

# THE UNIVERSITY OF NORTH CAROLINA RECORD

JANUARY, 1917

NUMBER 143



## FACULTY COMMITTEE ON EXTENSION

LOUIS R. WILSON    M. C. S. NOBLE    COLLIER COBB    E. C. BRANSON  
H. W. CHASE        L. A. WILLIAMS    E. R. RANKIN    A. H. PATTERSON  
N. W. WALKER    M. H. STACY    C. L. RAPER

---

RALEIGH, N. C.  
EDWARDS & BROUGHTON PRINTING CO.  
1917

# The Bureau of Extension of the University of North Carolina

---

The University of North Carolina through its Bureau of Extension offers to the people of the State:

- I. GENERAL INFORMATION:  
Concerning books, readings, essays, study outlines, and subjects of general interest. Literature will be loaned from the Library upon the payment of transportation charges each way.
- II. INSTRUCTION BY LECTURES:  
Lectures of a popular or technical nature and addresses for commencement or other special occasions will be furnished any community which will pay the traveling expenses of the lecturer.
- III. CORRESPONDENCE COURSES:  
For teachers in Algebra, Arithmetic, Civics, Drawing, Economics, Education, Engineering, English, European History, French, Geology, German, Greek, Latin, North Carolina History, Rural Economics, Solid Geometry, and United States History.
- IV. GUIDANCE IN DEBATE AND DECLAMATION:  
Through the High School Debating Union, special bulletins and handbooks, and material loaned from the Library.
- V. COUNTY ECONOMIC AND SOCIAL SURVEYS:  
For use by counties in their effort to improve their economic and social condition.
- VI. MUNICIPAL AND LEGISLATIVE REFERENCE AIDS:  
For use in studying and drafting municipal and State legislation.
- VII. EDUCATIONAL INFORMATION AND ASSISTANCE:  
For teachers, principals, superintendents, school committees and boards. The School of Education acts as a clearing house for information concerning all phases of educational work and conducts a teacher's bureau as an aid to communities and schools in securing efficient teachers.

For full information, address

THE BUREAU OF EXTENSION,  
CHAPEL HILL, N. C.

# The High School Debating Union

---

## History and Purpose

The High School Debating Union was organized among the secondary and high schools of North Carolina by the Dialectic and Philanthropic Literary Societies of the University during the school year 1912-1913. It was organized to encourage debating in a definite, systematic fashion among North Carolina high school students. The query of that year was, "RESOLVED, *That the Constitution of North Carolina should be so amended as to allow women to vote under the same qualifications as men.*" Ninety schools took part in this State-wide debate on February 22, 1913. Sixteen schools won both debates and sent their teams to Chapel Hill for the Final Contest. The Pleasant Garden High School of Guilford County, represented by Messrs. Grady Bowman and S. C. Hodgin, was the winner in the Final Contest, on March 7th, and accordingly was awarded the Aycock Memorial Cup.

## A Part of Extension Work

During the school year of 1913-1914 the High School Debating Union moved onward with splendid success. It received the additional support of the Bureau of Extension of the University, in order to insure its permanence and enlarge its usefulness and scope. Everywhere, all over the State, it was recognized as a definite, big part of the University's effort to bring itself into a helpful relation with every community and every person in North Carolina. One hundred and fifty schools enrolled in the Union and took part in the triangular debates on March 20, 1914. Forty-one schools won both of their debates and sent their teams, numbering 164 debaters, to Chapel Hill to compete in the Final Contest. Before an audience of 2,000 in Memorial Hall, on April 3d, the Winston-Salem High School, represented by Messrs. Charles Roddick and Clifton Eaton, won the Final Contest and was awarded the Aycock Memorial Cup. The query was, "RESOLVED, *That the Constitution of North Carolina should be so amended as to allow the Initiative and Referendum in State-wide legislation.*"

## The Contest of 1914-1915

The contest of 1914-1915 was the most successful which had yet been held. Two hundred and fifty schools in 90 counties became

members of the Union. Representing them, 1,000 student-debaters spoke March 26th, before large audiences in cities, towns, and rural communities all over North Carolina, on the query, "RESOLVED, *That the United States should adopt the policy of subsidizing its Merchant Marine engaged in foreign trade.*" Fifty schools won both debates and sent their teams to Chapel Hill to compete in the Final Contest. Before another splendid audience in Memorial Hall, on April 9th, the Wilson High School, represented by Misses Lalla Rookh Fleming and Ethel Gardner, won and was awarded the Aycock Memorial Cup.

### **The Contest of 1915-1916**

Three hundred and twenty-five schools, represented by 1,300 debaters, enrolled in the Union last year for a great State-wide debate March 31, 1916, on the query, "RESOLVED, *That the United States should adopt the policy of greatly enlarging its Navy.*" Sixty-eight schools won both debates and sent their teams to Chapel Hill to compete in the Final Contest. The Aycock Memorial Cup was won, on April 14th, by Miss Myrtle Cooper and Boyd Harden, of the Graham High School.

### **The Query for 1916-1917**

The query which has been selected for the members of the Union this year is, "RESOLVED, *That the Federal Government should own and operate the railways.*" Various other nations of the world have had varying degrees of Government ownership for long periods of years, and it is evident from happenings in railroad circles and in Congress during the past few months that the question is one to be faced by the American people in the not far distant future. A careful study of this question promises much of development and the accumulation of a valuable fund of useful information for the debaters.

### **Membership of the Union**

Every secondary and high school in North Carolina is invited to become a member of the Union and participate in this State-wide debate. Every school that enters will, as usual, be grouped with two others in a triangle, each school putting out two teams, one on the affirmative and the other on the negative. Every school which wins both of its debates will be entitled to send its teams to Chapel Hill to contest for the State Championship and the Aycock Memorial Cup. The triangular debates will be held throughout the State during the latter part of March, and the Final Contest at Chapel Hill will be held early in April.

## High School Week at the University

The Final Contest of the Union at Chapel Hill in April will be the main feature of the University's High School Week. Other features will be the interscholastic tennis tournament and track meet. All of the schools eligible to participate in the debates of the Union are eligible to send representatives to the track meet and tennis tournament. Last year five hundred visitors attended the exercises of this week, which is now one of the most interesting and spectacular occasions on the University's calendar.

### Regulations

1. The Dialectic and Philanthropic Literary Societies and the Bureau of Extension of the University of North Carolina shall suggest the query to be discussed by the schools entering the Union, and shall fix the dates for the various contests.

2. All secondary schools of North Carolina, however supported, offering regularly organized courses of study above the seventh grade, and not extending in their scope and content beyond a standard four-year high school course as defined by the State Department of Education, shall be eligible for membership in the Debating Union.

3. All schools accepting this offer, and thus becoming members of the Union, shall be arranged in groups of three, for a triangular debate, the status and standards of the schools, their proximity, accessibility, and convenience of location to be considered in forming the groups.

4. Each school of each triangular group shall agree to furnish two debating teams of two members each, the one to uphold the affirmative side of the query and the other to defend the negative side.

5. The members of the debating teams must all be *bona fide* students of the school which they represent. To be *bona fide* students, they must be in attendance at the time of the debate, and they must have been in attendance for at least 30 per cent of the school year up to and including the date of the debate, and must have made passing grades on a majority of their work.

6. The team debating at home shall in each case uphold the affirmative side of the query, and the visiting team the negative.

7. The schools themselves shall select and agree upon the judges of the local contests.

8. Each speaker shall have twenty minutes at his disposal, not more than fifteen of which shall be used in the first speech.

9. Any school which shall win both of its debates shall be entitled to send both of its teams to the University for the State Championship Contest.

10. In the event that one school of a triangle drops out and the committee at Chapel Hill is unable to secure a school to take its place, then the two teams remaining shall debate one another, each sending a team on the negative to the other. If either school wins both of these debates, then it shall send its teams to Chapel Hill for the Final.

11. In the event that two schools of a triangle drop out of the Union and the committee is unable to secure schools to take their places, then the remaining school shall be declared winner over the others, by their default, and shall send its teams to Chapel Hill for the Final.

12. The school having the strongest team on the affirmative side of the query and the school having the strongest team on the negative side shall be entitled to contest publicly at the University for the Aycock Memorial Cup. (The strongest team on each side of the query is to be determined by means of preliminary contests at Chapel Hill.)

13. The school which shall win the debate, thus finally held, shall have its name inscribed on the Memorial Cup, together with the names of its two winning representatives.

14. Any school which shall win in the Final Contest for two years in succession shall have the Cup for its own property.

15. All high school representatives and principals coming to the University for this contest will be met at the station by a committee and will be entertained free of cost while in Chapel Hill.

### **Originality of Debates**

The High School conference in session at Chapel Hill last summer recommended, "That the principals of the schools in the various triangles be urged to take some steps among themselves looking toward the originality of the debates." The committee realizes that "the debate which a speaker produces should be his very best; but it should under no circumstances be better than his best"; that the success of the Union will be seriously hindered unless in each instance the speech of a debater represents his own individual work. It wishes, therefore, to ask the consideration, and action, wherever necessary, of the principals in the various triangles in regard to this matter.

### **Enter Your School Now**

The High School Debating Union is essentially an organization for the secondary and high schools of the State. That it possesses

unlimited possibilities for usefulness to every high school pupil and teacher and to every community in the State goes without saying. Its success, however, and its benefits to those concerned, are dependent upon the support accorded it by the students and school men of North Carolina. If your school has not yet enrolled, in order that its possibilities for usefulness to you may be realized, see to it that your school—the school of which you are principal or the school which you attend, or the school in your community—enrolls immediately in the Union.

For fuller information, address

E. R. RANKIN, *Secretary*,  
HIGH SCHOOL DEBATING UNION,  
Chapel Hill, N. C.

# Government Ownership of Railways

## Query

“RESOLVED, *That the Federal Government should own and operate the railways.*”

## Explanation

It is understood for purposes of the debates that the method to be employed in the purchase and operation of the railways by the Federal Government is the gradual method—that is, the purchase and operation of the leading trunk-line systems first, and later the purchase and operation of the smaller lines, after the general practice of the European countries.

It is further understood that in the purchase of the railways the Federal Government could issue its own bonds in exchange for the stock of the railways. The stock of the railways of the United States is approximately 45 per cent of the capital, which includes both the stock and the bonded indebtedness. The capital is about nineteen billion dollars, exclusive of duplications. The Government would in buying the stock take over the responsibility of paying the interest on the outstanding railway bonds and of converting these bonds into its own bonds, or of sinking them, when they become due.

It is also understood that the Federal Government has the legal right to purchase the railways; that is, that any question of constitutionality which might arise is waived in the debates.

## State and Private Mileage

In a bulletin issued November, 1916, and entitled “Comparative Railway Statistics, United States and Foreign Countries, 1913,” the Bureau of Railway Economics, Washington, D. C., gives the following table showing State and private mileage:

Country	State	Private	Total
United States.....		253,470	253,470
Algeria and Tunis.....	1,803	2,163	3,966
Argentina.....	3,490	17,149	20,639
Australia.....	17,775	1,912	19,687
New South Wales.....	3,930	262	4,192
Queensland.....	4,524	369	4,893
South Australia.....	2,168	34	2,202
Victoria.....	3,647	51	3,698
Western Australia.....	2,854	973	3,827

Country	State	Private	Total
Austria.....	11,987	2,488	14,475
Belgium.....	2,706	2,771	5,477
Brazil.....	6,727	8,798	15,525
Bulgaria.....	1,200	-----	1,200
Canada.....	1,742	27,562	29,304
Chile.....	3,236	1,784	5,020
China.....	-----	6,123	6,123
Cuba (approximate).....	130	2,470	2,600
Denmark.....	1,243	1,146	2,389
Egypt.....	2,909	786	3,695
France.....	5,626	19,846	25,472
Germany.....	35,951	2,203	38,154
Holland.....	1,233	1,102	2,335
Hungary (1912).....	11,229	2,103	13,332
India.....	29,317	5,331	34,648
Italy.....	9,090	1,867	10,957
Japan.....	5,473	799	6,272
Mexico.....	12,351	3,489	15,840
New Zealand.....	2,863	29	2,892
Norway.....	1,635	282	1,917
Portugal.....	713	1,140	1,853
Roumania.....	2,205	133	2,338
Russia (1912).....	33,928	12,645	46,573
Siam.....	598	104	702
Spain.....	-----	9,538	9,538
Sweden.....	2,864	6,140	9,004
Switzerland.....	1,701	1,321	3,022
Union of South Africa.....	8,281	52	8,833
United Kingdom.....	-----	23,691	23,691

### Comparison of Rates

Mr. S. O. Dunn, editor of the *Railway Age Gazette*, Chicago, has issued the following table giving a comparison of passenger and freight rates in the United States and on railways in Europe. This is based on material contained in Bulletin No. 83, issued October, 1915, and entitled "Comparative Railway Statistics United States and Europe," of the Bureau of Railway Economics, Washington, D. C.

	Per Cent Government Ownership	Passenger Rate Per Mile, Cents	Number Passengers Per Train Mile	Freight Rate Per Ton Mile, Cents
United States.....	-----	1.987	53	0.744
Austria.....	80	1.062	73	1.494
France.....	20	1.075	69	1.181
Germany.....	95	0.908	84	1.244
Holland.....	52	1.020	63	1.240
Hungary.....	90	0.967	66	1.215
Norway.....	90	1.208	-----	1.448
Russia.....	70	0.599	-----	0.933
Sweden.....	32	1.246	-----	1.373
Switzerland.....	56	1.280	69	2.640

# Brief

---

## Government Ownership of Railways

*“RESOLVED, That the Federal Government should own and operate the railways.”*

### Introduction

- I. The question is important.
  - A. The railways today touch every phase of the life of the individual and the Nation and contribute more than any other factor to the social make-up of the State and Nation.
  - B. The railways are public utilities, and there is a tendency for cities and the National Government alike to take over in their respective spheres all public utilities—in the case of cities, the street railway systems, electric light plants, waterworks systems, etc.; in the case of the Nation, the Postoffice, parcels post, postal savings bank, etc.
  
- II. It is timely.
  - A. The threatened Nation-wide strike of September, 1915, the passage of the Adamson 8-hour work-day law, and the Congressional investigation into the entire railway problem, including the Government ownership aspect, make the question of Federal ownership of railways one of much timeliness.
  - B. The Adamson law was a temporary measure to relieve an acute situation, and further permanent legislation in reference to the railways of the United States is needed.
  
