearer service that is prompt and can always be depended on. I would rather any day spend ten cents (if that is the charge in New York), and be sure of getting it at once than waste four cents in London on a prolonged babble with a stupid operator, insufficient lines, and a conversation—if any conversation ensues—that is only audible when it is interrupted.”

From 1901 to 1906 Glasgow attempted to operate a municipal telephone, but it was a lamentable failure. Not only was the service poor, but there was an annual deficit. During the five years of its operation the city lost \$275,000, which the tax-payers had to make good, and, besides this, the city lost \$58,000 on the sale of the plant to the British Post Office.

Publicly owned telegraphs and telephones are everywhere characterized by wretched service, low wages to employees, use by but a small percentage of the population, and large annual deficits.

The latest reports show that out of 13,570,874 telephones in use in the world the United States has 8,729,592, and out of 33,261,934 miles of wire the United States has 20,248,326.

New York City has more telephones than the three great cities of Paris, Berlin and London combined. Congressman Lewis's statement that with government ownership the masses will be enabled to use the telephone more extensively is merely the talk of a dreamer, without proof. Where the government does own both the telegraph and telephone, it is not the masses but the classes that mostly make use of them.

Many men who think they are not socialists are advocating government ownership of the telegraph, the telephone and the railroads, but they fail to see that the socialization of these services is but a step toward the socialization of all the means of production and distribution. The government ownership advocate is a socialist, though he may not know it, and in supporting government ownership of the railways, the telegraph or the telephone is indirectly, if not directly, working for the government ownership of your store, your farm and shop, and most important of all the government ownership of your labor.

TABLE PUBLISHED BY THE OFFICE OF THE INTERNATIONAL TELEGRAPH UNION  
AT BERNE.

Country	Year	Total Number of Telegrams	International Telegrams (Outward, Inward and Transit)		Outward International Telegrams Only		Non-commercial Domestic Telegrams	
			Number	Per Cent to Total of Telegrams	Number	Per Cent to Total of Telegrams	Number	Per Cent to Total of Telegrams
France .....	1912	56,414,351x	12,406,237	22	5,106,250	09	8,809,335	16
Norway .....	1912-13	3,792,891	1,437,757	38	671,494	18	65,622	02
Sweden .....	1912	4,996,387	2,690,926	54	735,814	15	203,293	04
Switzerland .....	1912	6,494,067	4,594,582	71	1,498,442	23	192,978	03
Germany .....	1912	64,309,040	20,822,920	32	8,539,780	13	3,160,250	05
Italy .....	1911-12	25,315,532	3,607,359	14	1,763,587	07	4,547,606	18
Austria .....	1912	23,866,058	11,974,656	50	4,392,813	18	1,857,008	08
Great Britain ...	1912-13	93,873,000z	16,838,000	18	8,066,000	09	2,016,000	02

x Not including 10,705,662 pneumatic tube messages.

z Includes traffic passing exclusively over the lines of cable companies.



# MUNICIPALIZATION OR A JUST REGULATION? A PLEA FOR THE FACTS.

J. W. SULLIVAN.

Dr. Howe, in his "European Cities at Work," gives recognition to a generous scope for municipalism. His program takes in, for the field of economics, municipal transit, gas, electricity, water, telephones, dwellings, ferries, river boats, markets, slaughter houses, bakeries, savings banks, pawn shops, house-renting agencies, and public works departments; and, for the field of social welfare, for adults, theatres, music halls, rathskellers, legal aid offices, and employment bureaus having on sale food and beer, and, for children, playgrounds, milk depots, medical attention, and feeding at school. This, the doctor holds, is a "happiness program."

The time at our disposal to-day permits us to take up for consideration only a few of the municipal projects which the doctor advocates. We select the undertakings requiring in their operation a fixed and exclusive use of the highways, such as gas, electricity, and street railways. The doctor demands for these municipalization throughout, in order to establish conditions which shall result in the highest common good. This principle calls not only for a community ownership of the highways but also a community ownership and operation of the undertakings. The principle is thorough communism in the proposed scope of activity.

Against this principle stands another, which, recognizing the common ownership of the highways as essential for movement of man and his belongings from place to place, demands, in order to establish conditions which shall result in the highest common good, the forms of competi-

tion in ownership and operation of these undertakings which experience has shown to be practicable. Under this principle, franchise, contract and regulation would be the bases for the public work which requires an exclusive occupancy of the highway. The community, as owner of the highways, would prescribe—clearly, sharply and fully—private operation, evading grants of monopolistic powers by stipulating prices and character of the service. The community would permit the capital engaged in such operation to earn, if it could: 1. Current interest on investment in the working property for an enterprise. 2. Wages of superintendence and labor. 3. Compensation for risk in initiation and maintenance. 4. Fair yield from the increase of business, or economy of operation, arising from energy in administration and improvements in methods and machines. Further, the community would guarantee: 5. Preservation of the due regard for vested interests necessary for an established confidence in the rectitude and integrity of organized authority. Manager and investor must have guarantee that where they sow they may reap.

This principle of regulation, with its essential particulars as just given, was maintained by the representative private operators of public utilities in the United States who were on The National Civic Federation Commission of eight years ago. Through such regulation the community and the franchise holders would be expected to achieve the recognized benefits arising from the principle of free industry.

We have here two principles, two methods, two social ideals—economically irreconcilable and socially antithetic. Strangely, in this enlightened age of official reference books, engineers' and auditors' trade periodicals, and continuous investigations, the controversialists supporting these opposing principles give the public two widely varying stories of the civilized world's experiences in municipalization.

The citizen, in his struggle to understand this problem

and form a fair judgment upon it, is of a certainty entitled first of all to a knowledge of the decisive facts in the case as up to the present developed. Dr. Howe, in "European Cities at Work," has voluminously given his testimony on municipal ownership, and the present is an occasion to examine, in some of its most salient points, the value of that testimony.

One of the most highly important of Dr. Howe's statements (page 339) is that in 1910 the municipally owned street-railways of the United Kingdom carried 2,102,483,000 passengers, who paid on the average 2.1 cents fare, amounting to \$47,437,170, and that "had these car riders paid the average fare of five cents charged in America they would have paid \$105,124,150." Here is an alleged difference in one year, to the disadvantage of American street-car fare-payers, of \$57,686,980. But, the doctor's comparison overlooks two facts that count heavily in street-car fares; first, that only a small percentage of the British municipal tramway systems issue free transfers, and secondly, that besides giving transfers many American street-car systems sell six, and at least one large city seven, tickets for twenty-five cents.

On a British tramway system—let Glasgow be taken as the example most favorable to municipalizers—a car-rider going on a one-way double-elbow trip requiring two changes of cars pays three fares, and on returning three more. In the tramway reports his round trip consequently counts him as six passengers. In America—take New York as an example—a passenger on a similar broken journey may make his two changes of cars by a double transfer on a single fare. His return trip, with its two changes, he makes on one more fare. In the reports for revenue producing traffic, he figures for the round trip as only two passengers, instead of Glasgow's six.

No record is possible of the number of British passengers paying fare after fare either on a single or a round trip. But in the larger American cities, by the state re-



ports, the proportion of transfers to cash fares rises to 40 per cent, and for the entire country, by the census reports, it is more than 20 per cent. Since the British municipal tramway systems are generally in the larger cities, with small suburban extensions, at somewhat the same ratio the riders paying fares who in America would get transfers may be 30 per cent. That proportion would reduce the British passengers paying a five-cent fare in this country from 2,102,483,000 to 1,471,738,100, yielding \$73,586,905, and not \$105,124,150, Dr. Howe's figures. But, again, if only 10 per cent of the 1,471,738,100 passengers were to ride on six-for-a-quarter tickets, the \$73,586,905 would be cut down further by more than \$3,500,000, reducing the \$105,124,150 to about \$70,000,000. The doctor's error in his comparison as to fares would on these estimates be at least \$35,000,000. Reduce them by 25 per cent and we have left for his error more than \$25,000,000. As to the passenger's outlay and the character of service given him, if the fare for long rides and the convenience through length and spread of trackage is not considered, a grave error of omission is made. On the point of the total mileage of the rides of all the passengers, no statistics are possible, but comparison as to the mileage of track per route and per system can be shown. Glasgow's longest route is a fraction short of fifteen miles, the round-trip fare being 28 cents. (W. D. Mahon, Report to the American Federation of Labor.) New York's longest route one way is not far from equaling Glasgow's ordinary round-trip, and it costs only five cents. Glasgow's whole tramway system in 1914 has 194 miles of track; Boston, with about one-fourth less population, has 470 miles. Glasgow has one mile of track per 5,154 inhabitants; Philadelphia one mile per 2,350, immeasurably the greater accommodation. For distances beyond 5.8 miles Glasgow's fares are higher than the American five-cent fare. In all British cities, except Glasgow, tramway fares for distances above five miles are higher than five cents. In all British cities, fares beyond three and a half miles

are usually higher than the American fare and the transfer. To sum up, for all areas beyond three and a half miles, American cities have the cheaper, and they have by far the more convenient service. Even the fare per passenger per mile of the American systems, as computed by American companies, is less than Glasgow's lowest zone fare per mile. It is to be borne in mind besides that five cents counts less in the American wage-worker's wage than three cents in the British wage-worker's wage. British tramway systems have little suburban and next to no interurban service. They invariably stand second to American systems in speed, headway, car-lighting, and in an all-night service. European city transit managers are abandoning the rule of a seat for every passenger, borrowing from America the practical idea that, especially in rush hours when all the cars possible are run, the extra people want to travel speedily to their destination standing in the cars rather than to lose time and endanger their health standing on the street corners waiting exposed to the weather. The cities of Great Britain, after American companies had for a decade conducted electric street railway operation through its early stages at a cost of millions of dollars—the so-called wastage of experimentation—took without payment the costly scientific results of American initiative and enterprise and only then set up their electric systems, beginning their work with American engineers and buying their supplies from America. If superiority in extent of development signifies superiority in the elements that insure development, America, with 40,070 miles of street railway trackage has no need in 1914 to stand apologetically or in the attitude of humble tutelage before Great Britain with 4,303 miles. Let the full compass of all the relevant, significant, and decisive facts, such as the foregoing, be brought into view in comparison between British municipal and American company street-car systems.

Electricity municipalized stands high in Dr. Howe's

favor. Forty-four of the fifty largest cities in Great Britain, he writes, have municipal electric plants, but with what results he does not mention. On the other hand, in "London Municipal Notes," January, 1914, is this statement: "The return on last year's working on electricity undertakings belonging to municipalities showed that 45 were being run at a loss to the ratepayers." In an analysis of the Census of Production report on electricity, the London Municipal Society publishes the statement that if the municipal electricity undertakings of the United Kingdom were taken over by companies the cost to the consumer would be lowered by \$800,000, the basis of this inference being the census cost per unit as sold by company and public authority. In the United States, the ninth edition of "Defunct Municipal Lighting Plants," 1913, gives a sketch of 212 municipal electric plants that, after trial, usually financially disappointing, have been passed over to companies. A United States Census report of 1912 gives the operating expenses per \$1,000 gross income of commercial (company) and municipal central stations: Fuel—Commercial, \$109.12; municipal, \$188.44. Supplies, materials, wages, and certain miscellaneous expenses—Commercial, \$298.29; municipal, \$373.67. Taxes—Commercial, \$47.03; municipal, \$1.34. Rent of offices, conduits, underground privileges and water—Commercial, \$15.14; municipal, \$3.02. The story of these figures is that in purchasing and in the number of employees the outlay of the companies runs far below that of the municipalities, while in the items by which the accounting may be confused or evaded the municipalities can insert small figures and postpone the final day of exact reckoning. The net income of the central stations in 1912 was—Commercial, \$46,814,837; municipal, \$6,301,824. The attention of a Congressional Committee has been directed to a computation that if the commercial stations had charged municipal rates their income would have been more than quintupled, \$259,985,014; while if the municipal stations had charged no more than



commercial rates there would have been a deficit of \$8,461,243.