- III. The three methods of railway ownership and operation are:
  - A. There may be private ownership.
  - B. There may be State ownership.
  - C. There may be Federal ownership.
  
- IV. The question arises as to whether in the future the United States shall continue her present plan of private ownership and operation with Government regulation by the Interstate Commerce Commission or adopt the plan of ownership and operation by the Federal Government.

## AFFIRMATIVE

- I. Railways are essentially of a public nature and are of such vital importance in the life of the Nation that they must of necessity come to be owned by the Federal Government.
  - A. The welfare of every man, woman, and child, and of every business house in the country is dependent upon the railways.
    1. A Nation-wide railway strike, such as was threatened in September, would prevent intercourse and transportation, from place to place, and section to section, thereby causing great suffering and loss everywhere.
  - B. Private ownership cannot be depended upon to perform steadily satisfactory service at uniform rates.
    1. Strikes and rebates and rate discriminations occur under private ownership, whereas they do not occur in Government service.
  - C. So integrally bound together are the railways and the public welfare that ex-Governor Stubbs of Kansas says: "In considering the general welfare, comfort, and convenience of the people, we find that only the soil on which we live is more important than is the question of efficient, economical transportation service for all persons and property on equal terms and conditions"; Hon. Franklin K. Lane, Secretary of the Interior, says: "Whoever owns the railways of the country determines very largely the future of the country"; and Bismarck, years ago, said: "Either the Government will own the railroads or the railroads will own the Government."
  - D. The ownership and operation of railways is essentially a function of Government.
    1. Railways are a monopoly issuing from the Government and dependent upon it.
- II. The present system of private ownership and operation has not resulted for the best interests of the people of the Nation.
  - A. The system places too great responsibility in the hands of a few.
    1. Railways constitute a large part of the National wealth.
    2. A considerable per cent of the total mileage is controlled by a few corporations.
  - B. The system is not, as a whole, conducted economically.
    1. Unnecessary duplication is carried on in lines, equipment, and service.

2. Needless expenses are incurred for salaries, passes, in rate wars, and to secure business.
  - C. Watered stock, rate discrimination, and rebates have existed in great degree.
  - D. Corruption has been found to exist in many high places.
    1. The Interstate Commerce Commission reported in 1914 that the New Haven System presented a glaring instance of maladministration.
  - E. Accidents and deaths are more frequent than in Europe and passenger and freight rates are higher.
- III. Federal ownership would remedy the present evils and provide for the operation of the roads in the interest of the people.
- A. The Federal Government would eliminate discriminating rates.
    1. It is contrary to the policy of the Federal Government to give special privileges to any class.
      - a. The Post-Office Department offers no special rates to given classes.
  - B. The Federal Government has no private interest to promote. Its object is to serve all the people.
  - C. Passenger and freight rates would be lowered.
    1. Great savings would be effected by the consolidation of lines, equipment, offices, and officials.
    2. Many expenses would be eliminated, such as taxation, interest charges, passes, litigation, advertising, and corruption funds.
    3. The large salaries now paid to hundreds of presidents, vice presidents, and other officers would be eliminated.
      - a. Many offices could be advantageously combined.
      - b. High salaries of many officers now are merely a means of hiding monopoly profits.
- IV. Government ownership and operation of the railways is practicable.
- A. The Federal Government has shown its capability to conduct work of similar and equally important nature.
    1. It conducts the Post-Office, which has an annual expense of one-seventh the annual expense involved in the railways.
    2. It conducts the parcels post and postal savings bank systems.
    3. It has built the Panama Canal, the world's greatest engineering feat, and operates this successfully.
    4. It conducts a National system of finance.

- B. The argument that Government ownership is not practicable because the Government has not sufficient money to buy the roads is not valid.
  - 1. The lines could be secured gradually, the trunk lines first, and the smaller branches bought with profits realized from the operation of the trunk lines.
  - 2. The Federal Government could issue its own bonds for the stock, and could replace the railway bonds with its own bonds as they became due. The immediate issue of bonds would not exceed nine billions, and the total issue need not exceed nineteen billions.
- C. Government ownership would be efficient and economical.
  - 1. Great publicity could be given to the management of affairs.
  - 2. Civil service would secure the most competent and careful service.
  - 3. Extravagance or negligence would be cause for dismissal from service.
- D. Such a plan is in harmony with the spirit of American institutions.
  - 1. It is the duty of every government to see to it that public-service corporations are operated in the interest of the public and not as money-making schemes.
  - 2. The American people have time and time again advocated the elimination of all kinds of monopolistic agreements, such as railroad pools, rebates, etc.
  - 3. The sentiment in favor of Government ownership is constantly increasing.
- V. Federal ownership has proved successful where it has been tried.
  - A. Germany has reduced its rates by Government ownership.
  - B. France gives lower fares under Government service.
  - C. New Zealand realizes large profits from its railway operations in addition to furnishing excellent service and giving low fares.
  - D. The experience of Australia and Canada is highly favorable to Government ownership.
  - E. Our Federal Government now owns and operates successfully two railways in Panama.

#### NEGATIVE

- I. Government ownership of railways would be an unwarranted infringement of private enterprise.

- A. It would take from the hands of private parties the greatest and most complex undertaking of modern times, an undertaking that has been built up by years of work and painstaking care.
  - B. It would take millions of capital out of remunerative investment and force it to seek other channels of trade.
  - C. Though railway transportation is essentially of a public nature, the Government can by regulation make private operation serve and work for the best interest of the public.
  - D. The Government should not engage in industrial undertakings.
    - 1. Popular sovereignty is not fitted for such enterprises.
    - 2. Its present duties are already too numerous.
- II. The present system of Government ownership and operation is excellent.
- A. Under the present system, the general welfare of the Nation has been incalculably advanced.
    - 1. Manufactures and trade have been encouraged.
    - 2. The rapid growth of population has been stimulated.
    - 3. The natural resources of the country have been developed.
  - B. Railway facilities in the United States are the best in the world.
    - 1. More miles of road have been built than in any other country, both in respect to area and in respect to population.
    - 2. Transportation is cheaper, freight rates having steadily declined and passenger fares, in proportion to population and the quality of the service, being the lowest in existence.
    - 3. The railways have adapted themselves to the needs of the country; new localities have received facilities even when unremunerative.
  - C. The argument that the present system is objectionable because discrimination in rates is practiced is unsound.
    - 1. Unjust discrimination has for the most part been stopped, by the force of public opinion and by the Interstate Commerce Commission.
    - 2. Whatever unjust discrimination still exists can easily be remedied, by legalizing pooling, by increasing the power and character of the Interstate Commerce Commission, and by a rigid enforcement of the law prohibiting the giving and taking of rebates.

D. American railways are not overcapitalized. Their capitalization per mile is at a lower figure than the capitalization in any European country.

III. Government ownership would be unwise from a political standpoint.

A. Government ownership would necessarily impose enormous burdens upon Congress which would materially detract from Congressional service in other branches of Government.

1. It would be a physical impossibility for Congress to keep adequately informed in regard to so many activities.

B. Congress would make the railroads an object of political patronage.

1. Tremendous pressure could be brought to bear on Congressmen from all over the country, compelling them to secure jobs for their constituents.

C. Political parties would make questions of railway management party issues and thus inevitably drag the railroads themselves into political entanglements.

IV. Government ownership would be unwise from a business standpoint, and is impracticable.

A. It would result in extravagance.

1. Government employees are frequently careless and wasteful in their methods.

2. Government employees on account of the slow promotion offered in the process of civil service, lack incentive to become more efficient.

3. It costs the Government four times as much to operate the Postoffice as it would cost efficient private enterprise.

B. The Government could not secure competent management for the roads.

1. The great captains of industry who now operate the roads would never consent to become mere Government employees.

2. Congress would be continually dictating the way in which the railroads should be managed.

C. The purchase of the roads alone presents well-nigh insurmountable obstacles.

1. It would steep the Nation in debt, increasing the National debt beyond all reason. The cost of the roads would be nineteen billion dollars at least.

2. The Government would have to pay more than the roads are worth.
- D. Bankrupt and unprofitable lines could not be reorganized, but would remain a burden on the Government.
- E. Such a plan is not in harmony with the spirit of American institutions.
  1. The growth and development of American enterprises and institutions of all kinds have been on principles of individual liberty and full self-expression, and not on lines laid down by paternalistic governments.
- V. The experience of foreign nations with Government ownership does not justify its adoption in the United States.
  - A. The experience of Australia and New Zealand is unfavorable.
    1. Fewer miles of railway have been built proportionately than in the United States.
    2. Unnecessary lines have been built.
    3. The cost of construction has been excessive.
    4. The management has been inefficient.
  - B. The experience of Belgium is unfavorable.
    1. Service and accommodations in Belgium are less satisfactory than in the United States.
    2. Charges are higher.
    3. The administration is influenced and handicapped by political considerations.
  - C. The argument that the experience of Prussia is favorable to Government ownership is unsound.
    1. Conditions in Prussia are entirely different from those in the United States.
      - a. The Government is strongly centralized and is military in character.
      - b. The civil service is efficient and the country is practically developed.
      - c. Conditions of population and traffic differ greatly.
    2. In nearly all important respects the Prussian system is inferior to that of the United States.
      - f. Accommodations and facilities are less satisfactory.
      - g. Freight rates are higher.
      - h. Red tape and officials predominate.
      - i. Improvements are but slowly introduced.
      - j. Railways do not respond to the needs of industry.
  - D. Government ownership is far from successful in Switzerland.
    1. After ten years the roads show a deficit.

# References—Affirmative

---

## PUBLIC OWNERSHIP OF RAILROADS

(By W. R. STUBBS, former Governor of Kansas, in the *Saturday Evening Post*, Volume 186, pages 3-5, 28-33. June 6, 1914.)

1. The conclusions reached in this paper have been forced on me by the logic of events during the ten years last past, reënforced by practical knowledge gained in regard to the cost of building railroads and to the method used in financing and operating them. My experience in railroad construction began with driving a mule team in a grading camp and ended more than a score of years later with the completion of certain railroad construction contracts aggregating in value several million dollars.

2. If any one at that time had said that I should come to believe in Government ownership of railroads the statement would have seemed preposterous; but my experience as a public official during six years of service in the State Legislature and four years in the Governor's office caused me to make an exhaustive investigation of the whole transportation question involving rates, service, operation, and capitalization, from a public-service viewpoint; and this investigation has given me an entirely new view of the relation of railroads to government in the Nation and the several States.

3. As a member of the Legislature of 1903, I saw a big railroad system force the election of a United States Senator who, as a member of the lower house of Congress, had voted with that particular railroad against a President of his own party in the settlement of obligations involving millions of dollars due the Government for aid in construction. I saw this Senator fulfill a pre-election agreement with another great railroad by recommending to the President of the United States the appointment of its general counsel as a judge of the United States Circuit Court, though the latter was not of his political faith. Fortunately, President Roosevelt prevented the consummation of this agreement.

4. As speaker of the Kansas House of Representatives in 1905, I saw the same influence secure control of a majority of the Senate—a bipartisan majority, called the Senate lodge.

5. It was not merely anti-railroad legislation that this Senate lodge fought. The same crowd that opposed the two-cent fare fought the introduction of a civil-service law into State politics; the same roll call in the Legislature opposed the law taking the State charitable institutions out of politics, the same group of

men who begged the Governor not to push the railroad freight bills importuned him to accept a weak primary law. Whenever the people of Kansas desired to effect a political or economic reform even remotely affecting the railroads, the lobby organized by the railroads and directed by their attorneys always led the onslaught against that reform.

6. The State at that session witnessed a most shameful betrayal of the public trust, and after the Legislature adjourned rewards began to follow. A leader of the Senate lodge moved out of a small law office into the law headquarters of the Standard Oil Company of Kansas. Another member, who came to Topeka impecunious, blossomed out as a capitalist after the session and made a grand tour of Europe and the Orient.

7. Whenever a Federal judge was to be appointed from the West I saw the railroad attorneys of Kansas flock to Washington to line up Senators and Representatives for their man. The value in cash to the railroads and corporations of a Federal judge for life, who has the corporation viewpoint, is well known. The railroads are in politics for business.

8. The Wall Street interests that finance the railroads and dominate their political policies have also financed the big business consolidations, combinations, and trusts of the country. They are all so interwoven and interlocked that dissolution decrees of the Supreme Court of the United States now seem to help rather than hinder them, as witness the rapid rise in market value of the Standard Oil and Tobacco Trust stocks when the Supreme Court dissolved them.

9. The Federal Government can never effectively control monopolies until it controls the source of the political influence that makes unlawful combines and trusts possible.

10. If the political power of the railroads in the several States does not now stand between the people of the United States and a responsive representative National Government, it certainly is a menace to our form of Government.

11. The *Outlook* of July 30, 1910, said editorially: "The railroad question is another form of the fundamental issue between oligarchy and democracy." Every passing year makes the absolute truth of this statement more apparent.

12. There was a period when it seemed to me that rigid control would be better than public ownership; and, though forced by the logic of events to see that the railroads were governing the country and that the little brigandage of our State capitals was duplicated in National affairs, I still hesitated before believing that Government ownership was necessary to remove this evil and dangerous influence.

13. It seemed that the achievements we had made in railroad building, the advance we had made in many matters of transportation over certain other countries, would warrant giving the old system further trial; but as one goes more deeply into the facts, under the surface of things, he is compelled to question the wisdom, justice, and soundness of a policy which permits private ownership of our railroads. Not only is the transportation question involved in this problem, but it is closely allied with many other great questions disturbing the country.

14. Therefore, having come through the long, slow way of circumstances and events to my present belief, it seems wise to justify that belief with such facts as investigations have disclosed and such arguments as the facts adduce. The fundamental idea of American government is that it should be conducted in such a manner as to benefit the largest possible number of people. It is a self-evident fact, and needs no proof, that anything which tends to carry out this idea is not in conflict with our institutions.

#### THE QUESTION

15. Government ownership of railroads means simply vesting the title of our railroad properties in the Government for the benefit of all the people alike. Private ownership of the great railroads of this country means the vesting of the title in a corporation, and holding it in trust for the benefit of the few. Railroads are and always will be an actual public necessity and a natural monopoly. The question I propose to discuss is, whether it is best for the American people to have the title of our railroads held in trust by the Government for the benefit of all or have this vast property vested in corporations and held in trust for the benefit of private individuals.