In his chapter on gas, Dr. Howe, taking his figures from the "Municipal Year Book," 1912, after stating that the average price of company gas in the United Kingdom is 66 cents, or ten per cent more than municipal gas, gives in a second table a list of fifteen cities which sell municipal gas below 60 cents, but he prints no table of companies which sell gas below 60 cents. Against the doctor's presentation of the case stands a comparative table published by the Secretary of the London Municipal Society, in which in 1909 the price of the gas of twelve principal municipal undertakings (nine of them being represented in Dr. Howe's table) is shown as against the price of ten principal companies in the Kingdom. The average price for these ten companies was seven cents lower than the average for the twelve municipalities. The municipalities had the advantage of a population of four and a half millions against two millions for the companies. The manager of the Bradford Municipal gas works, as President of the Institution of Gas Engineers, viewing all England as the scene of gas production, said in his annual address in 1906: "The large majority of gas works owned by local authorities were in the North and Midlands, and principally in the manufacturing districts, where they had many advantages. On the other hand, the companies predominate in the South. It is interesting to note that there were two counties in the South of England [where coal is high in price] in which 105 gas companies were established, but where there was not a single gas undertaking owned by a local authority." The Secretary of the London Municipal Society says that municipalities have occupied the richest fields of trade, the populous communities near coal fields; the companies are the pioneers in poor and unremunerative areas; the municipalities make up their shortages on consumers' prices by taking the best prices for their own street lighting; the difference in the quality of gas is in favor of

the companies; and the losses on municipal gas, where they occur, must be made up by the taxpayers. Further, the Secretary says the Government authority, the "Parliamentary Returns," give no such figures for average prices as those quoted by Dr. Howe from an annual which leans to municipalist propaganda. The Government figures showed, in 1909, 219 municipal gas undertakings and 499 company undertakings, and the fallacy of an average price of company gas for the Kingdom is seen on looking over the long list of small towns, some in remote districts in Ireland, where the price runs up to a dollar or more, each a unit to be compared with the municipal units representing the cream of the business. Comparing like with like, the London Municipal Society's Secretary says, "The gas supplied by companies is cheaper than that supplied by municipalities."

Dr. Howe's studies of the municipal market systems of London, Paris and Berlin have permitted him to deal with statistics relative to them after his manner with tramway figures. "All London," he says (page 314), "with its 7,000,000 people, is dependent upon Covent Garden Market, owned by the family of Bedford, from which the present Duke enjoys a princely revenue; and so powerful are the present owners that the London County Council has never been able to secure the right to open a market of its own even on the land which it already possesses." The printed official reports show that the City of London's public system of wholesale meat, poultry, fish, cattle, and provision markets, located in various parts of London County, cost more than twenty million dollars, while within the boundaries of London County there are 110 public retail open markets. Smithfield, the largest public market, sells at wholesale 41 per cent of all the meat sold in Great Britain. Billingsgate is the public wholesale fish market, not only for London, but the southeast of England. Covent Garden, as a fact, sells no meat, fish, poultry, or butter, cheese and eggs. It is a fruit, flower, and vegetable mar-

ket, less than two acres in area. The princely revenue of the Duke of Bedford from Covent Garden is a wild guess touched up with a rhetorical flourish. The Bedford estate office never made any reports on the property, and the testimony given by the Duke's agents years ago indicates a probability that not even ordinary interest came from the investment. The Bedfords, in fact, offered four times to sell the market to the London County Council and its predecessor, the Metropolitan Board. With much other of the Duke's real estate of the locality, it has within the last year been sold twice, and the London County Council made no bid for it.

Of the Berlin market system Dr. Howe writes: "There are now fourteen city markets in substantial buildings, and so located as most easily to distribute the incoming farm produce of the railways, river, and canal ways to the retail dealers and consumers of the city." What are the facts? Four of Berlin's fifteen market houses are closed; four other barely pay their way, as shown by the testimony of the municipal books. In 1911, eight of these market houses had less than half their stalls occupied. Counting interest on investments the entire system has lost \$20,000 a year the last four years. The failure of the system in its attempted function of distribution was due to the superior advantages to the community afforded by the department store and other private markets.

Of the Paris markets, Dr. Howe states: "The total revenue from the system of central and local markets in 1906 was \$1,817,164, and the total expenses \$318,923, leaving a profit of \$1,498,241." The official report of the markets bureau of Paris shows year by year receipts of about two million dollars from the Central Halls, the local markets, the cattle markets, the slaughter houses, the great wine depots, etc., scattered about in many parts of Paris, the entire plant costing \$30,000,000. The receipts from the Central Halls and the local markets together have



never reached within \$600,000 of the \$1,817,164 alleged by Dr. Howe. The official reports set forth no profits.

The financial differences between Dr. Howe's reports of the Berlin, London, and Paris markets and the official reports run up into millions of dollars. The municipal market systems of the three cities all lose money.

But, if municipalization has so turned out in the leading features just particularized, how did it ever reach its present stage? The reply requires a correct appreciation of just what that present stage amounts to in Europe. In reality, municipalism has made far less advance over there than the talk about it might indicate. The transit systems of Berlin and Paris are not run by the municipalities—neither the elevated road nor the trams or stages of Berlin, nor the subways, trams, or omnibuses of Paris. Nor are the underground railroads or the omnibus lines of London. The gasworks of these three cities are also operated by companies. So are in number approximately five-sevenths of all the gasworks of Great Britain. In Germany, 134 tramway lines are managed by companies to 75 by local administrative bodies; in Switzerland, the proportion is 33 to 8. In France there are no street-car systems municipally operated and few of other great undertakings. In Great Britain, it is to be borne in mind, the cities which have municipalized their tramways mostly inherited them on the expiration of company leases. The cities took over the old company property, as commonly said, at "a scrap-iron" valuation; they bought the new equipment for their roads from American companies, and they acquired modern American ideas, developed at the cost of American companies, without price.

High tide in the propaganda of municipalism in Great Britain was reached a decade ago. In 1901, a leaflet issued by the London advocates of municipal ownership, speaking of the then new London municipal tramway, announced: "The system is now earning £100,000 per annum . . . It is estimated that, at no distant date, from £1,000,000

to £2,000,000 per annum may be secured from the electrified Progressive tramways of the Metropolis." The actual results have been that from 1897 to 1903 revenues from the system were applied to the relief of local taxes to the amount of £300,000, all of which sum, according to the findings of an official commission in 1908, ought to have been applied to the liquidation of debts contracted at the organization of the system. From 1903 to 1907 there were no profits. On last year's operation the deficits were \$440,000.

The bright side of municipalization (the theoretical and prophetic) was much on exhibition in the era of that famous leaflet—before jarring experience turned around the dark, unpleasant side (the results of practice) to the disappointment of the prophets and the disgust of communities. That bright side was seen, in its alluring glitter, before the birth and death of the municipal Thames river boat system, loss \$1,500,000; before Glasgow's municipal telephone venture, loss \$275,000; before the deficits of various British municipal tramways amounted to \$250,000 in a year; before the enforced closing of the London County Council works department, loss \$150,000, and its furniture factory, through failure to compete with contractors; before it was demonstrated by time that every municipal dwellings system in England was a financial failure and Miss Octavia Hill showed why; before the municipal indebtedness in Great Britain rose in ten years from \$1,945 to \$4,585 per 100 of population; before the intricacies and the evasive overlapping in municipal bookkeeping were made plain to the public—such as charging to the street department the street opening and paving for municipal tramways where companies were obliged to defray this outlay, and reducing to an absurd entry the annual loss through depreciation, and making little or no allowance for city auditing, policing, clerical work, and committee managing; before the Socialists of London and the Single Taxers of Glasgow declared that municipalization had had

no effect on poverty and was "mere municipal capitalism;" before the reaction in South Germany, where the newspapers recently published a list of forty-two towns in which municipal majorities or parties expressed themselves either against any extension at all of municipal trading or against particular objects; before the utter failure of municipalism in France and the majority votes against it after trial in Lille, Marseilles, Toulon, Dijon, and Elbeuf, the Mayor of the last-named city, an estimable municipal enthusiast, committing suicide when his theories terminated in general disaster; before the Syndicalists of France, obtaining a steady majority in the national labor conventions, mercilessly flouted the vote-huckstering municipal misleaders of the masses; before London turned out for good its municipalist majority from the County Council, which happened seven years ago. Yet Dr. Howe could write in his book in 1913 that the British "official who would propose a return to private management would probably not survive the next election."

In the United States there has been a chapter of municipal ownership happenings which deserves to be borne in mind, though regarding it the promoters of municipalism seem to have adopted the motto, "Forget it." New York has that grand object lesson the municipal ferry system, loss in nine years, \$4,500,000; it has had a reform municipal ownership group of eleven aldermen, price of their vote, confessed in court, \$5,500; it has had a municipal electric lighting system now completely extinguished, combined with a municipal rubbish incinerating plant, loss \$109,000; it has several monumental city and county buildings, perfect models in their unsuitableness of construction and wastefulness of administration, to be admirably studied by municipalists. Chicago's Sanitary District electric lighting plant has lost \$210,000 in a year; Detroit, Syracuse, Wheeling, Philadelphia, Seattle, Cedar Rapids, and Richmond have beautiful records of municipalization to be profitably perused. No more significant event in the con-



troversy over municipal ownership has occurred than the investigation carried out by The National Civic Federation Commission of twenty-one in 1905-7, of which seven literary members had previously been attracted to the support of municipalization—three of whom, indeed, were among its foremost advocates in this country. When, after nearly two years of preparation and investigation, the formal, decisive, and final vote on the question was taken by the twenty-one, every member declined to advise this country to take up with municipal ownership. It may be ventured that with the findings of that commission the positive trend was taken in America toward the principle of a just and efficient regulation. Since then regulation has trimmed many a company of its privileges or prevented many another from obtaining undue privileges, with a financial saving to the public beyond calculation.

The status of labor under municipal ownership, as type and example of a condition possible to labor generally under government ownership, is of a higher social importance than dollars lost or gained. An American literary municipalizer writes in a magazine concerning European communities that they "would not permit a soulless corporation to plunge the city into periodic miniature civil war because of a dispute regarding wages or hours." The municipal car-men, he says, occupy much the same position as mail-carriers or policemen. True, strikers against municipalized undertakings are treated as mutineers; the position of the municipal wage-working employee is that of a common soldier directed by a drill sergeant, whose whip is a discharge which closes to the man other municipal employment everywhere. Among the assumed certainties of the early theoretical municipalizers was that municipal employees would not or could not strike. But bitterly contested tramway strikes, viewed by the authorities as rebellions, has taken place in the last four years in Leeds, Stockport, Blackburn, Cardiff, Oldham, Liverpool, and Glasgow. After the Glasgow strike of 1911, 400 of the

strikers were victimized and never allowed to return to the service, and after the strike in Leeds in 1913 practically the entire tramway force was similarly victimized. In Glasgow, in the seven years, 1901-8, 1,228 traffic employees were dismissed and 2,384 resigned, a number equivalent to a change of the entire traffic force every four years, testimony to an unhappy situation. The Glasgow tramway management, maintaining an open shop, permits no labor union of employees to exist and no employees to take part in politics. Were all Britain to imitate the attitude of Glasgow's municipal committee and managers toward labor, no employee would be permitted to exercise his full rights of citizenship, no man would be taken on at work without a civil service examination, no trade agreement could be thought of, no liberty of association among the wage-workers could exist, no work at his trade could be found by a man once blacklisted, and no labor movement would be tolerated in the country. Striking through politics was attempted in Great Britain by a Municipal Employees' Society, its stealthy weapon the menace of a knifing vote, but the body was repudiated by the British central trade union organization. Thus municipalism has carried ruin to labor organization, in both its economic and political forms.

It is well for the wage-workers of this country that every year the American Federation of Labor sends two of its prominent members to Great Britain and some years more than two. All return vividly impressed with the vigor, vitality, and social value of American ideas, principles, and methods. One pertinent example: W. D. Mahon, the President of the organized street-car employees of America, just returned from an investigation, has reported to the American Federation of Labor that in his occupation money wages in the United States are 100 per cent above the highest paid in Europe, that there is no appreciable difference between the wages paid by companies and municipalities, and that the tramway systems of Europe are not

to be compared with the street railway systems of the United States. "The American system," he says, "is not only cheaper to the public, all things considered, but the service is better, with a great deal more of it." Wages for the municipal employees in Great Britain have not been advanced at a quarter of the rate that they have been for the street-car men in America through the methods of the trade unions dealing with business-like employers, man-fashion, equals with equals, buyers and sellers in the labor market.

Municipalism breaks down trade union principles; it substitutes for them a one-sided dictation which strips labor of independent action in its own behalf, clothes managers with the powers of an upper caste backed by the forces of law, and to the extent that it prevails establishes in society a condition destructive of democracy. On that score alone, the American wage-worker needs only to have experience with it to reject it. But the American wage-worker, a citizen with the cause of his country at heart, may be depended on to weigh the facts in general relative to municipalism, when he finally obtains access to them, and render fair judgment in the case. Further, whatever is to be said of contests over wages or of the social unrest, it is usually a fact that American employees regard their employers as friends for whose rights they will contend as they would for their own, and if municipalism is to be built up on abuse of the employer and depriving him of any of his just rights it to-day stands small show of success.

The "temporary lull" in the advance of municipalization in Great Britain, admitted nearly a decade ago by its advocates, has since become generally recognized as not a "lull" but a complete halt. On the Continent, as we have seen in our summary to-day, municipalization is a past chapter in the history of economic panaceas. In the United States, the attempt at the Philadelphia Conference of Mayors in November to inject life into the corpse of municipalism as a vote-catcher fell flat, its only academic supporter present



among the politicians being Dr. Howe, with his reiterated infantile guesswork observations, his unbolted statistics, and his blissful ignoring of the recorded facts that have disproved his dreamy theorizing.

What is the matter with municipalism? The reply is that it brings with it bureaucracy—inelasticity, “overstaffing,” sinecurism, the evils in general of political management; and the menace of a million united municipal employees; and a tyranny over the million by the superior officials; and a confusion in city finances, with constant difficulties in accurate accounting; and withal the blundering, inertness, costliness, and injustice of misapplied government. It leads the citizens of a community to lose the distinction between “mine, thine, and ours” in liberty and property; it teaches its employees of all grades to look for aid to legislation rather than to themselves; it points to social deterioration through its imperfect mechanism; it carries economic waste toward a maximum.

## THE FAILURE OF GOVERNMENT OWNERSHIP OF RAILROADS.

F. G. R. GORDON.

For a dozen years or more many socialist magazines, newspapers, books and pamphlets, containing articles advocating the government ownership of railroads, have been given wide circulation throughout this country. Many men whom we delight to call statesmen have attempted to prove that government ownership of the great transportation systems is both wise and just. Most of the articles and speeches are made up largely of misstatement, misrepresentation and ungrounded assumption. In reply to such assertions I submit actual, not fictitious, data. With their aid, I shall show that the American railroads are capitalized per mile at less than one-half the capitalization of the government-owned railways of Europe; that the privately owned railroads of this nation give the best and cheapest service and pay the highest wages in the world; that the people of this nation save more than \$5,000,000 a day, in freight transportation alone, compared with the high rates charged by the State-owned railways of Germany; and that freight rates in this country are without exception cheaper, in most cases by from one-half to three-fourths, than the rates on the socialist railways of Europe.

While the facts do not bear out the general socialistic estimate of the railway situation one cannot find fault with the onslaught which is made on certain railroads and the juggling of finances by those who controlled them years ago, and even by some who are in control to-day. Such scandalous disclosures as we have had in the last three or four years justify any onslaught that anybody can make. But there is a silver lining even to this cloud, and that is that in the last five years the Interstate Commerce Commission has been given power to end all such practices. In

fact, it is the Interstate Commerce Commission which has exposed the iniquities of the New York, New Haven and Hartford Railroad and the legislation which we have now secured will prevent such scandals in the future. But the socialists make no mention of this great advance in business standards that has come about in the last few years.

Let us examine their indictment of our railroad system and their proposition for government operation. The charges usually brought against the railways of this country by advocates of government ownership are "over-capitalization," the "high cost of service" and the "appalling loss of life." Let us examine them, briefly.

### CAPITALIZATION.

The charge of over-capitalization of the American railroads falls flat when we compare their capitalization with that of the government railways of Europe.

#### Actual Capitalization, United States Railroads, 1912.

248,888 miles of Operated Line (I. C. C.).

Total capital stock and funded debt.....	\$19,694,987,553
Duplication of ownership.....	5,037,442,484
	<hr/>
Net capitalization .....	\$14,657,545,069
Per mile of line owned (238,300 miles).....	\$61,508
Per mile of track owned (341,782 miles).....	41,204

The \$5,037,442,484, the amount of stocks and bonds which the larger systems own in smaller lines, represents a duplication of stocks and bonds to that extent. The necessary subtraction had been apparently overlooked.

The correctness of deducting this \$5,037,442,484 is disputed by the socialist advocates. Let us see. This \$5,037,442,484 represents securities issued by certain railroads to purchase stock and bonds in other roads. If the New York Central Railroad issued bonds to borrow \$2,000,000 for the purpose of buying \$2,000,000 worth of stock in the Erie Railroad, it has added \$2,000,000 to its debt, but it has \$2,000,000 of the stock of the Erie Railroad, and dividends



on this \$2,000,000 are now paid to the New York Central Railroad instead of to the Erie stockholders. Dividends are not paid on \$2,000,000 more of capitalization; there has been no increase. The Interstate Commerce Commission Reports for 1911 show this in giving the amount of \$168,592,376, included in "other income" as representing intercorporate payments of dividends and interest—this revenue being from the ownership or operation of one system of roads by another.

As will be noted, the largest part of the "other income" account simply represents dividends paid out of income to certain companies for stocks and bonds owned in other railroads. Taking two farms as an illustration, the problem is made very simple. The Smith farm and the Jones farm are each capitalized at \$10,000. The Smith owners wish to control the Jones farm in order to grow potatoes on an increased scale, but the Smiths have no ready capital. They, therefore, borrow from the bank \$6,000, issuing a mortgage (bond) on their farm. With this \$6,000 they buy control of the Jones farm. They thus own six-tenths of the capital and receive six-tenths of the dividends earned from the Jones farm, and out of this six-tenths dividends they pay interest through the bank for the money borrowed to buy control in the Jones farm. There is still only the net capitalization of \$20,000; on the apparent \$26,000 of capital stands the debt of \$6,000 exchanged for six-tenths of the value of the Jones farm capital. Plainly, the Smith corporation has \$16,000 invested in the two farms, and the Jones corporation only \$4,000.

Four States have made valuation of the railways within their borders, through official commissions appointed for this purpose. Following are the results:

States	Cost of Reproduction	Capitalization
Washington (1905) .....	\$194,057,240	\$161,582,000
South Dakota (1908).....	106,494,503	109,444,600
Minnesota (1907) .....	360,961,548	300,027,676
Wisconsin (1909) .....	296,803,322	225,000,000
<b>Total</b> .....	<b>\$958,316,613</b>	<b>\$796,094,276</b>

Now look at the capitalization of the railways of other countries:

Year	Country	Miles of Line	Capital or Cost of Construction	
			Total	Per Mile
1911	United Kingdom . . . .	23,417	\$6,447,969,398	\$275,354
1910	German Empire . . . .	36,740	4,163,615,519	113,326
1908	Russian Empire* . . . .	41,888	3,378,839,810	80,902
1909	France . . . . .	25,017	3,593,660,000	143,648
1910	Austria . . . . .	14,033	1,654,207,119	117,837
1910	Hungary . . . . .	12,821	858,732,000	66,977
1910-11	Italy (State) . . . . .	8,908	1,131,300,000	126,886
1907	Spain (State) . . . . .	8,980	692,818,000	77,151
1908	Portugal . . . . .	1,465	162,385,280	110,830
1909	Sweden . . . . .	8,366	277,952,716	33,224
1911	Norway . . . . .	1,891	81,467,176	43,087
1911	Denmark (State) . . . .	1,215	70,277,640	57,841
1910	Belgium (State) . . . .	2,685	504,210,184	187,787
1910	Netherlands . . . . .	1,978	163,798,304	82,810
1910	Switzerland . . . . .	2,924	341,208,367	116,692
1911	Roumania . . . . .	2,153	186,670,372	86,702
1909	Servia (State) . . . . .	350	31,440,000	89,830
1909	Bulgaria (State) . . . .	1,048	60,113,551	57,456
<hr/>				
Total Europe, including				
	Asiatic Russia . . . . .	195,884	\$23,800,665,436	\$121,503.87
Other countries:				
1912	Canada . . . . .	26,727	\$1,585,724,797	\$59,330
1909	British India . . . . .	32,099	1,448,700,000	45,135
1910	Argentine Republic . .	17,381	868,914,950	49,981
1911	Japan (State) . . . . .	4,767	411,598,253	86,343
1912	New South Wales† . .	3,831	260,613,180	68,288
1911	New Zealand† . . . . .	2,761	153,448,880	55,574
1911	Queensland† . . . . .	3,929	132,982,560	33,820
1911	Victoria† . . . . .	3,505	206,804,550	59,000

From 1907 to 1912 the State railways of Denmark increased their capitalization by 27.13 per cent, and during the same time increased their mileage by only 1.94 per cent. During these same years the capital of privately owned railways of this country increased by 13.44 per cent, and the mileage increased by 9.32 per cent. Or to state it in another way: Our private railways increased their capi-

\* Includes Asiatic railways.

† New South Wales railways are 4 ft. 8½ in. gauge, New Zealand and Queensland 3 ft. 6 in., and Victoria (all but 121 miles) 5 ft. 3 in.

talization only one-half as rapidly as the socialistic roads of Denmark, but at the same time increased their mileage five times as fast. Some socialists in an evasive and hair-splitting argument deny that government-owned railways are socialistic. I insist that they are, being essentially owned, controlled, and administered by government authority. My term "socialistic" is scientifically correct.

In 1906 the German railways were capitalized at \$104,548 per mile; in the four following years they increased their capitalization by almost \$9,000 per mile. The Belgian railways were capitalized at \$167,898 in 1903; in seven years these State roads increased their capitalization by \$20,000 per mile. Every government railway in Europe has increased its capitalization at a much greater rate than the railways of this country. The over-capitalization bogey of the socialists and government ownership advocates is thus relegated to the region of plain fabrications.

+ The growth of capital outlay per mile in Germany, France and the United States for the three years, inclusive, 1907 to 1909, shows that Germany increased 4.8 per cent., France 3.3, and the United States only 1.6. In other words, the capitalization of the State railways of Germany increased just three times as rapidly as the private roads of America.

## AMERICA HAS THE CHEAPEST FREIGHT SERVICE IN THE WORLD.

What are the facts upon which the socialists base their charge as to the high cost of service on the American railways?

First, it is a fact that had passenger and freight rates been the same in 1913 as in 1880 our transportation bill would have been more than four billion dollars as against less than three billions—a saving of more than a billion dollars per year. The socialists didn't tell us about this.

Freight rates in America in 1880 were 1.232 cents per



ton per mile; in 1890 they had been reduced to .941 cent; in 1900 to .729 cent, and at present the average is practically .741 cent, a slight increase since 1900. That is, in 1880 the rate was nearly twice as great as in 1913. In 1890 passenger rates were 2.167 cents a mile; in 1900, 2.003 cents; in 1909, 1.928 cents, and at present they are about the same. These are the facts presented by the Interstate Commerce Commission. Can any socialistic railway anywhere show similar progressive results? Not one.

Our railroads are transporting beef from Chicago to Boston, a distance of 1,000 miles, for one-half cent a pound; eggs from the Middle West to New England for two cents a dozen; a pair of shoes from Boston to Chicago for two cents. In 1896 a bushel of wheat sold for 62 cents, and that 62 cents would pay for transporting a barrel of flour 1,240 miles on the railroads. In 1913 a bushel of wheat sold for \$1, and that \$1 would pay for transporting a barrel of flour 2,509 miles. The railroads now carry a pound of ham 1,000 miles for one-third of a cent. The average price of ham is eighteen cents a pound. The railroads carry 54 pounds of ham 1,000 miles for 18 cents. They carry a dozen oranges from Los Angeles to New York, 3,100 miles, for five cents. The freight on a suit of clothes made in New York and sold in Chicago for \$15 is less than seven cents (6.8 cents).

In Australia the average freight rates are from two to five times as high as in America; in Germany freight averages 1.41 cents per ton per mile, as against .741 cent in this country. What this rate means to the American people can be seen when we figure the cost of our freight at the German rate. Our freight bill for 1912 was \$2,211,814,665. As the German rate is 80 per cent higher, the American people would have lost the enormous sum of \$1,700,000,000 if we had been compelled to pay the socialistic rate which the German people paid.

The reductions in our freight rate from 1892 to 1912 amount to a saving of \$346,640,875 for the latter year.