16. In considering the general welfare, comfort, and convenience of the people, we find that only the soil on which we live is more important than is the question of efficient, economical transportation service for all persons and property on equal terms and conditions. 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. President Waters, of the Kansas Agricultural College, recently said: "Last year one fifth of the average cost of living in the United States was due to freight and expressage, or an average of \$125 for each family."

17. Our highways of transportation, of commerce and distribution are now in the hands of private interests, whose selfish welfare is opposed to the common welfare. Under public ownership the Government of the United States, acting for and representing all the people, will condemn and purchase the railroads at their true value and operate them on the basis of equal service, without discrimination between persons, cities, and communities.

18. All the railroads need not be purchased at once. They were not so acquired in Germany and France. It is quite often assumed that all the railroads of the country—about 250,000 miles of them—would be taken over at the same time. There is no reason for such an assumption. A dozen of the greatest railroad systems of the country have a valuation of not much more than three billion dollars. Control of these roads by the Government would mean virtual control of the railroad business of the entire country. If the railroad corporations, with their record of reckless financiering and stock juggling, can sell railroad bonds and stocks and provide money to build and equip the railroads of the country, certainly railroad bonds guaranteed by the Government would find a world market if they were not all sold quickly at home.

19. The Government need not bankrupt itself in borrowing money to buy the railroads. Four per cent nontaxable railroad bonds, in denominations of one hundred dollars and multiples thereof, the principal and interest guaranteed by the United States, can be issued under authority of Congress to pay their purchase-price.

20. National ownership and control of the means of transportation, and the exercise of the Nation's power over the distribution of its population and products, will accomplish the following results:

21. First. Furnish an absolutely safe investment, at reasonable rates of interest for millions of citizens with small capital. Under private ownership the stock gamblers and speculators monopolize railroad stock and bond markets to such an extent that conservative people cannot afford to risk their small savings, and the general public is therefore largely excluded from participating in the ownership or control of the second largest and most important industry in the United States.

22. Second. Coördinate along natural lines a great National system of railways and waterways, and it will make transportation the servant and handmaid of commerce. Instead of acting on the principle of charging all the traffic will bear, it will nourish and build up the agricultural, commercial, and manufacturing industries of the country.

23. Third. Ending forever the war against water transportation that has been fought so effectively and bitterly by the transportation

companies for heavy, slow-moving traffic—such as coal, lumber, iron, steel, and their kindred products, salt, cement, grain, and so on—will reduce the cost of transportation of such commodities to approximately one-third of the present railway rate, as has been thoroughly proved by the development of water transportation on a large scale in the German Empire. Extensive intelligent development of our inland water transportation is impossible so long as it interferes with the profits of privately owned railways.

24. Of the need of harmony between rail and water transportation President Charles R. Van Hise, of Wisconsin University, has this significant statement in his book, *The Conservation of Natural Resources of the United States*: “The ideal system of transportation is that in which waterways and railways perfectly cooperate. It is comparatively easy to acquire such cooperation where the Government owns both systems; but in this country, where the ownership of the railways rests exclusively with private corporations, the securing of cooperation in place of illegitimate competition will be far more difficult, and laws must be enacted that will accomplish this.”

25. Did space permit, quotations to the same general effect could be made from the preliminary report and recommendations of the Inland Waterways Commission, appointed by President Roosevelt, and making its report in 1909.

26. Public ownership will make railway operation comparatively safe for railway workers. There are now every year more than one hundred and fifty thousand persons either killed or injured as a sacrifice to profit under private ownership. It will benefit labor further by the betterment of wages and greater steadiness of employment. It will make service the end and object of all railway operation, management, and methods, while under private ownership it is not unusual that everything, including human life, is sacrificed for profit.

27. It required many years of public agitation, resulting in a national law, to secure the general use of automatic couplings, uniform steps, handholds, and other safety devices in railway equipment to protect the lives and limbs of employees; and every step in this humane program has been fought most bitterly by the financial interests that dominate railway political activities.

28. Public ownership will standardize the management of all railways and steamship lines on the basis of the most efficient, best-managed transportation lines of the country, not only eliminating bad and inefficient management, but also reducing overhead charges by consolidating many small railways into one big system under one directing head, thereby effecting enormous savings.

29. As long ago as 1891, Collis P. Huntington said: "I am satisfied that the best results will not be reached until substantially all the transportation business of this country is done by one company. . . . What is wanted is not more than two or three—one would be better—great carrying companies. . . . With the best talent in the country to manage and control such an organization, many millions could be saved to those who use the railroads of the country and millions to those who own them, over what is now being received by the fragmentary, badly equipped and inefficiently managed roads that, with few exceptions, now exist."

30. Mr. Huntington, of course, thought that one great management would be a private monopoly, which is intolerable; but the principle of unity is correct, and the one masterful management should be vested in the people.

31. Public ownership will wipe out of existence preferential rates on raw materials and manufactured products that now favor certain localities and cities. This favoritism—this inequality of rates and service—results in the longest possible haul for railways. It accelerates the crowding into cities and manufacturing districts of poorly housed, ill-fed, ill-clothed workers, and these conditions are producing many of the perplexing evils of our time.

#### SOURCE OF POLITICAL POWER

32. It increases the cost of food and other living expenses to the wage-earners and lowers prices received by the farmers for their products; and all this is only for the purpose of increasing the profits of the railways that arbitrarily fix the discriminating rates. Under government ownership all freight traffic between common points could be transported over natural routes, using the shortest mileage and the lowest grades. To estimate accurately the saving that could be effected by routing freight in this way is impossible; but it is safe to say that it would be enormous.

33. Public ownership will tear up by the roots the most dangerous, corrupting and insidiously powerful political influence in the United States. It will remove the political machinery through which National, State and municipal legislation and Federal judicial appointments are influenced or controlled in the interests of corporations.

34. The most powerful political machinery in the world would be smashed if the political organizations of the railways were taken away from the brewery and liquor interests, Standard Oil, the Steel Trust, the packing house, coal, lumber, salt, and other combines, trusts and monopolies. For the railways furnish the only Nation-wide practical political organization available for big business.

35. The taking over of railways by the Government means precisely taking them out of politics. Our cities furnish excellent illustrations of the fact that the public utilities are not in politics, in the ordinary sense, while the privately owned utilities are nearly always most emphatically in politics. It will scarcely be claimed that the water system or the fire department of the average city under public ownership is in politics, though it is notorious that the street railways and the gas companies under private ownership have been exceedingly active politically.

36. It is almost invariably the rule in our American cities, as it has been in European cities, that when a public utility is taken over by the municipality it is by that very act taken permanently out of politics. According to Professor Ely: "Our terrible corruption in cities dates from the rise of private corporations in control of natural monopolies; and when we abolish them we do away with the chief cause of corruption."

#### GALLING ABUSE OF SOVEREIGN POWER

37. Public ownership will take away from the railway corporation the most gigantic taxing power in the world, and will place that power in the hands of public officers who can be removed and replaced if power is abused. The railways themselves, finding the practice unprofitable, have recently discountenanced discrimination as to localities, says Brooks Adams, in his *Theory of Social Revolution*: "Now among abuses of sovereign power this is one of the most galling, for of all taxes the transportation is perhaps the most searching, most insidious, and, when misused, most destructive. The price paid for transportation is not so essential to the public welfare as its quality, for neither persons nor localities can prosper when the necessities of life cost them more than they cost their competitors. In towns no home can be built, no crust of bread eaten, no garment worn, which has not paid the transportation tax; and every manufacturing plant or distributing agency in every city of the country must stand still or close down if its competitor's rates are enough lower to exclude its products from the markets.

38. "Yet this formidable power to build up or destroy cities, communities and industries has been usurped by private individuals, who have used it selfishly, as no legitimate sovereign could have used it, and by persons who have indignantly denounced as an infringement of their constitutional rights all attempts to hold them accountable. High among sovereign powers have always ranked the ownership and administration of highways. And it is evident why this should have been so. Movement is life and the stoppage of movement is death, and the movement of every people flows along its highways."

39. This whole Nation is now stirred to its very heart by the need of conservation of its resources. Conscience and intelligence are awake to this necessity. Conservation of human life as well as of national wealth is our pressing obligation in order to give to every man, woman and child in this land at least a fair chance at the things that make life dear.

40. Have we made even an appreciable start toward that condition when our cities show overcrowding and our country spaces have no considerable portion of the population they might support in happiness? Mr. Franklin K. Lane, Secretary of the Interior, said in May, 1914: "Whoever owns the railways of a country determines very largely the future of the country." The German, Bismarck, said, years earlier: "Either the government will own the railroads or the railroads will own the government." In Germany it has passed into a proverb that whoever owns and operates a country's transportation owns the country. This has been in brief the underlying philosophy of state ownership in Germany.

41. I have seen in a recent book, *Government Ownership of Railroads*, by Mr. Anthony Van Wagenen, of Iowa, this remarkable warning and prophecy by the Frenchman, Lamartine, written as long ago as 1838:

42. "What will be our condition when, according to your imprudent system, you shall have constituted into a unified interest with industrial and financial corporations the innumerable stockholders of the five or six billions of securities the organizations will place in the hands of these companies? You, the partisans of the liberty and the enfranchisement of the masses; you, who have overthrown feudalism and its tolls, its rights of the past and its boundaries; you, who are about to allow the railroads to fetter the people and divide up the country among a new feudality, a moneyed aristocracy! Never a government, never a nation, has constituted outside of itself a more oppressive money power, a more menacing and encroaching political power, than you are going to create in delivering up your soil, your administration, and five or six billions of securities to your private companies. I prophesy with certainty that if you do this they will be masters of the government before ten years."

43. The late Mr. Justice Harlan said: "Great and rapidly increasing corporate wealth is the supreme peril of the United States." Of the total of one hundred and forty billion dollars of wealth of all kinds in this country, ninety-six billions have been capitalized by the corporations. On this the public is now paying interest and dividends through the use of commodities that are necessities of life, including transportation taxes levied by the railways in the shape of freight and passenger rates. The capitali-

zation of the railways, including stock and bond issues, is approximately nineteen billion dollars.

44. Has the time not arrived when we should heed the warning of Justice Harlan? And where could we so profitably begin as on the most vital of all phases of corporate capital control? The transportation tax collected by the railways during the year ending June 30, 1913, was \$3,171,000,000. The total revenue receipts of all kinds by all the States, all the counties, and all the towns and cities with a population of more than eight thousand people, were about eleven hundred millions. The National, State, county and municipal governments together collected one billion less than the single transportation tax taken by the railways.

#### CAN THE PEOPLE OPERATE RAILWAYS?

45. Two years ago Cleveland and Powell, in their book on *Railroad Finance*, said: "Within a century it is probable that the people of the United States had invested no less than twelve billion dollars in the improvement of the country roads and turnpikes; one billion dollars in the construction and equipment of tramlines and roads."

46. The chief point of interest here is that the people have invested approximately the same amount of money in the common wagon roads that has been invested in the railways; but the railways are privately owned because there is profit in them, while the wagon roads are publicly owned because there is only expense attached to them. I believe it was Mr. Francis J. Heney, of San Francisco, who said that the idea seemed to prevail that the public officials were intelligent enough and honest enough to run the public utilities, which cost them money, such as universities, schools, wagon roads, city parks, charitable institutions, jails, penitentiaries, sewers, and so on, but were not intelligent enough to run the utilities from which a revenue is derived, such as railways, canals, street railways, and the like.

47. Railway conditions in the United States and Europe are so entirely different in the average distance freight is moved, the capacity of cars and locomotives, the cost of rights of way, the classification of traffic, and the general customs, habits and methods of the people engaged in manufacturing, commercial, and agricultural pursuits, that comparisons between privately owned railways in Europe are of small value; but Germany with publicly owned railways, and Great Britain with private ownership, furnish an excellent demonstration of the comparative value of the two systems.

48. The total capitalization of the railways in Germany is \$109,000 a mile, as compared with \$265,000 a mile in Great Britain.

The actual average passenger rate paid a mile is ninety-five hundredths of one cent in Germany and one and a half cents in Great Britain. The average freight rate a ton-mile is 1.141 cents in Germany under public ownership and 2.33 cents in Great Britain under private ownership.

49. Mr. Anthony Van Wagenen's book on *Government Ownership of Railroads* says: "It costs \$5.72 to transport a ton of hardware from Birmingham to London, while the cost for the same class of goods over the same distance in Germany is about \$2.25. Cotton goods from Manchester costs \$8.76 a ton; in Germany, over the same distance, the cost is from \$4.86 to \$5.60. General machinery from Leeds to Hull costs \$6.09 a ton; in Germany, over precisely the same distance, \$1.09."

50. Referring to other conditions, the same authority says: "It may be said that these are not important differences; but what is important is that the German railroads must carry these goods over two hundred miles for about \$1.22 a ton, whereas in England it costs from twice to four or five times that to carry it one hundred miles."

51. No people less abundantly endowed with natural resources than ours could ever have withstood the enormous waste, plunder and larceny involved in the methods employed in financing the railways of the United States. If this reads like the emphasis of overstatement, let it be boldly declared that statistical and court records prove more against private ownership of the railways of this country than any mere list of nouns and adjectives can imply or set down.

52. An empire of 247,093 square miles—over 158,000,000 acres—of the public lands of the United States has been given to the railways to aid in their construction and maintenance. This in a domain more than equal to the German Empire in extent. In the words of Secretary Lane, who furnished the figures as lately as January, 1914, to the Congress of the United States: "These land grants equal in area a territory as large as the combined areas of the New England States and New York, New Jersey, Pennsylvania, Virginia, and West Virginia." And Secretary Lane continued: "How much other public aid has been given to private railroad building, in the form of cash bounties or subsidies or guaranteed interest and principal on bond issues, cannot even be approximated with any degree of certainty."

#### RAILROADS UNDER RECEIVERSHIPS

53. In this connection Douglas County, Kansas, my home county, with twenty-five thousand population, has contributed more than half a million dollars in bonds and cash to aid the construction of

railways in that county. Missouri contributed thirty-eight million dollars and received six millions from the railways, making the net loss to the State thirty-two millions.

54. In spite of these enormous public subsidies, in spite of high rates, in spite of the frequent control by the railway politicians of Congress and legislatures and courts, 735 railway companies, operating 136,156 miles of road and involving nearly eight billion dollars of stock and bonds, have gone into the hands of receivers. In other words, until agencies of the Government took hold of more than half of the roads, squeezed a part of the water out of them and compelled them to be temporarily honest, they could not run successfully. The operation of railways under government receiverships has been surprisingly successful and furnishes an argument of no small value for government ownership. The actual general manager of some of these railways under receiverships has been a Federal judge, not a trained railroad man. Efficiency? Has not Mr. Louis Brandeis, in his brief to the Interstate Commerce Commission, pointed out leaks of many million dollars, not to mention the assertion of experts he examined, who declared that three hundred million dollars a year could be saved to the railways by more efficient management?