Twenty years ago freight rates on the German railways averaged 1.49 cents per ton per mile; they now average 1.41 cents, a reduction in twenty years that is just one-half the reduction in this country.

Many men are alarmed over the fact that the railroads have asked permission from the Interstate Commerce Commission to increase their freight rates by 5 per cent, a petition which has been granted to some of the roads applying for the increase. Last year the State railways of Hungary increased their freight rates 13 per cent per zone. The State railway of Italy increased both passenger and freight rates, and the Danish government has several times recently increased freight rates on its railways in order to save them from bankruptcy.

Let us see what the German people lost by high freight rates. The number of tons of freight carried one mile on the German railways in the year 1910 was 32,124,223,390. The State railroad reports of Germany are generally delayed about fourteen months, as against only three months for the company railroads of this country. If the German people had paid only the American freight rates of .741 cent per ton mile, their freight bill for 1910 would have been \$238,040,495. But they paid 1.41 cents, and their freight bill was \$456,766,493, an excess in cost of \$218,721,998. It required the ingenuity of a socialist to turn a difference in our favor of \$218,721,998 into a statement that the German rates were less than ours.

It has been asserted that in Germany great quantities of freight go via canal and river instead of by rail. Up to 1905 the total capital expenditure of Prussia on its canals and canalized and other rivers amounted to \$132,500,000, or less than the State of New York has expended upon the Erie Canal alone. The improvements on the Rhine cost up to 1905 over \$60,000 a mile; the expenditure for canals and canalized rivers had been over \$40,000 per mile, and the average for river improvements over \$30,000 a mile. In 1905 Prussia alone expended more than \$4,000,000 for

the maintenance of its interior waterways. The receipts for that year were \$1,700,000. The direct loss on operation was \$2,300,000, and on interest, at 4 per cent, \$5,300,000, or a total of \$7,600,000. This was a government tax on all the people indirectly in order to provide cheap freight rates on the canals and rivers. Water craft pay very small rates for the use of canals and nothing at all for the use of the rivers.

It has been stated that the canals and rivers of Germany are vastly more important in the transportation of freight than are the railroads. Here is an official table of freight carried that serves to show the monumental perversions of which socialist writers are capable:

Rail	Tons, 1885	Tons, 1905
Import .....	8,000,000	27,000,000
Export .....	13,000,000	33,000,000
Local .....	87,000,000	254,000,000
Transit .....	2,000,000	5,000,000
	<hr/>	<hr/>
Total .....	110,000,000	319,000,000
Water	Tons, 1885	Tons, 1905
Import .....	6,500,000	20,000,000
Export .....	3,500,000	11,000,000
Local .....	7,000,000	21,000,000
	<hr/>	<hr/>
Total .....	17,000,000	52,000,000

The water-borne traffic is thus seen to be insignificant. The most important canal in Germany, the Kaiser Wilhelm, had a tonnage in 1911 of 7,580,000. Our most important canal, the Sault Ste. Marie, had a tonnage in 1910 of 49,856,123, and in 1913 of over 72,000,000. The freight traffic of our great lakes and rivers and canals exceeds all the water-borne traffic of the German rivers and canals by 150 per cent. All in all, besides enjoying railway freight rates 80 per cent cheaper than the German, our people save \$250,000,000 annually by the still cheaper rates for our water-borne commerce on the great lakes alone, which are the cheapest freight rates in all the world, and yet pay the highest wages in the world for like employment. And



this business is under private ownership. Don't forget that, Mr. Socialist.

The freight rates on the socialistic railways of Denmark average three times as high as the rates in this country. Taking the last report and figuring it on the Danish rate, we find that our freight bill for the year ending June 30, 1913, would have been over \$6,600,000,000 in place of the \$2,211,814,665 if we had been forced to pay that socialistic rate! Yet the red-flag coterie howl for socialistic railways to save us from going straight to ruin! The freight rates on the Belgian State roads average 50 per cent higher than in this country, and in France they are 75 per cent higher. Look at this table of freight rates on State-owned railroads:

	Rates per Ton—Cents		Rates per Ton—Cents
Austria, 1910 .....	1.45	Norway, 1910 .....	1.68
France, 1909 .....	1.39	Denmark .....	2.16
Russia, 1908 .....	.95	Holland, 1910 .....	1.32
Hungary, 1910 .....	1.31	Switzerland, 1910 .....	2.91
Sweden, 1908 .....	2.23	Germany, 1910 .....	1.41
		New South Wales.....	1.78

These rates average more than twice as high as in this country, yet wages in all those same countries average less than half the wages here.

In spite of the fact that the cost of American railroad labor has increased 25 to 50 per cent in the last twenty-five years, and railroad supplies have advanced considerably, both freight and passenger rates have been reduced.

Here is a striking illustration figured from the official reports of the railways of Germany and the United States for the year 1910. One day's average wages of a German railway employee would pay for moving a ton of freight on the State-owned railroads of Germany a distance of 83 miles. One day's average wages of an American railroad employee would pay for moving one ton of freight a distance of 260 miles in Germany.

Passenger rates on the American railroads were reduced from 2.126 cents per mile per passenger in 1892 to

1.992 cents in 1913, a saving over the former year on the number carried in 1913 of \$42,024,446. The total comparative saving on both freight and passenger traffic was \$388,665,321. Or, put in another way, freight rates were reduced 17½ per cent and passenger rates 6 per cent. During this twenty-year period the average wages of railway employees were increased from \$570 to \$734. The total wages paid in 1892 were \$468,598,170, and in 1912 \$1,268,977,272, an increase of 170.8 per cent. The employees have increased in number from 821,415 in 1892 to 1,728,603 in 1912, or 110.4 per cent. During this twenty-year period railroad taxes increased from \$209 to \$485 per mile, and they are now \$500 per mile.

### PASSENGER RAILWAY RATES IN EUROPE.

Ownership.	Class 1. Cents per Mile.	Class 2. Cents.	Class 3. Cents.
Germany (Government) .....	2.73	1.75	1.16
Belgium (Government) .....	2.91	1.98	1.17
France (Government) .....	3.16	2.35	1.53
France (Private) .....	3.48	2.34	1.53
Italy (Government) .....	3.60	2.92	1.62

Up to 1907 passenger rates in Germany were as follows :

	Ordinary Trains. Cents per Mile.	Fast Trains. Cents per Mile.
First class .....	3.06	3.45
Second class .....	2.30	2.55
Third class .....	1.53	1.79
Fourth class .....	.77	...

These rates then allowed for baggage and a return ticket at 20 to 30 per cent reduction, etc. Since the new schedule went into effect, in 1907, nothing but hand baggage is allowed the passenger. Return tickets and excursion and convention rates were abolished. While the new schedule calls for slightly less per ticket than the old, the cost of the two single tickets for a return trip amounts to considerably more than the return ticket rates of the old system. Under the new schedule an imperial tax is levied upon first, second and third class fares. Tickets costing 60 pfennigs to 20 marks (15 cents to \$5) are taxed five cents first class and two and one-half cents second class. Tickets costing

more than 50 marks are taxed \$2 first class and \$1 second class. However, only four per cent ride first class.

Under the new schedule the rates for ordinary train service are: First class 2.68 cents per mile, second class 1.72 and third class 1.15. Express train rates are considerably higher. From Berlin to Hamburg and return, 356 miles, the first class fare on express trains is \$11.04. From New York to Washington and return, 450 miles, first class is \$10. Besides, on the American railroads, between our larger cities, there are more express trains in twenty-four hours than in Continental countries, where the fast trains frequently have no third class cars. In France the first class passenger rates are 3.48 cents per mile, for second class 1.92 cents and for third 1.73 cents. This includes the State tax of 12 per cent on railroad tickets. The sixty-six pounds of baggage carried free make the rates about equal to those of Germany. First class and second class in Europe are much the same as chair cars here, and the rates figure as high as our chair car service. The cheap passenger rates of Europe are for the third class service, that is to say for accommodations which would not be tolerated in this country. The third class passenger traffic on all State-owned railways in Europe amounts to more than 90 per cent of the total travel. In Denmark only one passenger in 500 rides first class.

Differences in service count much in comparing the passenger travel of America and Europe. Baggage is an important item. In Germany and Italy, for instance, hand baggage only is carried free. Heavy baggage calls for extra payment per weight and distance. In Switzerland the hand baggage allowed free is only up to 22 pounds. There is not a socialistic railway in Europe that carries baggage free to the degree which it is done on the American railways. France allows 66 pounds. Indeed, the baggage problem in Europe is an abomination, as every experienced traveler will declare, as well as being expensive. One heavy trunk on some roads amounts to a third of the regular fare.



## RAILWAY OWNERSHIP.

Government ownership advocates would have the people believe that a few millionaires own the American railways. But the one big fact in connection with railway ownership in this country is that there has been a remarkable distribution of railway stocks and bonds during the past twenty years.

The following table shows how the number of shareholders in some of the principal roads has increased since the Interstate Commerce Commission reported that there were 327,785 shareholders in 1,182 roads in 1904:

Name of Company.	Shareholders.	
	1904.	1912.
Pennsylvania .....	44,175	74,002
Atchison, Topeka & Santa Fe.....	17,823	31,738
New York Central & Hudson River.....	11,781	22,247
New York, New Haven & Hartford.....	10,842	21,948
Union Pacific .....	14,256	21,600
Great Northern .....	383	17,841
Southern Pacific .....	2,424	14,387
Northern Pacific .....	368	13,987
Chicago, Milwaukee & St. Paul.....	5,832	11,819
Baltimore & Ohio.....	7,132	11,414
Illinois Central .....	9,123	9,987
Erie .....	4,309	7,847
Chicago & Northwestern.....	4,109	8,564
Boston & Maine.....	7,402	8,105
Norfolk & Western.....	2,911	5,323
Denver & Rio Grande.....	2,910	4,928
Missouri Pacific .....	1,861	4,382
Chesapeake & Ohio.....	1,478	4,138
Louisville & Nashville.....	1,672	3,318
Total .....	149,791	297,575
Increase per cent.....		98.7

Since 1912 the number of owners has largely increased.

In addition to this, 20 per cent of the savings bank deposits of the six states of New York, New Jersey, New Hampshire, Massachusetts, Connecticut and Maine are invested in railway securities. Mr. H. T. Newcomb estimates that the ownership of the American railroads, directly and indirectly, is represented by six million of our

population. From this the number of owners of stocks and bonds in all the railways of the United States would to-day be over 800,000.

## ACCIDENTS.

Muckrakers in general fill the air with cries of horror over the number of accidents on American railways. But against them is to be quoted what the Block Signal and Train Control Board says about safety: "Nowhere in the world have appliances for safeguarding railway transportation been so highly developed as in this country."

In 1892 the number of passengers killed in America was equal to 28 for each billion miles of passenger travel; in 1912 this has been reduced to 8.06; that is to say, in twenty years fatal accidents to passengers have been reduced by nearly 70 per cent.\*

The following table of statistics for 23 years of fatalities charged to American railways shows that what is needed more than anything else is a trespass law that can be enforced:

	Killed.	Per Cent.
Trespassers .....	103,566	53.8
Employees through their own fault or mischance .....	49,497	25.7
Other persons through their fault or mischance .....	18,328	9.5
Employees in accidents to trains.....	13,630	7.1
Passengers through their own fault or mischance .....	4,219	2.2
Passengers in accidents to trains.....	3,302	1.7
Total for 23 years.....	192,542	100.0
In accidents to trains.....	16,932	8.8
Through own fault or mischance.....	175,610	91.2

The following table, giving the units for Europe and this country, shows that while our passenger traffic is much less than that of Europe, our freight traffic vastly exceeds

\* In a circular issued January 1, 1915, one of the most important railroad systems in the United States makes the statement that during the year 1914 not a single passenger out of the 188,411,876 carried on all of the 26,198 miles of track of the entire system was killed in a train accident.

that of all Europe, and that most train accidents and wrecks in this country are due to freight traffic.

	All of Europe, 1910	United States, 1912
Miles of line.....	206,987	248,888
Passengers carried one mile....	73,555,578,571	32,820,623,000
Freight tons carried one mile..	117,360,167,100	261,416,643,000

It goes without saying that the mortality on our railways will always be too high just so long as there is a single passenger or employee killed. The way the socialists and near-socialists print statistics of the mortality on our railways is to divide the number of passengers carried by the number killed and compare this with the same data for Europe. This is seen to be unfair when it is considered that the average passenger in this country is carried a distance of 33 miles, against only 20 in France, 8 in Great Britain, 14 in Germany and 15 in Belgium.