55. Efficiency? Is it efficient to kill or injure every year one trainman for every nine trainmen employed? Think of it! In nine years every trainman employed in the operation of railway trains in the United States would be killed or injured if there were no new men to fill in the gaps and share the burden of killings and injuries. And inefficiency is only one indictment of the American people against the railways.

56. Waste goes along as one factor of inefficiency. Waste is inherent in the system itself, that would be almost entirely eliminated by the mere fact of changing from private ownership to the unity of National public operation. For their legal departments alone the railways expended last year about twelve million dollars; and that sum did not include the salaries of many highly paid general solicitors and counselors. A large share of this expense would be unnecessary if a bureau of the Government, with its corps of assistants from the Department of Justice, had the management of the highways of the country.

#### THE COST OF GETTING BUSINESS

57. The Interstate Commerce Commission asserted recently that the railways lose annually at least fifteen million dollars by giving free service to industrial companies. This is not only waste, it is also a fraud on the shippers who are competing with industrials.

58. Simply for getting the business by their traffic departments the railways are spending fifty-six million dollars annually. The soliciting that makes up the bulk of this expense simply enables one railway to take business away from another. For the most part it is pure waste. For the year ending June 30, 1911, the people, through the United States Government, paid the railways fifty million dollars for transporting the mails. In the same year the people through express companies, paid the railways seventy million dollars for transporting packages. The railways' middlemen profits in those transactions amounted to many million dollars.

59. The enormous profits made by the Pullman Car Company, enabling it to swell its capitalization from one million dollars in 1867 to one hundred and twenty million dollars in 1910, are waste, chargeable to private ownership of the railways. In this country the railways pay the Pullman Company for routing sleeping cars over their tracks. In some European countries the sleeping-car owners pay the railways. So, also, are the great profits taken by private refrigerator car companies and express companies chargeable to waste. If the railways had owned and operated the Pullman, express and refrigerator-car companies the enormous profits which these companies have absorbed could have been used to lower freight rates for the benefit of the public.

60. The total of these wastes runs between two and three hundred million dollars annually. Some of them cannot be stated in exact figures because of the juggled accounts and the varying contracts the railways have with the allied companies.

61. I have mentioned larceny as one count in the indictment of the methods that have been so generally used in financing our railway properties. Is that too harsh a word for the almost countless repetition of acts infinitely worse in their effects on general property rights, and more criminal in their intent than most of the acts for which common criminals fill our jails and penitentiaries?

62. "Reliable authorities have stated," said Secretary Lane in his letter to a Congressman, already referred to, "that the actual cost of construction of the Union Pacific Railroad was approximately fifty million dollars. The cost to the railroad company of this construction was ninety-three and a half million dollars, nearly forty-three million dollars being taken in profits by the contractors and the Credit Mobilier." A long time ago that, some one may say. Yes, it was; and railway high finance has not improved since then. Instead of the Union Pacific's beggarly plunder and swag of forty-three million dollars the swag and plunder that wrecked the New Haven road in this present period has been estimated at two hundred million dollars. The Frisco's wreckage was brought about in the same time by the grafting of still unenumerated millions, but

certainly many millions on millions. If such things be not larceny they are as flat burglary as was ever committed.

63. Through all the railway years the way is marked by such deals as these and by such so-called legitimate deals as Jay Gould's watering of the Erie to half a million dollars a mile; by E. H. Harriman's water-logging of the Chicago and Alton, and by his use of the credit of the Oregon Short Line to traffic in stocks and bonds of other lines, and pile new millions on millions of fictitiously created wealth, on which the public pays interest. The space of a magazine article can scarcely enumerate the deals by which the railways of the country have been used to pile up ill-gotten fortunes instead of to develop the land for the people.

64. Even waiving every other advantage and need of Government ownership and operation, I believe firmly that private ownership and operation cannot much longer perform the necessary function. I mean that the Government itself is the only organization strong enough to perform the transportation service adequately—as adequately as it will have to be performed to meet the demands of our commerce.

#### MR. HILL'S PREDICTION

65. Consider the statement made by Mr. James J. Hill, of the Great Northern and Northern Pacific and Burlington Railroads. It was made in an open letter to the late Governor Johnson, of Minnesota, in 1906, the year of a memorably disastrous car shortage. It was repeated in November, 1907, in an address by Mr. Hill to the Commercial Club of Kansas City. In that speech he said: "A year ago I said it would require five and a half billion dollars, or one billion one hundred million dollars a year for five years, to make our railroad facilities equal to the demands on them. The figures are staggering, but twelve months have confirmed them and enhanced the difficulty of securing such investment. In the last year the railroads have raised in one way and another in the neighborhood of a billion dollars. Much of this has been obtained on short-time notes at a high rate of interest. Most of it has gone into terminals, renewal of old equipment and purchase of new and other necessary improvements. It was a forced investment, the funds for which were raised not to make our railroads adequate to their task, but simply to keep them at their present working level.

66. "It has been used to keep the wheels of industry from slipping backward, but there has been very little new construction, the needs of the moment were too severe for that; and, though substantially the amount of money suggested by me as indispensable has been collected and spent, the railroads have barely held their own and the future remains to be provided for. Not less, but, in

the opinion of competent judges, perhaps fifty per cent more, should be spent annually for the five years to come."

67. That was more than six years ago, and the indispensable demands on traffic facilities have necessarily increased. On their own showing the private railroad companies are utterly unable to perform the functions that must be performed. If that is true then they and their spokesmen must stand convicted of the grossest misrepresentation in order to force increasing rates to support new stock and bond deals.

68. The railways themselves fear their own deficiencies and the consequences of their own wrongdoing. They fought the Alaska Railroad Bill as they fought the Panama Canal, for they do not wish the proof given of what the Government can do in the way of railway construction and railway management, even under the most unfavorable conditions. The railways themselves have brought the government ownership issue to the front in seeking to head off that step by a persistent campaign of misrepresentation and one-sided discussion of it.

69. The experience of other countries—those having government ownership—has borne out the teachings of our own opposite experience. "The rapid extension of industry in Germany has called for a parallel development in the facilities for transportation," Consul Norton, writing from Chemnitz in 1907, reported: "In most respects," he continued, "this growth has been more harmonious and better adapted to meet the natural economic needs than has been the case in the United States under corresponding conditions. This is due in large measure to the fact that most of the railroad lines are under government control and to the consequent uniformity in management and avoidance of unhealthy rivalry."

70. The square-deal effect on all railway labor, and incidentally on all labor, with one central management to the whole transportation system in government hands, would be a prodigious benefit of government ownership.

71. United States statistics show, as Professor Scott Nearing has set out in his *Wages in the United States*, that twenty-two per cent of the nearly one and three-quarter million railway workers in the United States receive a wage of less than eight dollars a week. The figures are for 1909, but they have not changed sufficiently since more than to make up for the increase in the cost of living.

72. Fifty-one per cent of the railway employees of the entire country receive less than \$625 a year. Only seven per cent receive more than a thousand dollars; and of the few high-priced railway

men or operatives none receives more than all in that limited class would receive under government ownership, and probably none of them receive as much.

#### SAVING ON BOND INTEREST

73. If it owned the railways, the United States Government could guarantee to every railway worker a wage that would at least support him and his family up to the standard of the average American home. It would not get the money for this by leveling down the wages of the high-priced, better-skilled operatives. It would get it from the savings represented by the lower rate of interest that the railways would have to pay on railway bonds, principal and interest guaranteed by the United States, as compared with the sum total of interest, dividends, and surplus earnings the railways now pay to their stock- and bondholders; and from the savings of the vast waste that has been partly enumerated earlier in this article, resulting from inefficiency, the duplications of express, the traffic departments, the virtual rebates to industrials, the profits over the actual cost taken for mail transportation, express carriage, Pullman and refrigerator car service, and so on. Who shall state with complete accuracy just the number of hundreds of millions of dollars these possible savings would represent?

74. Of the first item alone, consider that the railway interests, dividends and surplus earnings for private benefit amounted to \$833,734,571 for the year ending June 30, 1911, as shown by the last published report of the Interstate Commerce Commission. Now in a letter read to the United States Senate by Senator Kenyon, of Iowa, on January twenty-first of this year, Mr. Clifford Thorne, of the Iowa Railroad Commission, states that the United States Government would have to pay in yearly interest on bonds representing the full present market value of all the railway securities, including stocks and bonds, \$419,075,201. The difference between this latter sum and the \$833,734,571 now paid to private beneficiaries is \$414,659,370. Mr. Thorne's figures are based on a government rate of interest of three per cent; but, using a four per cent basis for railway bonds guaranteed by the Government, the saving would amount to approximately three hundred million dollars annually.

75. The saving, regardless of interest rates, in that one item would be vast, nor does all this offered present saving take into account the future saving. Here and now I can only indicate these. The "unearned increment" of land values in city ter-

minals, country right of way, and so forth, are piling up hundreds of millions of "capital values" that the railroad rates under private ownership must return interest upon. The other "increases" that result from the great tractive power of locomotives and the vast increase in carrying capacity of freight—these benefits now inure to private parties instead of to the people, as would be the case if the public were the owner.

76. With these increments piled up on top of speculations and excessive capitalization, is it any wonder that the following dialogue concerning the railways' present demand for increasing rates took place in Interstate Commerce hearing?

COMMISSIONER LANE. Is there any reason to believe these increases would stop with the present increase if it should be allowed?

PRESIDENT WILLARD, of the Baltimore and Ohio. Increases in rates?

COMMISSIONER LANE. Increases in rates; yes, sir.

PRESIDENT WILLARD. No; I think not. I think the tendency of rates will be to continue upward.

COMMISSIONER LANE. You think there will have to be a progressive increase?

PRESIDENT WILLARD. Yes, sir.

77. I wonder whether the tremendous importance of an increase in freight rates, with advances in prospect, is generally appreciated. I fear not. Many regard the proposed increase of five per cent as a very slight matter; but the cold facts are: A five per cent increase for the eastern roads, involving fifty million dollars, is but an opening wedge, that in the end will mean a general increase for all the railroads in the country, aggregating one hundred and fifty million dollars. These increased charges will be paid primarily by the merchants, and finally, in the higher cost of food, clothing, shelter, coal, lumber, and so on, by the public. The most prosperous year for the railways was 1913. Their total income was the largest, and their profits would have been the greatest in history if they had used the same proportion of their revenue for permanent improvements and maintenance that had been expended during preceding years. The excessive proportion of railway revenues invested in cars, engines, terminals, tracks and improvements during 1913 represents profits, but in the form of property instead of cash. There was not the slightest justification for the advance in freight rates demanded by the railways and refused by the commission in 1910, and there is now no justification for an increase. The facts submitted by the railway officials themselves condemn the whole scheme.

## THE PUBLIC SUSPICIOUS

78. There has been an immeasurable increase in the wealth of the world and we are enjoying comforts and luxuries undreamed of by our ancestors, chiefly on account of useful inventions and the advance from the cruder methods of transportation to the present system. These are the factors which have contributed most largely to the marvelous advance in our material civilization during the past hundred years. But are we to come to an end of this advance so far as aid from cheaper transportation is concerned? After the age-long forward march, are we now to face the other way and retrace our steps? If the cost of everything we buy, including transportation, is to advance; it cannot mean anything else but that we are nearing the end of the increase in the comforts and luxuries of civilization. And I for one refuse to believe that transportation cannot be made much cheaper and very much better than it now is. I believe it can be made so under Government ownership and control. I see no such hopeful prospect otherwise.

79. Even if an increase in freight rates were as imperatively required as the railway people claim, it would be exceedingly difficult to secure the higher rates sought. The people are justly suspicious of the correctness of the arguments advanced for the proposed increase. They do not believe all the facts are in their possession. They think it is likely that the New Haven and the Frisco, and possibly other roads, need more money right now, but they are exceedingly reluctant to furnish the added money in the shape of higher freight rates. Under Government ownership the people would know or could learn all the facts at any time. If an advance or reduction in rates were needed it could be easily made. In Belgium and Germany the fullest publicity is given regarding railroad rates and finances. Is it any wonder that Mr. Brandeis, in his brief for the shippers and consumers against the increase, said: "Let the consumer beware of the vicious circle of ever-increasing freight rates and ever-increasing cost of living."

All this illustrates, too, the deceitful character of the arguments of private railway advocates. In one breath, when talking to those out of sympathy with the rights of labor, they say government ownership would make railway employees politically arrogant and economically overpaid and lazy. In another breath, when talking to the railway workers, they say the employees under government ownership would be underpaid, servile and afraid to unite and strike for their rights.

80. The courtesy, efficiency and manliness of the employees of the Postoffice Department is a sufficient reply to such charges.

81. Would there not be a much greater incentive to diligent work in all departments of railway employment when the men were given a square deal than now when a preponderant proportion of the men do not earn a fair wage, and when most of the real benefits go to those who are not workers at all? Would there not also be a greater incentive in the increased safety to life under government operation?

82. It is said that railway service would not be developed to its full capacity without the incentive of private profits. The truth, proved over and over again, is that the governments of the world have to do those things they dare not intrust to the incentive of private profits. They have to chart the seas and light the shores to keep the ships operated by private owners for profit from being wrecked.

83. Block signals were opposed and now steel cars are being opposed, because they interfere with profits. The Government of the United States built the Panama Canal under the direction of a man who was paid fifteen thousand dollars a year, and it will be operated for the world's benefit and convenience, regardless of profit. In Alaska, private railway building failed and the Government had to go into a pioneer field. What public convenience or service that is in private hands has been run as efficiently and with such wide-awake enterprise as has the postal service, without regard to profit? And so one might go on.

84. Mr. Andrew Carnegie said to the Ways and Means Committee of the House of Representatives in the tariff hearing of 1908: "Gentlemen of the Committee, allow me to address you in one word: Figures will do nothing but mislead you if you do not apply your brains to such questions as these on which I address you." He said also: "There are more ways of figuring cost than there are ways of killing a cat. It is a simple matter of bookkeeping." And he added: "Well, gentlemen, I have told you over and over again that I do not judge by figures given by interested parties."

#### CAPITALIZATION PER MILE

85. And so, in keeping with that advice, I have laid the emphasis in this paper on the broader facts and principles involved, facts and principles that no clever bookkeeping can get around. I have used figures only as they have told their own unevadable story. And it is on the broad physical facts that the American people are going to solve this issue between transportation for service and transportation as only an incident to profit. And let me say that the figures, too, yield to analysis and tell the same story as do the broad physical facts. They tell that the railways' capitaliza-

tion in Europe is larger than the average capitalization here, because, not only do the railways there have to buy expensive rights of way through thickly populated regions, but the roads there have been brought to a far greater standard of efficiency and equipment than have the roads here.

86. The official report of President Arthur Twining Hadley and others of Mr. Taft's Railroad Securities Commission furnishes ample evidence of this.

87. "The average capitalization of the railroads of the United States is about ninety thousand dollars a mile," said Secretary Lane, of the Department of the Interior, in a letter, dated January 19, 1914, to Congressman Houston.

88. "The 2042 miles of Government owned and operated railroads in Canada show a capital cost to the Government of an average of \$47,237 a mile."

89. Wisconsin made a physical valuation of all the railways in that State and found the present valuation per mile to be \$35,490 on June 30, 1911. The railways of Wisconsin represent more than an average in cost of construction and equipment to the mile as compared with the average cost per mile of all the railways in the country. In making their valuation, the engineers in the employ of that State included within that valuation Wisconsin's proportionate share of the cost of the terminals in Chicago, St. Louis and Minneapolis, and also an estimate of the cost of reproducing all the railway lines in Wisconsin from absolutely new material, paying the present price for materials and rights of way, and found that cost to be \$44,987 a mile.

90. The Union Pacific Railroad in Kansas is a high-grade property. The State Railroad Commission, under State laws, placed the physical value of this railway at less than forty thousand dollars a mile. The total capitalization of the Union Pacific system per mile is \$146,012.80.

#### INCREASE IN DIVIDENDS

91. There are very few railways in the United States that are so well built, equipped and managed as the Santa Fe. It has extensive and expensive terminals at Chicago, Kansas City, Los Angeles, San Francisco, Denver, Fort Worth, Dallas, Houston and Galveston. It traverses the mountain ranges west of the Mississippi, and its cost per mile of construction and equipment is certainly higher than the average cost of all the railways of the country. The total capitalization of the Santa Fe amounts to only \$58,346 a mile and its stock sells on the market at about par. It is well known that a large amount of the common stock issues of the Santa Fe was

used for promotion purposes and does not represent cash paid into the treasury of the railway or any physical property value.

92. After making fair allowances for depreciation in the value of cars, engines, tracks, bridges, buildings, and so on, on account of age, service and wear and tear, fifty thousand dollars a mile would be an extravagant estimate of the reproduction value of all the railroads in the United States.

93. Statistics show that the amount of railroad stock yielding dividends increased from \$2,668,962,895 in 1900 to \$5,730,250,326 in 1911, how the average rate on dividend-yielding stock has increased from 5.23 per cent in 1900 to 8.03 per cent in 1911, and how the average rate of return on all stock has increased from 2.39 per cent in 1900 to 5.43 per cent in 1911.

94. The figures on all the hodgepodge of rates will show the most glaring injustice, absurdities and wrongs that most communities know of and fight against.

95. If it be said that all these evils will yield to regulation the fact remains that they have not yielded to regulation.

96. Taxation? The railroads merely charge it as one of their expenses that freight and passenger rates must pay.

97. Franchise taxation? The courts have held, notably in the Consolidated Gas case, that if the people tax a corporation franchise they have admitted its value for rate-making purposes. Court review of railway charges? Why, that is one of the chief weapons of the railway against the public. Mr. Justice Brewer, in deciding the case of *Smith v. Ames*, said: "If it be said that the rate must be such as to secure to the owners a reasonable percentage on the money invested, it will be remembered that many things have happened to make investment far in excess of the actual value of the property—injudicious contracts, poor engineering, unusually high cost of materials, rascality on the part of those engaged in the construction or management of the property. These and many other things, as is well known, are factors that have largely entered into the investment with which railroad properties stand charged." Contrast that record with the clean, honest, efficient government construction of the Panama Canal.

98. Regulation? Right now the railways are trying to have the Interstate Commerce Commission regulate stock and bond issues, in order that as the Railroad Securities Commission warned and as others have warned, their securities shall have a practical guaranty of face value by the United States Government.

99. Regulation? No; it does not regulate in spite of the splendid service of the Interstate Commerce Commission and the lesser though able service of the several State commissions. A few

years ago, as some one has pointed out, everything was going to be made all right by allowing railways to coöperate, pool or unite with the interlocking directorates, under government supervision and regulation, but now everything is going to be made all right by breaking up railway coöperation and pooling and unity of interests through interlocking directorates. And so it has gone.

100. President Ripley, of the Santa Fe, and many lesser lights in the railway world are stating without reservation that Government ownership of railways is coming, and they are predicting that all kinds of disasters will happen when it does come.

101. If private ownership is a success, if regulation is effective and satisfactory, why is there such a widespread demand for Government ownership of railways and no demands at all for private ownership of parcel post? Universally, railway systems have been founded by private capital; but the whole world except the United States and Great Britain have entered on the project of public ownership.

102. No railway system once taken by the Government has been permanently returned to private ownership.

103. According to Professor Richard T. Ely: "Our American railroads are incomparably more in politics than the German railroads."

104. President Hadley, who is opposed to public ownership, says: "In judging the railroad policy of Belgium by its results, all must unite in admitting that they are in many respects extraordinarily good."

105. Travel in Germany is six times safer than in the United States, and it is fifteen times safer in Belgium.

106. Mr. Acworth, the leading English authority, admits, as do other English authorities, that, in spite of over three thousand regulative enactments by Parliament in a country where laws are made to be enforced, regulation does not regulate. Private ownership in England emphasizes the tendency everywhere under such ownership and control toward concentration of wealth; while public ownership and control, as in Belgium, Germany, Denmark, and New Zealand, tend toward diffusion of wealth.

107. If the question were submitted to the voters of the United States, how many men and women would vote to turn over our postal service and parcel post to the express companies or to the railways, or to Mr. Rockefeller, or to Mr. Hill? A fair comparison of the Postoffice Department, where service is the end and aim of its methods, managements and operation, with the railway companies and their parasitical parlor car and express companies, where profits are of first and service of secondary importance, will

be valuable to those who are unprejudiced and interested only in the greatest good to the greatest number. Is there anything so blind and stupid as the familiar but unthinking statement made by defenders of private privilege in this country that the failure of public ownership and operation is proved by the postal service?

#### IF ROCKEFELLER CARRIED THE MAILS

108. Where did these critics of the postal service get the idea that this service compares unfavorably with railway service or with big business of any kind in private management? In what respect does it compare unfavorably? Not in price; if anything is self-evident it is the statement that if Wall Street financiers were running the postal business of the world today the cost of postage for a letter from Chicago to Liverpool or London would not be two cents, but nearer ten cents.

109. Nothing in the world is more certain than that if John D. Rockefeller or J. J. Hill were running the postal business, and if anybody were daring enough to suggest that they extend free daily delivery to the farms, Mr. Rockefeller and Mr. Hill would reply that the suggestion is ridiculous on its face; that any one should know that free rural delivery to the farms every morning could not possibly pay; that it must result in a constant deficit, and therefore is not even to be considered by a sane business manager. Free daily rural mail delivery under private postal management would not be introduced in this country before the year 2000, if it were ever introduced.

110. The best proof, however, that the postal business is well managed lies not alone in the fact of constantly declining charges at a time when the price of everything else has advanced; it is not in the fact that the postal service is a real service and considers the convenience and the interest of the whole public first and profit afterward; it is not in the fact that though constantly reducing charges for postage, the service is constantly broadening, as in the case of free rural delivery. It is rather in the decisive fact that the postal service is the only big business that touches everybody in the United States against which there is no general complaint.

111. Consider these remarkable facts a moment: Your mail does not go astray. It is not unduly delayed. It is brought directly and promptly to the very door of your house.

112. It is, considered as a system, satisfactory service. The American people are not slow to complain when things do not go right and they would raise loud complaint if the postal service were unsatisfactory.

113. To many, Government ownership seems new and strange. Even if it were new, that would not necessarily be a presumption against it; but as a principle, it is not new. The Government that may regulate railway rates and service may own and operate railways if such ownership and operation be in the public interest. It is a principle always recognized by our courts that the railway right of way is a public highway, to be used not primarily for the benefit of the owners of the railway, but primarily in the interest of the people.

#### THE PARAMOUNT QUESTION

114. A railway company may get its property by condemnation proceedings. The property it gets and properly gets for its own use in this way was evidently not the property of the previous private owners in such a sense that they could do with it what they chose; in fact, no such property rights exist. Much less is railway-owned property the property of the railways to do with as they choose. Property acquired by the railways by condemnation proceedings may surely be taken over by the people collectively under similar proceedings. The public interests—the general welfare clause of the preamble to our Constitution—is really the only question involved. The implication of the words “general welfare” is pretty wide. It is becoming increasingly clear to all our people that there is nothing that makes for the general welfare which the people may not do. We are hearing less often than formerly that the people—the Government—may not do this or that which it is desirable in the public interest to do.

115. Occasionally some belated person is heard to say regarding some proposed measure that it would doubtless benefit the public, but that it cannot be put in force because it is against our form of government.

116. What is our form of government for? Do we exist for the sake of a form of government, or is our Government in all its forms simply an instrument by which we may best serve the public interest?

117. In considering this question of Government ownership of railways and of the municipal ownership of local public utilities, it should be remembered that the only really important question is the people's rights and interests.

118. We shall do well to keep steadily in mind the famous saying of Lincoln that “There are no rights against the rights of the people.” Of course it must be understood all the time in this discussion that there is no intention of doing any injury to any one. It has always been recognized by our courts that to take over any

property for a public or a quasi-public purpose, at a fair rate of compensation, works no injury—no legal injury—to the dispossessed owner.

119. There are two main functions of Government—one is restraint, the other service. Doubtless there should be as little restraint on individuals as possible, and none at all, except in the public interest; but who shall set limits on the service the Government may render the people? Certainly no one except the people themselves. The limit cannot be set by any philosophical theory of government.

120. There are numberless sound and valid reasons not referred to in this paper why the public should own and operate railways, waterways, and water power; but it must always be remembered in discussing this subject that the only way success can be assured is to keep these utilities absolutely free from politics, and apply the same business principles to their management which were used in the construction of the Panama Canal.

---

#### REPORT OF THE INTERSTATE COMMERCE COMMISSION

(Senate Document No. 544, on the New York, New Haven and Hartford Railroad Company. July 15, 1914.)

1. Public hearings were held extending over a period of sixty days of almost continuous session. Witnesses in a position to have knowledge of the transactions under scrutiny were examined. In the search for truth the Commission had to overcome many obstacles, such as the burning of books of records, letters, and documents, and the obstinacy of witnesses who declined to testify until criminal proceedings were begun for their refusal to answer questions. The New Haven System has more than 300 subsidiary corporations, in a web of entangling alliances with each other, many of which were seemingly planned, created, and manipulated by lawyers expressly retained for the purpose of concealment or deception. Ordinarily in investigations of this character, evidence is easily adduced by placing the witnesses on the stand, but in this investigation the witnesses other than the accountants for the Commission were in the main hostile, and with few exceptions their testimony was unwillingly given.

2. The result of our research into the financial workings of the former management of the New Haven System has been to disclose one of the most glaring instances of maladministration revealed in all the history of American railroading. In the course of the investigation many instances were uncovered of violations of laws of different States.

3. The subject-matter of this inquiry relates to the financial operations of a railway system which, on June 30, 1903, had a total capitalization of approximately \$93,000,000, of which \$79,000,000 was stock and \$14,000,000 bonds. In the ten years from June 30, 1903, this capitalization was increased from \$93,000,000 to \$417,000,000, exclusive of stock premiums, or an increase of \$324,000,000. Of this increase approximately \$120,000,000 was devoted to its railroad property and was expended for betterment and equipment. This leaves the sum of \$204,000,000, which was expended for operations outside of its railroad sphere. Through the expenditure of this sum this railroad system has practically monopolized the freight and passenger business in five States of the Union. It has acquired a monopoly of competing steamship lines and trolley systems in the sections which it serves. The financial operations necessary for these acquisitions, and the losses which they have entailed, have been skillfully concealed by the juggling of money and securities from one subsidiary corporation to another.

#### SIGNIFICANT INCIDENTS

4. Marked features and significant incidents in the loose, extravagant, and improvident administration of the finances of the New Haven as shown in this investigation are the Boston and Maine despoilment; the iniquity of the Westchester acquisition; the double price paid for the Rhode Island trolleys; the recklessness in the purchase of the Massachusetts and Connecticut trolleys at prices exorbitantly in excess of their market value; the unwarranted expenditure of large amounts in "educating public opinion"; the disposition, without knowledge of the directors, of hundreds of thousands of dollars for influencing public opinion; the habitual payment of unitemized vouchers without any clear specification of detail; the confusing inter-relation of the principal company and its subsidiaries and consequent complications of accounts; the practice of financial legerdemain in issuing large blocks of New Haven stock for notes of the New England Navigation Company, and manipulating these securities back and forth; fictitious sales of New Haven stock to friendly parties with the design of boosting the price of the stock and unloading on the public at the higher "market price," the unlawful diversion of corporate funds to political organizations; the scattering of retainers to attorneys in five States, who rendered no itemized bill for services and who conducted no litigation to which the railroad was a party; extensive use of a paid lobby in matters as to which the directors claim to have no information; the attempt to control utterances of the press by subsidizing reporters; payment of money and the profligate issue

of free passes to legislators and their friends; the investment of \$400,000 in the securities of a New England newspaper; the regular employment of political bosses in Rhode Island and other States, not for the purpose of having them perform any service but to prevent them, as Mr. Mellen expressed it, from "becoming active on the other side"; the retention by John L. Billard of more than \$2,700,000 in a transaction in which he represented the New Haven Railroad and into which he invested not a dollar; the inability of Oakleigh Thorne to account for \$1,032,000 of the funds of the New Haven intrusted to him in carrying out the Westchester proposition; the story of Mr. Mellen as to the distribution of \$1,200,000 for corrupt purposes in bringing about amendments of the Westchester and Port Chester franchises; the domination of all the affairs of this railroad by Mr. Morgan and Mr. Mellen, and the absolute subordination of the other members of the board of directors to the will of these two; the unwarranted increase of the New Haven liabilities from \$93,000,000 in 1903 to \$417,000,000 in 1913; the increase in floating notes from nothing in 1903 to approximately \$40,000,000 in 1913; the indefensible standard of business ethics and the absence of financial acumen displayed by eminent financiers in directing the destinies of this railroad in its attempt to establish a monopoly of the transportation of New England. A combination of all these has resulted in the present deplorable situation in which the affairs of this railroad are involved.