The only true and fair way to compare the railways of this country with those of Europe is to take the passenger miles travelled. That means the number of passengers carried one mile. For instance, the number of passengers carried on the railways of this country in 1912 was in round numbers one billion, and as they rode an average distance of 33 miles it would make 33 billion miles, or 33 billion passengers carried one mile. The Interstate Commerce Commission reports that the number of passengers killed in 1912 was 270, which would be an average of just about 8 for each billion passenger miles travelled.\* The latest available statistics for Europe as a whole are for the year 1910. The passenger miles travelled in Europe for that year were 73,555,578,571 and the number of passengers killed 554, the ratio being seven and a half passengers killed for each one billion passenger miles travelled. Thus we see that the ratio is fairly even, but there is, of course,

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\* For the same year the Commission reports that 13 persons traveling as passengers on freight trains were killed, and also 35 persons who are customarily carried on trains under special arrangements, such as postal clerks and express messengers, employees on Pullman cars, newsboys, live stock tenders and men in charge of freight. As none of these persons figure in the passenger mileage reported, they are excluded from the computation of the ratio between the number of passengers carried one mile and the number killed in train accidents.



a difference between the different countries in Europe which is worth looking into when we consider the fact that the half-baked socialists favoring government ownership are continually telling us how much safer the government railways are than those under private ownership. The following table shows a mighty important fact:

1909	Passenger Journeys, One Mile	Killed in Train Accidents
Great Britain (private).....	1,717,850,260	1
France (State and private).....	491,936,960	8
Germany (State) .....	469,978,000	25
Belgium (State) .....	193,059,662	11

The following year in France the number killed rose to 71, of which 66 were on the State-owned railways, and as the State railways number only about 5,600 miles the mortality on those government railways was for the year 1910 the highest in the world, private or public. In 1908 the 4,283 miles of socialistic railways in Belgium killed 48 passengers.

Concerning fatalities the London *Railway Gazette*, in its issue of July 11, 1913, said: "The worst record in Europe is that of the French State railways. In proportion to the number of passengers carried one mile they killed almost four times as many passengers as the railways of any other leading country of Europe, and three times as many as the railways of Canada or the United States. Nor was their record for the year for which figures are given exceptional. The big railway accidents which have occurred in France for the last five years have been on the State systems, three on the old State system, and three on the Western."

### DEFICITS AND FAILURES.

\* The Prussian-Hesse railroads are the only State roads in Germany that pay. For all the others there is an annual deficit.

The Italian State railways are bankrupt to-day. The annual loss on the 8,908 miles of socialistic railways, with

interest charges and taxes, is over \$31,000,000. <sup>+</sup> Those roads cost \$1,131,300,000, or \$126,886 per mile. Taking the official reports for the year 1909, we find that the total revenue was \$97,652,000. The total expense for operation was \$79,850,083, leaving a balance of \$17,807,917. The interest charge for that year, at 3 per cent, was \$33,939,000. Adding to this the net returns which the government would have received from taxes had the railways been in private hands, we have a total net loss from one year of socialistic operation of \$31,571,083. This is another of those delightful "successes" which the socialists enthusiastically rejoice over. If the railways of the United States were socialized and had been run with the same "success" as the Italian railways, our net loss last year would have been over \$900,000,000. The main trouble in Italy, as well as elsewhere, is that of a bureaucracy.

For the Swiss railways the reports for the year 1910 show receipts of \$43,000,000 and expenses for operation of \$27,000,000, in round numbers, a net profit on operation of \$16,000,000. But before there could be any real profits, interest on capital must be paid, and the losses from taxes accounted for. As these Swiss roads cost \$341,000,000, interest at 4 per cent would eat up nearly all the profit. And, based upon the tax rate in this country, those roads in private hands would have paid over \$1,500,000 annually, in taxes.

The Russian railways comprise 41,888 miles. Of these the government owns and operates 29,100 miles. In the year 1908 there was a deficit on all of \$57,998,278. (See consular report.) The deficits are growing larger each year, and the Russian press is now discussing the question of turning wholly to private ownership. During the seven years 1905-1911 the loss on the government lines has aggregated approximately \$250,000,000. The 10,787 miles of private line lost during the same seven years only \$600,000. The wages of the Russian railway employees average about 50 cents a day. The government roads are

cursed with red tapeism, as are all government enterprises everywhere, and as a result the Russian empire is hampered in its development through its existing State socialism.

Socialists brag of the fact that State-owned railways have never gone back to private ownership. There is agitation right now in France, Austria, Russia and Argentina to sell the State railways.

The French government owns and operates somewhat over five thousand miles of railways. It has made anything but a success of the transportation service. For many years it has owned the old State railway of 1,864 miles. This road cost, up to January, 1910, the sum of \$183,400,000. The latest printed report, that of 1909, shows that the receipts for that year were \$13,051,000, while the expenses for operation amounted to \$10,514,340, leaving an apparent profit on operation of \$2,536,160. But at only 3 per cent the interest cost to the government would be \$5,502,000. The taxes, on the basis the railroads of this country pay, would amount to nearly a million dollars annually, leaving a net yearly loss of nearly \$4,000,000 on this one system.

The most glaring example of State inefficiency in the management of a great railway system is found in that of the Western Railway of France. This company was owned and operated as a private corporation up to January, 1909, when it became a government railway system. The road has been so poorly managed since that public meetings have been held at which indignant orators have made bitter attacks on the government. Wrecks have been frequent, with appalling loss of life. Under private management the road gave fair service and made an annual profit for its owners. The first year of public ownership the net deficit was \$7,750,000. The deficit for 1910 was \$11,700,000, and for 1911 the loss was \$14,000,000. The estimated deficits for 1912 and 1913 are \$16,100,000 and \$18,000,000 respectively. (Leroy-Beaulieu, *Paris Temps*.)

Under private ownership the annual receipts of this



road ranged from \$13,000,000 to \$16,000,000; since the government took over the management they have dropped to an average of \$5,900,000. The proportion of working expenses under private operation never went above 55 per cent. Under State management they rose to 87 per cent and there were added to the staff 5,280 officials and employees. "Such a condition," says *Le Temps*, "is a crying scandal." The annual report of this government white elephant is regularly delayed for thirteen months. "No matter what the State takes up," says *Le Temps*, "the management is characterized by disgraceful waste, if not by pillage."

If socialists want a fine example of the folly of socialistic ownership and operation of a railway system, they can find it in Canada, for there they can examine the comparative merits of both public and private ownership, under the same laws, the same wages and practically the same service.

Leaving out the Canadian Northern, which is an uncompleted road, we have for consideration three great systems, the Grand Trunk, the Canadian Pacific and the Intercolonial, the latter owned and operated by the Canadian government. Both the Grand Trunk and the Canadian Pacific pay annual dividends. The former has usually declared 5 to 7 per cent, the latter has yielded dividends up to 12 per cent.

The Intercolonial Railway is known far and wide over Canada as "Canada's white elephant." This government railway embraces 1,449 miles. It stretches from Montreal eastward through the Maritime Provinces for a distance of more than a thousand miles. It taps the rich iron and coal mines of Nova Scotia and has a rail monopoly of that transportation. It ought to be the best paying railway system in Canada, but it is the worst.

The government has sunk over \$83,000,000 in this railway. Its gross earnings in 1909 were \$8,602,286, and its working expenses were \$9,052,522, leaving a deficit of

\$449,536. In 1912, the best year the road has had, the operating expenses were \$10,593,785, showing a surplus of \$2,750. But the interest charges on the cost of this "white elephant" amount, at 4 per cent, to \$3,520,279 a year, and the loss in taxes to \$700,000 annually. Thus we see that in its best year this socialistic railway lost, net, more than \$4,000,000. That is what socialists call a success. Truly, it is a "socialistic success."

A writer in the *Toronto Mail and Express* stated in 1907 that the Intercolonial Railway had lost an average of nearly \$4,000,000 a year for the preceding five years. The writer has travelled over the Intercolonial all the way to Sydney, B. C., and also over the Canadian Pacific Railway and the Grand Trunk. In reply to the question as to why this government railway failed to pay, one old farmer said: "Well, you see, the boys that run this 'white elephant' think more of getting the votes on election day than they do of getting the trains in on time." And that's just the trouble. The road is in politics up to its neck. The road is politically operated. It costs \$7,500 per mile per year to operate this socialistic railroad, as against only \$5,000 for the Grand Trunk, and even less for the Canadian Pacific. In other words, experience proves again that bureaucratic management of industrial enterprises always means waste, extravagance, inefficiency and political bossism.

Socialists themselves are today modifying their stories of the wonderful success of State ownership in Australia and New Zealand.

Former Congressman Victor L. Berger some months ago published in his *Social Democratic Herald* (suspended) a timely article on public ownership in New Zealand. He said: "Now, the fact is that the New Zealanders had public ownership of public utilities for over twenty years before they tried social reforms, and during the time of their greatest misery. So public ownership of public utilities did not make them prosperous." And

he said, further: "Just now there is a boom—about in the same sense that there is 'prosperity' in America, but only a few years ago the reports of the labor secretary of the colony of New Zealand were as gloomy reading as those of any other country."

Henry D. Lloyd, a socialist author, said in his book about New Zealand: "That even now—that is, in boom times—the streets of the larger cities of New Zealand swarm with young men and young women, who, unfortunately, are not unemployed, though their hands are idle." Mr. E. E. Clark, member of the Australian Parliament, says: "There must be an abolition of excessive State Socialism, or it will drag the country to a condition which will shortly render it unfit to live in." Let us see what Mr. Lloyd had to say about Australian railways. On page 63 of "Newest England," he says: "Equitable rates and anything like a scientific and intelligent commercial policy have manifestly been subordinated to the exigencies of the treasury. There has been an unreasoning and almost uniform insistence upon high and vexatious charges." And, on page 49: "None of the Australian governments make both ends meet in their railroads. None of them are able to pay out of the receipts of the railroads the full interest on the money borrowed to build them. The taxpayers have to go down in their pockets every year to make the deficit good." Page 60: "The New Zealand railways are in some respects almost primitive. They can be shown to be inferior to the roads of Europe and America in speed and comfort." Page 78: "Even under public ownership the democracy has not yet found out how to make a democratic tariff." Mr. Lloyd then shows how unequal the rates are, and how the country districts of New Zealand, though the less able, are compelled to pay three-fourths of the passenger receipts and nearly all the freight-receipts.

*Liberty and Progress*, a Melbourne publication, published tables of statistics in the early months of 1908, showing that the Australian States had lost about \$164,-



000,000 before they began to cover expenses, in the operation of the State railways. This means a continuous annual expense of some \$6,000,000 for interest charges on the loss of \$164,000,000.

Mr. A. W. Pease, editor of the *Pastoralist Review*, shows that not only are the Australian railways woefully inefficient, but also that other countries which have proceeded on the plan of allowing owners of capital to bear their own risks and losses in the matter of railway building, have shot away ahead of Australia in their competition for the trade of the world. He shows the condition of Argentina in comparison with Australia. In the former a network of railways has served to develop the interior with six trunk lines, while Australia can boast of only one. In 1908 Argentina opened up 1,300 miles of railway and Australia only 468 miles. In the same year Argentina had 3,900 miles in course of construction and 6,000 miles under survey; the total under construction in Australia was only 685 miles.

According to the *London Times*, June 28, 1912, the capitalization of the Australian railways for road and equipment was \$46,217 per mile. This is very high when we consider that there are few bridges, a nearly level country and a labor cost per day of 30 per cent less than in this country. A considerable amount of the mileage is narrow gauge, an important fact which public ownership advocates conveniently forget to mention. The interest upon the cost of the Australian railways, together with the loss of the interest upon the \$164,000,000 of losses on operation (before the operating expenses were less than the revenue), amount to an annual charge of more than \$40,000,000. To this must be added the loss in taxes that these lines would have paid to the State if they had been under private ownership, which, based upon the rate paid by the American railways, would amount to more than \$7,500,000 a year.