#### DUMMY COMPANIES

5. The frequency with which dummy corporations and dummy directors appear in this record leads to the conclusion that some one high in the councils of the New Haven had an obsession upon the subject of the utility of such sham methods. The directors of the Billard Company confessed that they were dummies and knew nothing of its operations. Why men of respectability and standing as these appear to be should lend their names as dummies passes comprehension.

6. In the organization of one of the steamship companies the young lady stenographer was made president; and a youth of 21 years of age, named Grover Richards, was selected as treasurer of another company.

7. Clerks and irresponsible persons were drawn upon to supply the demand for dummies in the financial joy-riding by the management of the New Haven. Mellen's stock in the New England Investment and Securities Company was held by James B. Brady, who testified that he was merely a dummy for Mr. Mellen. Director

Skinner's stock in this same company was held by a relative and a bookkeeper in his office. Thus, throughout the entire story of deception, the New Haven management vainly endeavored to hide the facts behind these dummy individuals and dummy corporations.

8. As a matter of law, such devices are feeble and puerile, but if the master financiers behind these New Haven transactions could use these sham methods, and thus give their endorsement to the availability of such crooked schemes to cover the true substance and fact of financial transactions, it indicates a low tone of financial morality. No condemnation can be too severe to apply to the frequent use of these companies by the New Haven.

#### NEW HAVEN MONOPOLY CORRUPT

9. This investigation has demonstrated that the monopoly theory of those controlling the New Haven was unsound and mischievous in its effects. To achieve such monopoly meant the reckless and scandalous expenditure of money; it meant the attempt to control public opinion; corruption of government; the attempt to pervert the political and economic instincts of the people in insolent defiance of law. Through exposure of the methods of this monopoly the invisible government which has gone far in its efforts to dominate New England has been made visible. It has been clearly proven how public opinion was distorted; how officials who were needed and could be bought were bought; how newspapers that could be subsidized were subsidized; how a college professor and publicist secretly accepted money from the New Haven while masking as a representative of a great American University and as the guardian of the interests of the people; how agencies of information to the public were prostituted wherever they could be prostituted in order to carry out a scheme of private transportation monopoly imperial in its scope.

---

#### ARGUMENTS IN FAVOR OF GOVERNMENT OWNERSHIP

(By S. O. DUNN, Editor of the *Railway Age Gazette*, Chicago, Ill.)

Perhaps the main arguments presented for a change to government ownership in the United States may be summarized as follows:

1. The trend of the thought of the best minds of the world, it is said, favors, and the movement of the leading nations of the world is toward, a more active and general participation by the State in industrial affairs. This trend has led, among other things, to the widespread adoption of Government ownership of railways,

especially in leading countries. The Government that does not follow the example thus set stamps itself as unprogressive and as lacking in a proper regard for the material welfare of its people.

2. Government ownership, it is added, would in several ways reduce the cost of rendering the service of transportation. The Government could borrow capital at a lower rate of interest than corporations, which would reduce the amount that would have to be earned to cover fixed charges. It could save in operating expenses in various ways—among others, by reducing the “fancy” salaries now paid to the higher officers of the railways; by concentrating the management in the hands of a smaller number of officers; by standardizing methods and equipment; by handling traffic by the least expensive route available in each case; and by eliminating expenditures for advertising and for duplications of service which are now caused by the competition of rival lines. It is argued that public management would be more honest than private management, which also would, in a sense, reduce expenses.

3. Under private ownership, say the advocates of public ownership, the main, or the sole, object of the managements of the railways is to so run them as to earn the largest practicable net profits. Poor service costs less than good service; private companies, therefore, give the worst service that public sentiment and the regulating authorities will tolerate. The movement of freight is slow and uncertain, passenger trains are infrequent and relatively inferior, facilities are inadequate and congestions of traffic are common, numerous accidents are caused by the overworking of the too few men employed and by defects of the physical plants, and new lines are built only where they are sure to pay. All of these things would be different under public ownership, because the managers of the public's railways would have no object but to give to the public the kind of service that its interests demanded.

4. The reductions in the cost of rendering the service of transportation, which its advocates believe would result from Government ownership, would, if secured, make practicable reductions in freight and passenger rates.

5. “The leading argument in favor of State ownership and operation of railways,” says Professor Johnson, “is that unjust discriminations between persons, places, and commodities can thereby be prevented. It is reasonable to suppose that the Government will manage the railroads with the same impartiality with which it conducts the postoffice. In a well-conducted Government it is probable that favoritism will not exist, and that the Government will tolerate only such discriminations as are in the public interest. When the Government operates the railroads it can adjust charges

with reference to the maximum development of industry and commerce, or with regard to the promotion of social progress."

6. Under private management the profits of the railways belong to private capitalists, while under public ownership they would belong to the public, and could be used for the public benefit.

7. Under public ownership the public could improve the condition of the labor employed by the railways by reducing hours of work and increasing wages.

8. The financiers who dominate the railways and their officers and lobbyists often have exercised an unwholesome influence on political parties, public administrative officials, lawmaking bodies and courts in the interest of the railway corporations. The only way, the advocates of Government ownership contend, that this influence can be permanently removed from public affairs is by Government management.

---

### UNCLE SAM AS A RAILROAD MAGNATE

(In *Current Literature*, November, 1911.)

The average American thinks little of Uncle Sam as a business man. We prefer as a rule to believe in the efficiency of private enterprise; yet down in Panama Uncle Sam has shown remarkable ability as a railroad magnate. The United States, in building the Panama Canal, is not only operating two railroads, but is running a department store and a food supply business. This first large test of government activity in industry and commerce seems particularly timely in view of the suggestions that the Government solve the Alaskan tangle by building and operating a railroad of its own. Our experience in Panama, remarks Mr. Albert Edwards, in *Success Magazine*, is demonstrating that the spirit of American enterprise is bigger than individual initiative—that epoch-making things can be accomplished, even when individual activity fails. "The facts of the case force us to revise our old judgments. Collective activity—this new force we are developing with amazing activity and success in the tropics, which we Americans have carried further than any other nation—is worth considering as the means of solving our problems at home."

2. The Panama Canal is a Government job. It is dug by Government employees, bossed by Government engineers. Not one employee, from Colonel Goethals down to the Barbadian negro boys who carry water, hopes for private profit in this—the most colossal enterprise of the twentieth century. The first heterodox fact which impresses itself on the visitor from home, remarks Mr. Edwards, is the sight of the power locomotive, with "U. S." stenciled on the cab.

3. "There are two railroads in the Canal Zone owned and operated by the Government: The Isthmian Canal System, used exclusively for construction purposes, and the Panama Railroad, which, besides helping in the canal work, does a large and profitable business. Compared with other tropical railroads, the Panama Railroad is a model of efficiency and economy in every department. There is no system at home so thoroughly equipped with safety appliances. The accident rate both for employees and passengers sets a standard which none of our privately owned roads has ever approached. The two systems together operate about three thousand miles of track in the Zone and carry more traffic per mile than any railroad in the United States."

4. The people in authority, Mr. Edwards goes on to say, have told us that a public-owned railroad would surely fail; it would be eaten up by corruption, administered on the "spoils system," and become the headquarters for general inefficiency. Our experience in Panama seems to prove the fallacy of this argument.

---

#### RAILWAY NATIONALIZATION NOT CONFISCATORY

(By CARL S. VROOMAN, in *Arena*, Volume 41, pages 160-170, February, 1909).

Contrary to the prevailing opinion, the nationalization of our railroads would work no hardship to owners of railroad stocks and bonds. All talk about confiscation of railroad properties, whether it be indulged in by anarchistic fanatics, or by frenzied financiers, is both hysterical and absurd. So far as I have been able to discover, there never has been a case on record in any part of the world where a Government on purchasing a railroad from private individuals or from a corporation has paid less for it than it was worth. On the contrary, a number of instances are on record where the Governments have given not only more than the roads purchased were worth, but more than they legally were required to give.

The United States Government, when it undertakes to nationalize its railroads, will find itself confronted with some special problems which European countries have not had to face. In our railroad charters, unfortunately, there have been incorporated no clauses providing for the possibility of a future governmental purchase of the roads. As a result of this oversight, we shall be forced to have recourse to one of three methods—either purchase by means of friendly negotiations, or purchase by the exercise of the right of "eminent domain"—or both. In the case of our recent acquisition of the Panama Railroad, the purchase finally

was made by means of a regular business bargain. But before that bargain was consummated the Government, in order to force recalcitrant stockholders to sell for a fair price, found it necessary to introduce a bill into Congress which passed the Senate unanimously, and was favorably reported by the Interstate Commerce Committee of the House, providing for the condemnation and purchase of the road in accordance with the right of "eminent domain." As the stockholders of the road at this point decided to accept the government's offer for their stock, further action was unnecessary, and the bill was never brought up for final passage in the House.

This miniature purchase by our Government has had a very salutary effect. It has cleared our National atmosphere of a number of fallacious arguments against the possible future nationalization of our railroads. First of all, it has established the constitutional rights of our Government not only to own, but to buy railroads. Secondly, it has shown the possibility, and even the advisability, under certain circumstances, of the utilization by our Government of its right of "eminent domain"; and thirdly, it is demonstrating at the present time, by the marked improvement which is taking place in the quality and quantity of the railroad service offered, by the important reductions that are being made in rates, and by the greater initiative shown in every phase of the management of the road, that our Government is capable of effective and satisfactory railroad administration.

---

### SOLVING THE RAILROAD QUESTION

By HON. FRANCIS G. NEWLANDS, United States Senator from Nevada, in *Independent*, Volume 62, pages 599-603.)

The arguments in favor of Government ownership are attractive. They tell us that outside the United States three-fifths of the trackage is in national ownership and ask: "Why should not America also own her own railways?" They say "If the universal tendency is to ownership by nations, why should not we follow their example? If the Nation can build the most gigantic work of modern times, the Panama Canal, and if it can own and operate a railroad from ocean to ocean in Panama, why can it not build and own and operate railroads in the United States? If Chicago can contemplate the ownership of interurban railroads costing hundreds of millions, cannot the Nation take a hand in the ownership of interstate railroads costing billions?"

Such, in brief, is the argument for the Government ownership of the railroads. The method of accomplishment is not difficult.

It would be easy to authorize the Interstate Commerce Commission to institute suit to condemn the shares of stock in all railroads in the country engaged in interstate commerce, leaving the bonds outstanding as a lien upon the property. The interests of the stockholders would thus be purchased by the Nation. The Interstate Commerce Commission would step into the position of directors of the various companies, working out a method of National administration. The present bond issue amounts to about six billion dollars, for which Government bonds could gradually be substituted at a saving of interest of about a hundred millions annually. The capital stock, which also aggregates about six billions, with a market value a little less, could be condemned at its market value and paid for in United States bonds.

The present annual revenue of the railroads is over two billion dollars, which would amply insure payment of all the fixed charges and interest on the bonds, produce a surplus which would make provision for betterments and extensions, and also provide a sinking fund which would extinguish the entire debt in fifty years. There can be no doubt about the legality of the procedure. A similar bill unanimously passed the Senate authorizing the condemnation of the stock of the Panama Railroad. So far as the method is concerned, Government ownership presents no difficulties, either constitutional or practical—except possibly the difficulty of securing honest and efficient administration—and the country will certainly drift toward it unless existing evils are effectually abolished. Even assuming that Government management may not be as economical, the time may yet come when the people will regard equality of service as of greater importance than economy of service.

---

#### COMMON SENSE OF THE RAILROAD QUESTION

(By HON. FRANCIS G. NEWLANDS, in *North American*, Volume 180, pages 576-585. April, 1905.)

Unless the railroad system is unified and simplified, the complexity of the situation will drive the country to Government ownership as a solution of the difficulty. The argument in favor of it is simple. It is urged that the Postoffice Department is already engaged in transportation, which is conducted to the entire satisfaction of the people; that its work now involves expenditures equal to about one-seventh of the operating expenses of all the railroads; that an enlargement of its operations could be secured by organizing a Division of Transportation in this Department; putting at its head a capable man, trained and experienced in

railroading; authorizing suit for condemnation against all railroads, the Government entering into immediate possession and retaining the present force of employees and officials, eliminating such of the latter as may be unnecessary under unified conditions; the condemnation to cover simply the interest of the stockholders, the market value of which is now about \$4,000,000,000, leaving existing bonds aggregating about \$6,000,000 as a lien upon the property, to be retired as they mature with government bonds at 2½ per cent, the stock to be paid for by a present issue of Government bonds at the same rate.

The railroads are now capitalized at about \$12,000,000,000, one-half in bonds and one-half in stocks. The market value of the total issue is now about \$10,000,000,000. The gross revenue of all the railroads for the past year was about \$1,950,000,000, an increase over the preceding year of about \$175,000,000. The operating expenses now aggregate about \$1,260,000,000, leaving about \$690,000,000 as the net income. It is urged that, under Government ownership, the Government would have to pay out of this net income the present interest on existing bonds, amounting to about \$270,000,000, and 2½ per cent on the \$4,000,000,000 of the Government bonds, issued in lieu of existing stock, about \$100,000,000, or \$370,000,000, in all, leaving \$320,000,000 for betterments, extensions, and a sinking-fund for the redemption of the bonds. This latter sum can be increased by the gradual reduction of the interest on the railroad bonds from an average of 4½ per cent to 2½ per cent, a saving of \$120,000,000 annually. It is contended that a sinking fund could thus be provided which would extinguish the entire debt in less than fifty years, and leave the operating expense alone as a charge upon the commerce of the country.

---

## PRUSSIAN RAILWAY ADMINISTRATION

(By ERNEST S. BRADFORD, in *Annals of the American Academy*, Volume 29, pages 310-322. March, 1907).