The *Washington Star*, investigating the railways of

New Zealand, finds that the freight rates are from two to three times as high as they are in this country. It also says that the alleged cheap passenger rates are not enjoyed by the general public, but by special classes only, such as those who can afford the time to take long vacations, and that the special class tickets are issued at a loss. Thus we see that one class is carried at a loss which has to be met by overcharging all the people. The *Star* also found that the speed and general comfort of the passengers are far inferior to those in this country; that government ownership in New Zealand has almost completely put an end to activity in the construction of new roads and has arrested the development of the country; and further, that, had the New Zealand system prevailed in this country the phenomenal growth of such States as Oklahoma would have been unknown. On the question of profits and taxes paid by the privately owned railroads of this country, the *Star* shows that for twenty years the taxes alone would offset the normal net earnings of the New Zealand railways; and that railroad patronage is used in New Zealand for political purposes by the officials, and certain sections of the country are punished or rewarded, as the case may be, by good or poor railway service, according to the way they vote at the general elections. The New Zealand railroads are operated at a loss, says the *Star*, which the taxpayers are obliged to make good for the benefit of those who live along the line of the railroad, or who profit directly by it. The evils which are complained of in little New Zealand would be multiplied a thousand fold in this great country were we to socialize the railways.

### LABOR UNDER GOVERNMENT OWNERSHIP.

What has the workingman, the railroad employee, to look for under this government ownership scheme which we are asked to believe is such a wonderful blessing to everybody in the countries that have tried it? The American workingman who once learns the facts will be apt to con-

clude that it is a blessing in disguise and so much in disguise that the blessing cannot be found at all.

+ In 1900 the 1,017,653 American railroad employees received 38.82 per cent of the total gross revenue of the railroads; in 1912 the 1,750,000 employees received 44.20 per cent. The railroad shopman who received \$2 in 1900 now receives \$2.62. In thirty years the trackman's wages have increased 70 per cent, and the trainman's 59 per cent. Labor welfare work, which was almost unknown thirty years ago, is now a part of the administration of practically every great railway system in America. The railroad Y. M. C. A., partly supported by the railroads, is found in every railroad center. The railroad brotherhood officials meet the railroad company officials on common ground for the mutual settlement of all kinds of disputes, thus eliminating in large degree the possibility of strikes. In contrast, last year, when the government of South Africa sought to curtail expenses by the discharge of only seventy shopmen, a government committee having reported that the railroad shops were overstaffed by 1,750 men, the attempt caused a strike of 35,000 railway employees, which paralyzed the transportation system of the country, and the end of that industrial contest cannot be seen, as the government was defeated in the March (1914) elections.

+ As already shown, wages on the various State-owned railroads in Europe are from one-half to one-third those in this country. Strikes have taken place on the State railways in France, Austria, South Africa and Australia, and threats of strikes have been made elsewhere, but the employees have found that under government ownership they may be practically compelled to work against their will, and that to refuse to work amounts to treason against the State. Also, under civil service regulation, which would control the situation, the railway brotherhoods could tear up their charters and forget that they ever had organizations. Do these socialist dreamers imagine that industrial



peace could be preserved in this country under a schedule which, if logically carried out, might at any time subject nearly one million and three-quarters of American workmen to involuntary servitude?

The conclusion to be drawn from the foregoing facts is the utter failure of government ownership everywhere and in all respects compared with private management. Socialistic management has always and ever proved extravagant, inefficient, non-progressive and a constant source of favoritism and waste.

The nationalization of any great railway system will transfer a great industry from the domain of business to that of politics. ) c

# CITY TRANSIT SYSTEMS: MUNICIPAL VS. COMPANY OWNERSHIP AND OPERATION.

J. W. SULLIVAN.

Comparison between American and British urban transit systems brings into strong light the effects of two divergent national economic policies. In Great Britain, tramway ownership and operation is mainly municipal; in America, street-car transit is carried on almost invariably by companies which work under franchises prescribing a qualified ownership and a more or less regulated operation.

In Great Britain, nearly all the more profitable among the tramway undertakings have been assumed in the last twenty years by the various municipalities, while the non-paying or poorly-paying have been left by the reforming municipalists in the hands of companies, to struggle in irremediably disadvantageous circumstances for the small dividends possible to them or for bare escape from positive bankruptcy.

1. In 1914, America has 40,070 miles of street-car track, all operated by companies, except a few minor lines, the principal one being in San Francisco, and the others in Monroe, Louisiana (12,000 inhabitants), in St. Louis (the "water works" line); in Yazoo City, Mississippi; Bismarck, North Dakota, and Seattle, Washington, the losses on the last named thus far \$6,000 a month. The United Kingdom has 2,637 miles of tramway "route length," of which 1,777 miles are operated by municipalities and 860 by companies. The total "track length" is 4,303 miles, approximately one-tenth the mileage in the United States.

2. The American city street-car fare for a ride of any length going one way on a system is either five cents or six or more tickets for 25 cents. British fares are graded, according to distances travelled, in "zones" or "fare sections."

3. The total mileage of street-car tracks in a city indicates, first, the degree of convenience of service to the public, especially in outlying districts, and, secondly, an increasing cost of operation with the number of miles. Contrasts on these points: Liverpool, with 746,421 (1911) inhabitants, has 119 miles of track; Boston, with 670,585 (1910) 470 miles (surface lines alone). Leicester, with 228,000 inhabitants, has 37 miles; Louisville, Ky., with 215,000, 125 miles. In the sixteen British and Irish cities having from 221,000 to 650,000 inhabitants, only two—Dublin, with a company service, and Glasgow—have over 100 miles of track; of the twenty American cities having from 172,000 to 613,000 inhabitants, only three have less than 100 miles, five have more than 200, and six others more than 150. Two British cities with more than 100,000 inhabitants have no street railways, nor have seven cities with between 50,000 and 100,000, nor 39 with between 25,000 and 50,000. In the United States, all cities having 25,000 inhabitants or more have street railways. So have many with 10,000. In America, it is thus seen, street-car service as a public utility is incomparably more available than in Great Britain. It is more common throughout the country and more convenient to all parts of the community in which it is established. The street-car trackage of America equals in mileage the entire trackage—steam and electric—of Great Britain.

British tramway enterprises, with their relatively short mileage and their density of traffic in large centres of population, are manifestly in a position peculiarly favorable to profitable operation by their management through low fares for short rides.

4. In Liverpool, the tracks in several streets are for use only when the more crowded streets are closed to traffic; in Glasgow, citizens' organizations compelled the tramway department to lay tracks in certain streets where the business would pay, though not so well as in the more crowded neighborhoods. Contrasts: The population per mile of track runs: Glasgow, 5,154; Philadelphia, 2,350;—Sheffield, 6,577; Cleveland, 2,280;—Edinburgh, 7,720; Cin-



cinnati, 1,690. These figures signify that direct service in American cities reaches both urban and suburban areas which in British cities remain without convenient service.

5. At the end of a month, or a year, the average dweller in or near an American city may find that, in his necessary movement beyond walking distances, he has used as a public conveyance, except in long steam railroad rides, only the street-cars. The street transit system of his city has carried him everywhere within it, and very likely to many points miles beyond its limits, and in many localities at all hours of the day and night. On the other hand, the dweller in a British city finds that, since the tram lines in numerous cases do not run to the quarter he would go, nor at all hours of the night, he must frequently take a cab, or other costly means, to reach a desired destination within a certain necessary time. In London, as public places of amusement and saloons must close at 12:30 at night, the service of busses, trams and underground railways from the centre closes down at one o'clock, with the exception that where there is sufficient demand for all-night services on trams it is alleged to be provided. But in London, for the reasons given, the resident may usually incur an outlay for transit in a year amounting to more than he would in New York, and this is certainly the case with the person travelling long distances between home and work.

6. For any distance exceeding five miles, the American five-cent rate is cheaper than the fare paid anywhere in Great Britain (with one exception—Glasgow gives 5.8 miles for five cents). Glasgow's longest ride, 14.8 miles, costs the passenger 14 cents. The "Motor-Bus Guide" for London gives the fares from one terminus to the other for the one hundred and sixty-five 'bus routes which today are taking away passengers from the County Councils tramway systems. All of these routes except five short ones (less than three miles) have a full-trip fare of more than five cents; twenty-seven (four and a half to seven and a half miles) have between six and nine cents; eighty-six (eight to thirteen miles) have between ten and fifteen

cents; thirty-seven (eleven to twenty-two miles) have between sixteen and twenty-four cents. For five cents, New York gives a maximum ride of 17 miles, Philadelphia 26, St. Louis 22, Baltimore 17. In other words, for all "zones" of street-car travel exceeding five miles America has by far the cheaper service.

This fact indisputable, search for British superiority over American street transit systems narrows itself, as to rates, standard of service, and general convenience, to the distances of less than five miles. Following are particulars on this point:

7. The American method of selling a "slip" of tickets at a reduced rate is not in practice in Great Britain. Therefore, in the American cities giving this commutation, the "zone" of rates lower than the British is further cut down to four or even three miles. Washington, Detroit, Cleveland, are types of the cities having special features of reduction in price by this method. In other words, in these cities, for distances of more than three and a half miles, ticket fares are usually lower than tram-car fares in British cities. To this rule there is one exception—British workmen's fares in "rush" hours.

8. Few British transit systems (but one that is important) issue free transfer tickets. Usually, with each change of cars a full fare is paid. In America, more than 20 per cent of all the passengers carried in a year take free transfers (census report); in the larger cities, the percentage rises much higher, on some lines even to 40 per cent (state reports). The passengers in either percentage pay one fare where in British cities they ordinarily pay two or even three. New York has a double transfer system, equivalent, for example, to three fares in Glasgow.

9. In not a few British cities, all fares are graded from a central, or starting, point. The passenger taking a continuous ride which laps over this point must, on passing it, pay a second fare, even if carried previously but a quarter of a mile. In Leicester, for example, the central point is the "Clock Tower," in the heart of the business district. All rides inclusive of this point take double fares. The

passenger on transferring to a cross-line pays again. Hence, in the municipal reports (for Leicester, as an example) a single one-way passenger may be counted as three, thus reducing his apparent outlay. The statistical tabulated average fare per ride is not the actual average fare per trip.

10. The graded fares of British cities are calculated as from one "fare stage" to another. A passenger getting on a car between two fare-stage termini and off between the next two, even if he rides but half a mile or less, pays two fares. Economical passengers walk to the nearest fare-stage post. Thus they may gain a penny, but they lose in time and fatigue and in bad weather risk their health and damage their clothes.

The facts of the last four paragraphs serve to set aside two common misapprehensions regarding car-fare comparisons for the two countries. From one-fifth to two-fifths of all American flat-rate fares really pay two fares, obtained through the transfer with a five-cent piece or a four-cent or three-cent ticket. In Great Britain, on the contrary, a single trip may cost a passenger several fares. The American uniform five-cent or ticket rate helps, on the postage stamp principle, to maintain the "lean" part of the service—the long rides and the all-night runs. The British system cuts out the "lean" service or reduces it to a minimum. The American passenger giving five cents for a short ride "pays for what he gets" in a sense more strictly true than the British passenger who pays two cents for his single-section ride. The American pays for and gets his pro rata service from a system maintained in readiness to carry him in all cases long distances and in many cases during twenty-four hours a day, all the year round. In the course of a given period reaching into months, his necessary transit expenditure sums up to a lower amount than it would with graded fares. This is true of a regular day and night rider, even within a five-mile zone, and, as shown above, (Paragraph 6), invariably beyond a five-mile zone. In Great Britain, very poor people generally walk, or stay at home, or live near their work, amusements, or associations.



They are pent up in their own quarters through long-distance fares being higher than they can afford.

11. Three cents as a street-car fare—a penny and a half—takes a larger proportion from the average British bread-winner's earnings than five cents from the American's. In the skilled trades in the United States, money wages are from two to three times as high as they are in Great Britain. In the unskilled, the American workman certainly earns five dollars where the British workman earns three. As to wages on street-car systems, W. D. Mahon, President of the American street railway employees' association, after visiting Great Britain a few months ago, reported: "The highest wage paid any body of tramway workers in Europe is safely 100 per cent less than the rate paid in this country in the same occupation, and we found this to be the fact both on private and municipal systems."

12. In other words: American breadwinners by the million, literally, are daily carried for five cents (or, on tickets by the quarter's worth, for four or three cents, or on transfers for two and five-tenths cents), between city and distant suburb, up to ten miles in many places and up to twenty or more in the larger cities. The British breadwinner, by walking and riding, making much slower time per mile, is carried for a general average of 1.079d. (2.19 cents), usually between a congested factory district and a tenement neighborhood, for much less than five miles. It has been said of Glasgow, with its low short-distance fares: "The tram system 'churns up' the population within the slums." The twenty millions of American people living in the forty-seven cities in the United States having a population of more than 100,000 inhabitants can get a street-car ride of from five to twenty miles, or in cases further, for five cents. In no case are similar areas open at such fares to the British population.

13. The customary speed of a British tram-car is about seven miles an hour; that of an American street-car from eight to twelve. (Exact data lacking.)

14. The open double-deck car is serviceable in Great

Britain by reason of the mildness of the climate, the long stops permitted for taking on and discharging passengers, and the slow running rate, which lessens the dangers of the car with an upper deck overturning.

15. The average wait between cars—the “headway”—in British cities on lines owned by companies is 6.3 minutes, while on municipal lines it is 8.1, though the municipal lines are in the most thickly populated cities. The American prefers a quick service to a vexatious loss of time to save a cent or two. (In the large cities, of course, the service is the more frequent.)

16. The British rule of restricting the number of passengers taking up standing room in a car has disadvantages. Americans have learned to prefer the inconveniences of standing inside the first car coming along to standing still at a street corner in uncertainty, perhaps in trying weather, waiting for a car that may be actually partly empty but officially full.

A factor in these comparisons: The total amount of time lost by the British public in waiting for service.

17. The British car after dark has commonly less than half the lights of an American car. Opposing an improvement in lighting a Manchester Municipal Tramway Committeeman has publicly said: “A tram-car is no place to read a paper.”

18. The British passenger on paying his fare is given by the conductor a punched ticket, to be produced on demand by an inspector. If a passenger loses his ticket, his fare must be repaid. If the conductor loses an unpunched ticket, he is liable for the fare it represented. Printing, sorting, packing and checking fare tickets are not among the costs and cares of American street-car administration. The cash-register pay-as-you-enter method is not in practice on English systems.

19. An all-night service, common in the principal American cities, is the case in Great Britain only on a few lines. Consequently even in London (which has all-night service only on the principal routes) much of the

travel from the central districts outward after 1 A. M., as already said, must be by cab, at night rates. In the smaller American cities generally, the street cars are in continuous service eighteen hours a day, in British cities on the average fifteen. The traveller who reaches any one of the larger American cities by steam railway late at night can take a street car from the station to his hotel or home. Women frequently thus travel alone. In Great Britain, arrival late at night usually adds seriously to the cost of a journey, especially as there is no general baggage express service.

20. Through uniformity of track gauge the numerous American interurban systems, whose networks cover the thickly settled states, can connect without change of cars. British interurban systems, of which there are but few, have gauges at variance by several inches. Leeds, Bradford, Huddersfield and Halifax, whose adjacent systems all lie within a radius of twenty miles, have four different gauges, with, of course, dislocated services. England and Wales have 476 miles of 3.6 gauge, 174 miles of 4, and 1,095 miles of 4.8. Scotland has four gauges, Ireland five.

21. Long distance electric tram car travel is unknown in Great Britain; there are no systems of "trolley" lines covering hundreds of miles, as in America. American passengers and shippers of freight annually save enormous total sums through the big new suburban electric systems. The consequent encouragement to travel and trade is a social gain. One may go by electric road from New York to Philadelphia, nearly 100 miles, for less than a cent a mile. Indianapolis is a centre whence electric trains or single cars traverse a thousand miles of track, the speed reaching forty miles an hour.

22. In general, American street railway companies have sought a unity of development and administration within any possible given area of service, however large, and the policy of American municipalities and states is usually to-day encouragement in each case to a single exclusive agency. Alleged competition has given way to



legally recognized combination with a constantly improving regulation. English cities, on the contrary, have permitted the growth of diverse organizations of tramway transit within a single practicable administrative area. London, with but 275 miles of surface tramway track, against Greater New York's 1,250, has three separate area systems, with only one connecting line between them running through the heart of the metropolitan district. But it has scores of motor 'bus systems on restricted routes and thousands of horse and motor cabs, together with numerous sub-stations of the steam and underground electric railway, the fares of the last named (for all distances above five miles) considerably higher than the New York subway or elevated fare of five cents. London's local passenger traffic is "hopeless entanglement and obstruction." Sir J. Wolfe Barry has estimated the loss of time at four congested points crossed by 'bus lines—Cheapside, Strand, Piccadilly Circus and Oxford Street at Tottenham Court Road—at more than ten million dollars a year. Not only London's wageworkers but the salaried classes more frequently dwell within the dense population centres, and walk to their work, than is the case in New York.

23. Where two persons ride in New York on public conveyances one rides in London.

24. Municipal ownership in Great Britain in its early years had several signal advantages in making a successful showing as compared with British company-owned as well as American street car lines.

(a) The American companies were first to adopt electric power. Their expenses of experiment and development obviously were enormous. Each stage in the advance of the industry, as superior designs in equipment were progressively invented and adopted, was marked by the successive discarding of many million dollars' worth of motors and generators as well as of line supplies. When in 1896 the Glasgow Municipal Commission on Tramways, after visiting America, decided in favor of abandoning horse power and adopting electricity, its report relative to American electric tramway machinery and line equip-

ment read: "They have all been by experience so much improved that now they are practically standardized, and they can undoubtedly be bought at very much less money than at any former time." Then, and then only, profiting by the costly pioneer work of American companies, the municipalities of Great Britain began to electrify their tramways. Hard-earned results of American private enterprise—the demonstrated cheapenings in methods and mechanism—here became a forced gift to the world.

(b) The book-keeping of British municipalities for a period immediately after the municipalization of transit permitted reports of profits in operation where there had actually been deficits. This was usually effected through transferring to the books for general municipal accounting various charges that properly belonged to the tramway undertakings. Illustration: The London County Councils' tramway undertakings were represented in 1906 by its chief committeeman as having put aside out of profits, between 1897 and 1904, for the relief of local taxation, the sum of \$1,500,000. But when in 1907 this committeeman's party lost the majority in the Council, the President of the Institute of Chartered Accountants and other auditors of the first rank in Great Britain, after examining the accounts of the undertakings, reported that this \$1,500,000 ought to have been applied to making up a loss exceeding \$5,000,000 unrecorded in the Council's method of tramway book-keeping. Similarly, in the early years, various municipalities persistently omitted or understated the item of depreciation to make out an apparent or an exaggerated profit.

(c) The municipalized undertakings of Great Britain are incontestably the "cream" of the industry. In large part they came to the municipalities by inheritance. The plants, operated by companies under a franchise, the term usually twenty-one years, were on the expiration of the allotted time taken over by the municipalities at what came to be called a "scrap-iron" valuation. Some of the company undertakings, to-day remaining unmunicipalized for the reason that they can hardly be made pay, have been

left by the municipalities to their own struggles, and their inevitable inferiorities are shown up by municipalists to indicate the alleged superiorities of municipal ownership.

A French writer, A. De Bussy, in "La Municipalisation des Tramways," says (page 191): "The oldest systems are the most productive. It is just these that the municipalities have bought and among them have kept the operation of the best paying. Therefore they have now the good enterprises. Private enterprise has the rest."

(d) Municipal tramway undertakings pay light taxes. In the State of New York the street railways (surface, elevated, and underground) pay \$4,000,000 in taxes annually; in the United States they pay more than \$35,000,000. The municipal tramway undertakings of the whole United Kingdom, during the year ending March, 1912, paid £451,719 (\$2,250,000) in rates and taxes.

(e) Company lines pay for their own police work. Another charge not always entered into the books against a municipal undertaking is its pro rata share in the cost of the municipal administration—a due charge, since the legal, auditing, mayoralty, police and certain other departments directly assist in its operation, as is not the case in company management.

(f) The tramway undertakings of twenty-seven municipalities in Great Britain show deficits (1910-11) when sinking fund payments and reserves for depreciation are considered.

25. The relations between the British municipality and its tramway employees has brought out peculiar labor problems.

(a) Just prior to elections, municipal tramway employees have formulated demands for higher wages, etc., with pressure on candidates and support to the complying political party.

(b) The Municipal Employees' Association in Great Britain, in the days of its success, had among its members, as the largest proportion, tramway hands. Whether these men were paid and otherwise treated on the terms justified



by the labor market (modified by the British living standard), or in consequence of their political power, is a question pregnant with disturbing possibilities in view of a growing bureaucracy.

(c) The unskilled class of municipal tramway workmen, selected under exacting civil service rules, are naturally paid somewhat better than British laborers in general, taken as the lot runs, from good to the worst. Besides, the Municipal Employees' Association advertises that it stands ready to intervene when any municipal employee is discharged or otherwise possibly has a grievance. But the skilled municipal workmen are paid either only slightly higher rates than company employees of a like class or the same trade union rates. The work of the municipal employees is in the larger cities, where their duties are more trying and the cost of living higher than for the company employees of the smaller undertakings.

(d) The general increase in the wages of employees by British municipalities after electrifying their tramways—a point emphasized by municipal ownership advocates—has been less by a large percentage than the increase in wages on American lines, all operated by companies, since their electrification. (See "Wage History of the Amalgamated Association of Street and Electric Railway Employees of America"; November, 1914; Detroit, Mich.) The American scale of money wages, grade for grade, for street-car men, running double that of Great Britain, this difference in wages alone would go far toward showing the differences in the financial problems of the undertakings in the two countries, especially as related to fares.

(e) The menace of political action as a body by the Municipal Employees' Association in Great Britain may have something to do with the fact that in Liverpool and Glasgow, notably, the municipal tramway managers for years prevented the men from joining trade unions. The British Trade Union Congress six years ago excluded the composite industrial, political, and civil service Municipal Employees' Association from representation, as destruct-

ive of the regular unions of members composed of a single occupation.

(f) Municipalization does not provide immunity from strikes. In 1912 the tramway employees of Stockport and Cardiff, and in 1911 the tramway employees of Leeds, Oldham and Glasgow went on strike, and those of Leeds again in 1913 in a general municipal strike. The Board of Trade reports for 1913 strikes by municipal employees, involving 17,000 in all, in Barrow-in-Furness, Bradford, Leeds, Liverpool, Fraserburgh, Oldham, Stockport, Sunderland, and Swansea.

(g) Municipalization insures no fixity of tenure for employees. In Glasgow, in the first seven electricity years of the municipalized tramway system, the discharges and resignations were at a rate equal to a change of the entire working force in every four years. The annual average of dismissals and resignations in the traffic force alone, averaging 2,300 men, was 516. The discipline is of military severity. Admissions to the force are made only upon rigid requirements as to age, habits, and prescribed qualifications, all exceeding British company standards. (Authority on these points, a Glasgow tramway committeeman having access to the official books.)

26. Since the era of municipalization the tramway systems of Great Britain have developed but little in mileage.

27. In the last seven years no additional tramway systems have been municipalized in Great Britain (one exception, Coventry, 1912). Municipalization of all kinds has come to a halt, the movement discredited in money-lending circles (to the extent of a rise of from one to one and a half per cent on the rate of interest for various municipal bonds), accumulating objections compelling the public, including the "progressives" themselves, to take sober second thought before going further.

28. Generally, the problem of tramways in England is becoming grave, owing to the introduction—where permitted—of the motor-bus, which, involving a far less outlay than the tramways, is able to furnish a more conven-

ient service. In the streets of London 3,000 motor omnibuses are now competing seriously with the tramways. In certain cities the municipal authorities refuse to license motor-buses, thus raising a hindrance to social progress.

29. Glasgow experience—in fact, unique—is the salient stock argument for municipal ownership. But nowhere else has so fortuitous a combination of conditions for municipal success existed, especially these respecting the tramway: An expiring franchise, a blundering company, electrification made possible by American experiments, and an unusually favorable lay of the streets for the main lines in a dense population.

30. The smart appearance of British conductors, calling for favorable comment by American municipalizers, is helped by the good paving of the clean urban streets through which the British cars move on their comparatively short routes. The long runs of American street cars carry them over dusty or muddy roads, and in the North the deep snows and bitter cold of winter oblige the motor-men and conductors to seek comfort in clothes before style.