### FINANCIAL RESULTS

The capitalization of the Prussian-Hessian system, about \$1,952,750,000 in 1899, amounted in 1905 to \$2,225,000,000, about \$105,800 per mile. The average net profits amounted in 1903-4 to 7.12 per cent and in 1904-5 to 7.17 per cent of the capitalization. The excess of earnings over disbursements, which has amounted each year since 1894 to \$100,000,000 or more, is applied, first, to pay the interest on the railway debt; then, except that a small sum

(\$500,000) may be used to meet any deficit in the ordinary State budget, the next claim is three-quarters of one per cent of the total railway debt (not the unextinguished portion) for a sinking fund; then, any balance may be invested in new lines or be paid to the Government for general expenses. From 1881 to 1899 \$350,000,000 was so turned over to the Government. For the year 1904-5 the net profits amounted to \$158,190,000.

#### GENERAL CONCLUSION

“The results of the nationalization of the railroads in Prussia have been highly satisfactory,” says Prof. Emory R. Johnson, “particularly in its financial results.” Its success has been due in no small part to the well-articulated, flexible and elastic system of administration. A definite head, well-defined control and responsibility all the way down from minister to depotmaster, with shippers in close touch with the railway management, result in rates which change with the changing needs of commerce, and in a service adequate for Germany. Preferential rates whenever granted are granted openly, after full and public discussion; there are no secret rebates. Prussia has satisfactorily solved the problem of Government ownership. Would the United States be as successful?

---

#### GOVERNMENT OWNERSHIP OF RAILWAYS IN VARIOUS COUNTRIES

(By C. S. VESSEY-BROWN, *Cassier's*. December, 1908.)

1. Forty-three of the separately governed countries of the world have decided in favor of State ownership. England and the United States are practically the only countries of note still adhering to the company system of railway management. The ownership countries are as follows:

2. British India, Canada (partly), the Australian Commonwealth, New Zealand, the four South African Colonies, Austria-Hungary, Belgium, Brazil (partly), Bulgaria, Chili, Colombia, Costa Rica, Cuba, Denmark, France, (partly owned and all controlled) German Empire, Greece, Holland, Honduras, Italy, Japan, Luxemburg, Newfoundland, Nicaragua, Norway, Portugal, Roumania, Russia, Servia, Siam, Spain, Sweden, Switzerland, Turkey (Asiatic).

3. Political, strategical, and financial considerations have been the principal factors which have influenced the States to retain control of the railway systems. Great military powers like Germany, Russia, Italy, and the Indian Government, etc., must of

necessity be in a position at any moment to control the traffic on the main arteries of the railway systems which connect the principal centers of commercial activity with the boundaries of the country. To be able to ship troops and war material along these lines without consideration as to ownership, rates, etc., is an indispensable condition where interests of great importance are at stake, and it is therefore essential that the responsible governing authority should in times of peace make every provision for this eventuality, whether the necessity to do so arises with a neighboring power or from internal dissension.

4. The inefficient service in some countries by private ownership has also contributed to the nationalization of railways, while a further reason for this step has been the undoubted difficulty of raising capital from private sources wherewith to construct the track and provide equipment. Take the example of the Australian colonies; it is doubtful if the railway system would have grown to the extent it has done if the capital for the railways had had to be raised for railway purposes alone; but with the credit which the separate Governments can pledge as collateral security for the payment of interest and the power of taxation possessed by each State, it has been possible to raise the very large sums which are represented in the capitalized value of the railways of Australia.

COMPARISON BETWEEN THE NUMBER OF KILLED AND INJURED FOR 1,000 MILLION PASSENGER MILES ON AMERICAN AND GERMAN RAILWAYS.

(By ERICK OBERG, in *Public*. July 24, 1908.)

	<i>U. S.</i>	<i>Germany</i>
Number of persons killed in collisions and derailments.....	14.3	2.2
Total number of passengers killed.....	22.5	9.1
Number of employees killed in collisions and derailments.....	24.2	1.2
Total number of employees killed.....	141.2	42.6
Number of passengers injured in collisions and derailments.....	254.3	45.3
Number of employees injured in collisions and derailments.....	199.0	14.8
Total number of passengers injured.....	439.2	45.3
Total number of employees injured.....	2,808.0	111.5
Total number of people killed.....	407.7	97.4
Total number of people injured.....	3,614.0	184.2

Thus it is seen that the number of people killed and injured on American roads is from seven to ten times as great as on German roads under State ownership and management.

The Swedish railways, under State ownership, show even better as regards safety of travel. They carry more than 16,000,000 passengers a year. The total number of passengers killed by accident not due to their own carelessness has been eight for a period of forty-seven years.

In the Danish State railways only one passenger is killed or injured for each 3,500,000 passengers. In 1905 in the United States, one person in 70,000 was either killed or injured.

## GOVERNMENT OWNERSHIP

(By HON. W. J. BRYAN, Madison Square Garden Speech, New York, August 30, 1906.)

I have already reached the conclusion that railroads partake so much of the nature of a monopoly that they must ultimately become public utilities in the interest of the whole community in accordance with the well defined theory that public ownership is necessary where competition is impossible. I do not know that the country is ready for this change. I do not know that a majority of my own party favor it, but I believe that an increasing number of the members of all parties see in public ownership the sure remedy for discriminations between persons and places and for the extortionate rates for the carrying of freight and passengers.

As to the right of the Governments, Federal and State, to own and operate railroads there can be no doubt. If we can deepen the water in the lakes and build connecting canals in order to cheapen railroad transportation during half of the year, we can build a railroad and cheapen rates the whole year. If we can spend several hundred millions on the Panama Canal to lower transcontinental rates, we can build a railroad from New York to San Francisco to lower both transcontinental and local rates. The United States mail is increasing so rapidly that we shall soon be able to pay interest on the cost of trunk lines out of the money which we now pay railroads for carrying through mails.

---

 POINTS FAVORING GOVERNMENT OWNERSHIP OF RAILWAYS

(Compiled by editors of the Bulletin.)

1. Railway transportation is essentially of a public nature. It cannot be regarded as of a private nature, even though the Government allows private enterprise to operate it. Nowhere today in civilized countries is private operation allowed to go unregulated by the Government; it must conform, as far as possible, to the public interest and welfare.

2. Railway transportation is in the main essentially monopolistic. Even where privately operated, the Government must allow much of it to be monopolistic, in order to save in the expense of its operation and to add to its efficiency. If railway transportation is in its very nature monopolistic, it should be publicly operated.

3. All sections of the country need railway transportation—must have it before they can be properly developed. In many sections private management cannot make profits, and, therefore, will not operate. Private enterprise must of necessity work largely for profits, and for immediate profits. To develop certain sections of the country by means of railway transportation, the State must play a large part. All sections need development, both for their own sake and for the sake of the country as a whole. Government operation, which is fundamentally for the purpose of rendering service to all sections of the country, can give to the undeveloped and sparsely settled places, where little traffic exists, the necessary services for their development.

4. Railway charges, especially freight charges, enter into the cost of every commodity which the consumer uses and the producer sells. All citizens of a country are direct consumers of these products; most of them are directly or indirectly producers of products. Private operation does not and can not completely recognize this fact. A democratic government must see to it that railway charges are for the best interest of all its citizens.

5. To operate the railway service of a country calls for all that is best in the Government. Railway transportation is the largest individual task of any people, and for the Government to perform this task successfully it must elevate itself to the highest possible plane of efficiency and fairness; it must always work to make itself capable of rendering the most universal service and the most effective service.

6. The Government may make some net revenue out of railway operation, which can be used for maintenance or the performance of its other functions. This would relieve the taxpayers from some burdens of taxation.

---

## OVERCAPITALIZATION

(By WILLIAM D. WASHBURN, JR.)

In 1901 the capitalization of the railroads amounted to \$11,688,177,991, and has since been much increased.

The investigations of the railroad committee of Minnesota in 1904 showed a capitalization in that State of \$343,611,135, or an average of \$46,000 per mile, against some \$243,448,971 in 1901, which was only \$38,000 per mile.

This shows an increased capitalization of \$70,000,000 made in three years, while the mileage in the State increased only 475 miles. At the maximum figure of \$46,000 per mile this increased mileage should have cost but \$19,000,000.

This leaves practically \$50,000,000 corresponding increase in the value of the roads.

What is true in Minnesota would be found to be the condition in every State in the Union.

This fact of overcapitalization is one of the most sinister evils that overshadow the economic life of the Nation.

For a clever people it has taken the American people a long time to find out that six or eight per cent upon watered stock is twelve to sixteen per cent on the real value of the property.

Watered stock is a contrivance, subtle, dishonest, and unjust, not alone to living citizens, but likewise to their descendants, whose inheritance and enterprise are thus covered with a perpetual mortgage which automatically absorbs the profits to be made by generations yet unborn.

---

### RATE DISCRIMINATIONS

(By ALBERT J. BEVERIDGE, *Reader Magazine*. February, 1908.)

Various discriminations in rates present a startling tangle of right and wrong. For example, the Louisville and Nashville road charged three dollars and sixty-nine cents per ton on pig iron from Birmingham, Ala., to Cordelia, Ga.—two hundred and sixty-seven miles; while from Birmingham to Macon—two hundred and thirty-two miles—the road charged one dollar and eighty cents a ton. Hundreds of such discriminations existed and still exist. For instance, the roads charged two dollars and twenty-four cents for cotton goods from New England to Denver, and yet only one dollar per hundred from New England to San Francisco, more than fifteen hundred miles further on. The discriminations against Spokane in favor of Seattle and Tacoma are well known. Another discrimination is the rate between New York and Atlanta, Ga., where the charge is much higher for a town on the line of the railroad a hundred miles nearer to New York than is Atlanta. That is to say, a merchant in a town on the same line of railroad must pay higher freight for a consignment delivered to his town than the merchant at Atlanta, a hundred miles further on the same line, must pay for a consignment delivered at Atlanta. Such discriminations are outrageous, as in the example given first of the Birmingham iron rates.

# References—Negative

---

## PUBLIC OWNERSHIP

(By EDWARD P. RIFLEY, President of the Atchison, Topeka & Santa Fe Railway System in *Saturday Evening Post*. July, 18, 1914.)

1. It is hardly necessary to go beyond the picture of the front cover of the *Saturday Evening Post* on June 6th for the best possible answer to ex-Governor Walter Roscoe Stubbs's leading article on public ownership. It portrays a shrewd-faced American farmer, of the type familiar before the days of automobiles and talking machines, sitting in his shirt sleeves and constructing a scarecrow out of his own old coat and dilapidated felt hat stuffed with straw.

2. The difference between the pictured farmer and ex-Governor Stubbs is that, while the former chuckles over his work, the latter takes himself seriously as he weaves his article out of such straws as he has plucked from the sheaves of Clifford Thorne; Professor Waters, of the Kansas Agricultural College; President Van Hise, of Wisconsin University; Francis J. Heney, of San Francisco, and Anthony Van Wagenen, of Iowa. Drawing from such an inexhaustible source of anti-railroad publicists, it is small wonder that Governor Stubbs produces a scarecrow calculated to send cold shivers down the backs of all believers in the theory of private ownership of industries in the United States. Ex-Governor Stubbs prefaces his article with a brief summary of his qualifications to write on this subject. These are, according to his own admission, that he began his study of the subject driving a mule in a grading camp, from which he graduated into the more remunerative occupation of a railroad contractor in the construction of a road involving millions. Subsequently he had an experience of six years in the State Legislature, followed by four years in the Governor's office, during which he found time from the engrossing and multifarious domestic affairs of Kansas "to make an investigation of the whole transportation question."

3. While Governor he seems to have had some unhappy experience with the railroads of Kansas, which apparently were on the other side of politics from that to which the ex-Governor owed his advancement. According to his ideas it was a mortal crime for a United States Senator to recommend the appointment of a general counsel of a railroad company to the Supreme bench, irrespective of his qualifications for the position. The same reasoning would preclude the recommendation of any fit lawyer for any judicial office,

for efficient lawyers have always been on one side or the other of all great questions. The writer would have no hesitation in recommending Louis D. Brandeis to the Supreme bench, for the country and the court have need of just such ability.

4. Ex-Governor Stubbs appears to have been deeply prejudiced against the railroads by the odds and ends of scandal that fly about every State Capital in the Union. So far as the Santa Fe is concerned, it has been the leading railroad operating in Kansas for many years. Since its reorganization under its present management it has not directly attempted to influence legislation by improper backdoor methods.

5. Its counsel and agents have appeared openly at the Capital, urging or opposing legislation, as seemed proper to the company, as trustees for more than forty thousand stockholders, who contribute a very large share of the three million dollars in taxes paid by the railroads in Kansas. This company has exercised its right to recommend able and experienced men to the Federal bench irrespective of whether they were corporation lawyers or not, and has very generally seen its recommendations turned down.

#### STATISTICS WILL PROVE NOTHING

6. Ex-Governor Stubbs charges Wall Street interests with financing the railroads and dominating political policies. He must acknowledge, however, that railroads must be financed somewhere by somebody. American railroads were originally financed in London, Amsterdam, and Paris. Railroad construction has to look for funds where the funds are if it wishes to get them into profitable use. It is the use of the funds, wheresoever obtained, whether by Government or by private parties, that counts. If American railroads had been financed as German railroads are, they would today represent a capital of over twenty-nine billion dollars, instead of a little over twenty billion.

7. Ex-Governor Stubbs reiterates the old cry that the railroads are governing the country. If this were true—which it is not—the railroads would be chargeable with responsibility for the most wasteful and inefficient government on earth!

8. As defined by ex-Governor Stubbs, Government ownership simply means “vesting the title of our railroad properties in the Government for the benefit of all the people alike.”

9. This is very far from a comprehensive definition of Government ownership, which really means taking over a vast industry for the purpose of providing adequate, efficient, and constantly improving service for the most progressive and exacting people on earth. Service is not and never has been a God-given attribute of Government.

10. Nor is ex-Governor Stubbs any happier when he defines private ownership of the great transportation industry as meaning "the vesting of the title in a corporation and holding it in trust for the benefit of a few." Here, again, it is the service to the many—represented in the United States in 1913 by thirty-four billion passengers carried one mile and three hundred billion tons carried one mile—and not the returns on invested capital, that counts. Precisely the same persons, few or many, will draw the interest or dividends, whether the money is borrowed by the Government or by private corporations.

11. Next ex-Governor Stubbs trots out Clifford Thorne's nightmare that transportation in the United States costs the average family \$158.50 a year, or "a quarter of its TOTAL EXPENSE." He arrives at this figure by dividing railroad revenues of \$3,171,000,000 in 1913 by approximately twenty million families.