31. The possibilities of municipal office-holding graft and sinecurism in street car operation in America are unknown, though they may be apprehended on seeing the waste in public works departments. The possibilities of company abuses, on the other hand, have been fully experienced, and, since they have been studied, the provisions for suppressing them, where they yet exist, are at the command of the voters. The needed stipulations as to the rate of fares and the various details of service, with the necessary supervision, through public service commissions or otherwise, may be intelligently prescribed and exercised by the state or local governments. This done, American citizens shall have provided their chief necessary work of defence against overcapitalization and poor service. Prevision and provision are here the essentials of municipal duty. But with municipal operation, eternal vigilance every day over every step in both receipts and expenditures is requisite. And no vigilance can wipe out the ever-present danger to a community from a consolidated mass of



municipal employees possibly voting and politically striving otherwise for their own interest first and that of the public afterward. Greater New York has between 40,000 and 50,000 transit employees. It has already 82,000 municipal employees.

32. A significant development of the municipalization era in Great Britain was the speculative purchase and manipulation of both moribund and mushroom company systems by shady financiers for the purpose of "loading them up" on the municipalities. In certain conspicuous cases success was obtained in making such sales to municipal councils enthusiastically bent on reform.

33. Some British municipalities in electrifying their tramway systems employed American engineers, already qualified for the work by experience. Several great American firms and companies, with British headquarters in London, today furnish the United Kingdom with a large portion of its electric supplies. Municipalities have thus reaped the results of the innumerable experiments made by American capitalists in the first stages of electrification, British municipalities not only do not usually enter upon experiments to improve their electric machinery, but they continue to operate dynamos and small scattered generating stations that illustrate methods years behind the present electric age of high power machines and large-area concentration. Municipalities thus take few of the risks in the "wastage of experimentation," and, secure in indisputable monopoly, lag behind the age in the adoption of new methods and machinery. (The National Civic Federation investigation.)

34. Municipalization, with a few exceptions, extends only to the simple acts of furnishing power, running cars and collecting fares. The important factors of constructing cars and manufacturing supplies generally lies beyond municipal control or municipal capabilities. Purchases of equipment are mostly from private manufacturers.

35. Comparisons instituted a decade ago between the British and the American systems of street-car transit, yet embodied in the municipal ownership propaganda litera-

ture of the subject, were usually made either before competent investigation of the subject took place or before the recent era of increasingly strict regulation in America. The revolution in street-car finances brought about in New York through the Public Service Commission in the seven years of its existence has had no parallel in Great Britain in abolishing monopoly advantages.

36. Municipal street-car administration is bureaucratic. In contrast with it, companies, under just and efficient regulation, can exhibit the elasticity, initiative, enterprise, organization, foresight in purchasing, and general progressiveness characteristic of free industry, to the ultimate benefit of society.

37. New York, in its subways, is exhibiting the possibilities of municipal guaranty in construction, with all the municipal ownership desirable at the end of a term of years, the city meantime having the advantages of company operation.

38. The distinction sought by municipalists through the words "private" and "public" ownership must be essentially modified by the fact that no system is wholly "private." The State, as original owner of the highways, grants the right of way, under a franchise in which complete provision should, and today often is, made for the defense of the public rights involved. Thus "regulation," though in the early stages lacking thoroughness, has always in some degree been inevitable. In Great Britain franchises for the horse-car systems, when established in the '60s and '70s, were commonly granted for a term of twenty-one years, and the grantees, uncertain of the future beyond their term, made no provision for improvements in traffic methods or readjustment of fares other than necessary for temporary operation. In the United States many growing but needy, though aspiring, cities, competing to obtain local investment of capital, at the beginning of the development of the street-car industry gave perpetual franchises. With radical differences in tenure of ownership in the two countries arose wide differences in operation and development, the general outcome being that America gives

by far the better service. "The American system, to our minds, is not only cheaper to the public, all things considered, but the service is better with a great deal more of it." (Report of American Federation of Labor Committee on "Labor Conditions—European Municipally Owned Roads," 1914.)

39. In America, the most highly authoritative statement as to the present general position of street-car system franchise-holders, made by the company representatives on a commission of investigation of the subject, reads as follows:

"The opponents of municipal (or state) ownership and operation, themselves by no means ultra-conservatives, have also their prevention for possible abuse of a monopoly of the use of the highways in any particular industry. Their proposition differs radically from that of the municipalizers, in political, economic and moral standards. They would have franchises, contract and regulation remain the irremovable bases for all public work in the performance of which exclusive occupancy of the highway presents the leading social problem. They would have the community prescribe—sharply, clearly and fully—private operation, without granting monopolistic powers in fixing prices or otherwise. They are convinced that a community can so define the best conditions for the operation of each of its industries which requires a franchise that both the community and the franchise holders would achieve the recognized benefits of free industry, while leaving the management in a position favorable to unimpeded initiative in conducting its business. Any community in America can command the eager services of abundant capital if it will offer: 1. Current interest on investment in the working property of an enterprise. 2. Wages of superintendence and labor. 3. Compensation for risk in initiation and maintenance. 4. Fair yield from the increase of business, or economy of operation, arising from energy in administration and improvements in methods and machines. 5. Preservation of that due regard for vested interests necessary for an established confidence in the rectitude and in-



tegrity of organized authority. Manager and investor must have guarantee that where they have sown they may reap. This assured, the consequent gains to society would be everything promised but never yet realized by the municipalizers, together with higher financial results both to the community and the consumer, a firmer foundation to the State, a far better protection of the rights and enjoyments of all its citizens, and a conservation of the energies of the world."

40. The sweeping claims continually made a decade ago and even later by municipalists as to the superiorities of British city transit systems over American, and the confident assertions that only through municipalization could America reform her systems, were proven to be baseless eight years ago on a scientific investigation of the question in which seven of the foremost American advocates of municipal ownership had a fair and full share of the work of inquiry as members of a mixed committee of twenty-one. At its conclusion not one of this committee would recommend municipalization. Since that date the work of regulation, as recommended by that committee, has proceeded apace throughout the country, the principle adopted generally being state or municipal control in essentials. Americans well informed as to street-car transportation, whether dealing with the problem from the standpoint of practical operators, employees, legal advisers, financiers, or disinterested citizens, are in general convinced both of the insuperable obstacles in this country to successful municipal operation and of the positive advantages, in every essential, achieved or to be duly achieved, through the principle of regulation. "Municipal ownership" has in general become a mere vote-catching cry of innocents or demagogues. (In a few places present municipalization has seemed to be the only solution of a complicated problem.)

41. In the development of street-car systems in America there have usually been three eras previous to the present period of competent regulation: (1) Twenty to fifty years ago, in growing towns, East and West, the financial desideratum, alike with city authorities and local specula-

tive promoters, was the attraction of capital, and in this economic situation extraordinary inducements were freely offered the managing capitalists of the nation's money centres, including perpetual franchises and liberal concessions as to service, extensions and powers generally; (2) followed a period characterized by the booming of companies, the issuing of bonds and stocks to an unwarrantable limit, and the advancing of the schemes of groups of financiers regardless of the public interest; (3) came demand for reform, in time attaining a stage of tumultuous clamor, of loud demands for the punishment of corporations, and of unmeasured claims for the possibilities of unproven innovations in municipal activity. This latest era has now reached the turning point to sober thought and exact information, at which our country is adopting business methods in municipal affairs, in conformity with American principles and the standards of national intelligence and character.

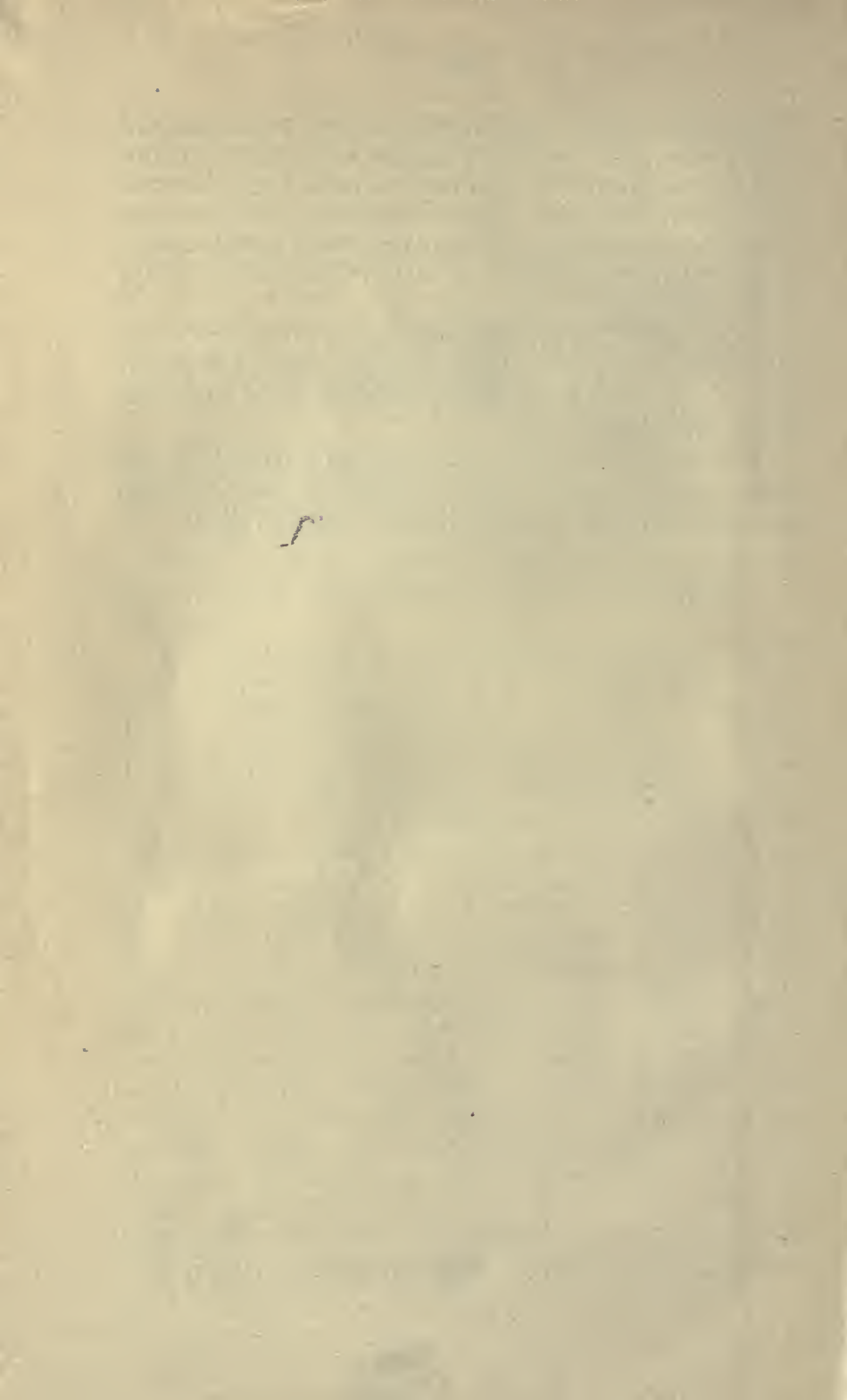
42. A summary of the results of a systematic control of city transit systems in the United States achieved within the last five to ten years, since the policy of just and efficient regulation has been clearly recognized and definitely adopted as a consequence of the widespread discussion of the subject, would show—especially in New York and Chicago—such a rearrangement in the methods for defense of the rights of the public as has been in effect an economic revolution. In Chicago a paper capitalization of the traction lines amounting to \$99,000,000 was, at the expiration of their franchises, brought down to \$50,000,000 as the true value of the properties, and no new bonded debt was thenceforth permissible except on actual improvements. In New York the establishment of the Public Service Commission in 1907 was immediately followed by a collapse in the fictitious values of certain of the principal surface lines, which, after passing through the hands of receivers, are now on a solid basis and subject to a state control which ceases only short of operation. The New York subway system, its total value to be more than \$300,000,000, has been made subject to the Public Service Commission in respect to finance, construction, character

of service, and final ownership by the city. The methods of joint ownership by city and company, as brought about in Chicago and New York, have been, in project and outcome, a peculiarly American problem, the satisfactory solution of which is reflected in the rapid sale and sound market value of the securities relating to the colossal undertakings in the two cities.

43. Most of the foregoing statements of fact are verifiable in the public and college reference libraries of America. Nearly all may be readily checked up by any competent investigator.

Conclusion: America is abundantly qualified to give Great Britain lessons, in all essentials, in the principles and methods of city transit ownership and operation.





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