12. He places the average cost of living for each family at \$625, and then cites President Waters, of the Kansas Agricultural College, as saying:

13. "Last year one-fifth of the average cost of living in the United States was due to freight and expressage, or an average of \$125 for each family." This particular piece of economic clap-trap has been subjected to the following *reductio ad absurdum*:

<i>Item</i>	<i>Total Expended Annually</i>	<i>Average for Each Family</i>
Transportation.....	\$ 3,171,000,000	\$ 158.50
Government—national, state and municipal.....	2,817,000,000	141.35
Intoxicating liquors and tobacco.....	3,600,000,000	160.00
Soft drinks, candy, chewing gum, tea, coffee, medicine..	1,300,000,000	65.00
Amusements.....	500,000,000	25.00
Automobiles and carriages.....	400,000,000	20.00
Washing, laundry, and so on.....	200,000,000	10.00
Printing, including newspapers, magazines and adver- tising.....	1,000,000,000	50.00
Postage.....	250,000,000	12.50
	\$12,848,000,000	\$ 642.35

14. It will be perceived that this statement, which already exhausts the cost of living of the average family, takes no account of what the average family eats, or wears, or pays for rent, street cars, and so on; or of the three billion dollars that, according to the American Federation of Sex Hygiene, is devoted to immoral uses. Serious economists allow forty-five per cent of average family expenditure for food alone. When we consider that our farms yield over nine billion dollars in products each year and our manufactories over twenty billions—all of which, except that exported, is consumed annually—we see how utterly absurd ex-Governor Stubbs's figures are; but the Governor's reasoning is of the same character as his computations. In one breath he

accuses the railroads of the United States of sacrificing everything to profit, and in the next he pillories them with all the words in his vocabulary for their wastefulness and inefficiency.

15. He cites James J. Hill as declaring that the railroads need \$1,100,000,000 a year to equip them for the adequate service of the American people, and then taunts the railroads of having lobbied against the Alaska Railroad Bill, though they took no hand pro or con in that controversy and though they await the result of the experiment with equanimity. He declines to compare railroad rates in the United States with those in Germany, because of the difference in the average haul and in the capacity of cars and locomotives, and cost of right of way, and so on; and then proceeds to make an invidious comparison in favor of government ownership in Germany with private ownership in Great Britain, where the average haul is not half that in Germany and the service includes collection and delivery, which it does not in Germany.

#### WHAT'S SIXTY-FIVE MILLIONS BETWEEN FRIENDS?

16. Ex-Governor Stubbs cites Mr. Van Wagenen to show that the cost of transportation of hardware is higher in England than in Germany. The difference, as suggested above, is due to the difference in haul and in the fact that on British roads goods are collected and delivered. In Germany it costs \$2.64 to haul a ton of hardware, bar plates, and so on, from Hamburg to Berlin, 177 miles, and \$6.31 to take the same grade of goods from Antwerp to Berlin, 513 miles; in the United States it costs \$2 a ton to carry the same class of goods from Chicago to Indianapolis, 183 miles; \$3.96 from Chicago to Memphis, 523 miles; and from Chicago to New York, 912 miles, it costs only \$5.50. Compare these with the Antwerp to Berlin rate!

17. The Pittsburgh and Lake Erie Railroad is the line in this country most nearly like the Panama Railroad in its operating expenses to the mile, and the following figures are of interest:

OPERATING EXPENSES—PASSENGER			
1913	<i>To the Mile</i>	<i>Miles</i>	<i>Ton Miles</i>
Panama Railroad.....	\$ 44,697	562,199	1,301,088
Pittsburgh and Lake Erie.....	45,028	415,265	10,336,939

18. This calculation shows that for about the same operating expenses to the mile the privately owned railroad of the United States handled about ten times the tonnage.

19. There is no way in which you can look at the transportation of freight in the United States as compared with Germany or any other country in the world that does not result to the advantage of the privately owned railroads of the United States.

20. Ex-Governor Stubbs refers to the United States postal service as a model of efficiency and economy, apparently without realizing that its efficiency is nine-tenths due to the costly expedited service the railroads render at an annual loss of from twenty-five million to thirty million dollars. The treatment of the railroads in connection with the parcel post is a blot on democratic Government, which cannot be, and is not justified by any honest student of the situation.

21. The ex-Governor does not hesitate to cite the declaration of Louis Brandeis that "three hundred million dollars a year could be saved to the railroads by more efficient management." Mr. Brandeis' statement was that a million a day—or three hundred and sixty-five million dollars, could be saved by the adoption of certain vague efficiency methods. But what matters a little difference of sixty-five million dollars a year between amateur railroad economists?

22. Evidently ex-Governor Stubbs is not aware that in 1910, the year maintenance of the equipment department of the railroads—the only department to which his system of efficiency was applicable—for all the railroads of the United States, was \$405,434,797. Of this over fifty-nine million dollars was charged to depreciation under the Interstate Commerce Commission rules, leaving less than three hundred and forty-six million dollars—out of which Mr. Brandeis would save three hundred and sixty-five million dollars.

23. Ex-Governor Stubbs makes the ingenious but not ingenuous suggestion that the Government might acquire a monopoly of all the railroads in the United States, taking over a "dozen of the greatest railroad systems of the country at a valuation of not much more than three billion dollars." The control of these roads by the Government, he says, would mean virtual control of the railroad business of the entire country. Perhaps it would; but would control so acquired and so exercised be of any improvement morally, financially, or economically over the business control against which ex-Governor Stubbs inveighs so bitterly?

24. Moreover, where does he get his idea that the dozen greatest railroad systems in the United States could be bought for three billion dollars? These dozen comprise more than one hundred and twelve thousand miles of the most valuable railroad mileage in the country, and no fair and reasonable appraisal would place their value at less than fourteen billion dollars, or two-thirds of the total valuation of the railroad system of the United States.

25. The foregoing is merely intended to show up the sort of figures and arguments that are being used by this class of political economists, who write on railroad matters with the maximum

of assurance and the minimum of information. So far as the general question of Government ownership of railroads is concerned, the plan has to commend it all the advantages of a monopoly—namely, the elimination of competition and the expense incident thereto.

26. Whenever the American people want that condition they can have it; but they should not be deceived into the belief that the Government will furnish transportation of a more superior class than now prevails, and they must be prepared to witness political conditions of which they have never dreamed and which can hardly fail to overthrow their Government.

---

### ARGUMENT AGAINST GOVERNMENT RAILROADS IN THE UNITED STATES

(By WILLIAM A. ROBERTSON, in *Annals of the American Academy*, Volume 29, pages 342-351. March, 1907.)

Even assuming that the tone of the public service can be made equal to that of an ordinary business house, the question still remains why Government officials will be able to solve transportation problems better than private individuals. There is no magic in wearing the livery of Government, and no private fund of knowledge is at the disposal of its officials. They have no peculiar facilities for reaching correct conclusions. The problems will not be a whit simplified by placing the carriers in the hands of a Government bureau. The difficulties that now hang about the subject of freight rates are inherent and rest in the very nature of the service to be performed. Unless freight rates are to be prescribed on a blind, arbitrary and unreasonable basis, without regard to the real and ever-changing conditions of the business world, the same difficulties that now puzzle traffic managers, vex merchants, and assail railroad commissions and courts, will be present as surely and as potently under public service as under private ownership.

But to the mercantile community the transfer of ownership would be a change fraught with unending and incalculable mischief. If there is one desideratum for the shipping community and the world of trade, it is a system of freight rates that shall be flexible and adaptable to the thousands and one varying conditions of business. We have lately heard so much about "stability of rates" and "maintenance of the published tariffs"—necessary and proper as these are—that we have almost forgotten that flexibility is as essential as uniformity. It is the glory as

well as the weakness of our transportation system that it is peculiarly American, truly a plant of native growth, and that it has, on the whole, adapted itself marvelously well to the development and unprecedented expansion of our country. This has resulted from a remarkable power of adjustment to local needs in a land where growth and change have been abnormally rapid. New communities have received transportation facilities at times when there has not been enough business to pay the bare cost of the salaries of engineers and conductors. Industrial plants, not only those of overgrown corporations, but new ones in sparsely settled regions, have enjoyed freight rates which have enabled them to land their goods in the first markets of the world. Witness the action of the Great Northern road, ever since its inception, towards the farmers and lumbermen of the northwest. Note the policy of the Southern Railway toward the iron works of Alabama and the cotton mills of the Carolinas and Georgia.

If in place of a management of this kind, at once both sympathetic and self-interested, the merchants had been obliged to meet the stolidity of a Government bureau, its circuitry of operation, the desire to postpone action till "after election," how different must have been their experience. Or, if they had been forced to deal with Congress, they might have seen the measure succeed in one house or before one committee, only to be indefinitely delayed in the other house or in committee of the whole, or played off against other interests in far-away sections of the country whose representatives demanded some *quid pro quo* for their support. They would then have realized the profound truth contained in the observation of a great modern historian, that the people's representatives and lawmakers have rarely accorded any great public privilege except under strong pressure.

Under present conditions, the aggrieved merchant may always appeal from the railroad company itself to Government aid in some form. State and Federal commissions stand ready to adjust rates—sometimes, indeed, with "a strong hand and a multitude of people"—and behind the commissioners are the courts. Everybody is ready and willing to move against a railroad corporation. But let the Government once become the supreme monopolistic owner of the mightiest railroad in the world, and how feeble and helpless will be the shipper who pleads before some Government department for relief in freight rates, having nothing but the merits of his case to invoke in his behalf.

Thus far I have been insistent only upon the main contention that, in the very nature of the case, there is nothing about Government control or Government officials that can promise any

easy or satisfactory solution of the problems of transportation, and much to suggest the very reverse. But there are many other weighty considerations against Government ownership and in favor of Government supervision. One of these is the facility for offering secret rebates which must occur under any plan of Government-managed railroads. From the earliest times, Government officers have been peculiarly open to fraud and malfeasance, and especially so in large and highly centralized Governments. Witness Russia and China across the water. Glance at our own history. During the years after the Civil War the Government at Washington seemed fairly honeycombed with corruption. The Credit Mobilier and the whiskey frauds flourished, and Congress actually found it necessary to impeach a cabinet officer for misconduct. The scandals in our municipal governments are too well known to need specific mention; and in very recent years we have seen the discovery of gross frauds in our postoffices, and a shameful waste of millions of dollars voted by the people of New York for improving the Erie Canal. There is nothing about Government management that gives the smallest hope that the secret rebate would not be freely used. Indeed, the ease with which favors of this kind could be granted or denied would place in the hands of the dominant party such a power as is fearful to contemplate. And what reformation is so difficult of accomplishment as the cleansing of a great bureau or department? . . .

If the Government is to run the railroads, the thinking part of the community will demand that they be run at a profit, and not at a loss, and that the freight shall be lower than—not merely as low as—at present. If this mighty change is to be made, some great, striking and substantial gain must be the result, or the plan is not worth the carrying out.

While the American people have great faith in representative Government within lines that have been tried, nevertheless they have seen the legislative branches of their Government, State and Federal, severely strained of late to transact only such necessary and usual business as has fallen to their lot. In the space of seventeen years, they have lived through the enactment of three tariff acts imposing duties on imports. The passage of these measures has afforded them an opportunity of observing how Congress deals with a complicated measure affecting many rival sections of the country and hundreds of hostile interests.

The framing of a tariff bill, vast and vexatious as it is, is child's play beside the task of arranging a schedule of freight charges for the multitudinous cities and towns of a country extending over

3,600,000 square miles, and having commercial relations with every nation on the face of the globe. In the presence of such a duty, the most learned Legislature that ever convened might well shudder in abject helplessness. From time to time, as certain individual States of our Union have created State railroad commissions, they have often provided that the first duty of the new commission should be the preparation of a complete schedule of freight rates for all purely intrastate commerce (*i. e.*, commerce originating and terminating within the limits of the State). Insignificant as this labor is by the side of the making of a schedule of rates for the Nation, it is nevertheless a herculean task, and one that has proved beyond the powers of any set of commissioners that was ever got together to perform intelligently.

But the limits of this article forbid a consideration of the subject in all its details. I have tried to indicate some of the enormous difficulties involved in any system of Government control and ownership of the machinery of transportation. But I have only touched upon them, and some I have not even mentioned, as, for example, the immense National debt that must be created in the attempt to purchase billions of dollars worth of railroad property, the vast issue of bonds thereby made necessary, the bitter opposition to even moderate bond issues that has been manifested by a great portion of our people, the jealousy of organized labor toward so vast and irresponsible an employer as the government, the entrance of the railroad workingman's vote into politics as the vote of a distinct faction of officeholders, the vice of a quadrennial change of management and administration at the National Capital, and last, but by no means least, the probable change in the temper and tone of the Federal Government toward both the States and the people when made the repository of such great authority and power.

---

### STATE OWNERSHIP IN NORTH CAROLINA

(By T. B. WOMACK, late judge of the Superior Court of North Carolina, in *World's Work*, Volume 13, pages 8333-36. December, 1906.)

During the second quarter of the nineteenth century a great furor for internal improvements overran the State of North Carolina. Governor John M. Morehead was one of its leaders. Many of the schemes suggested were as wild as Populism would desire, while others had sufficient good in them to add to the fame of those who brought them to light. The beneficent results to be attained by each were painted with all the glitter of a

modern promoter's prospectus. There was one notable difference, however. Graft was unknown. Personal ambition was subordinated to public weal. Patriotism, prosperity, progress, and State pride, were the cabalistic charms. Ability and experience were joined. The efforts were not spasmodic, but extended over long periods of time and through varying conditions.

#### STATE OWNERSHIP OF RAILROADS

The feature of the general scheme for internal improvements which called for the greatest outlay of money was the building and operation of railroads. The Raleigh and Gaston was the first railroad chartered. It was created by act of 1835, was constructed in the early 'forties, and was completed under State control. But it was a dismal failure from the beginning. The receipts fell far short of paying the operating expenses. A connection being needed, Governor Graham suggested an extension from Raleigh, via Hillsboro and Greensboro, to Salisbury. Later an act was prepared by Mr. Ashe, which became a law, creating the North Carolina Railroad Company. This company was incorporated by the Legislature of 1848-49, the State subscribing to a large majority of the stock. The road was built from Goldsboro to Charlotte, 223 miles, and was operated for a time by the State, with some slight degree of success.

The survey of this road tells why its operation by the State could not be a complete success. Beginning at Goldsboro, its eastern terminus, it runs in a northwesterly direction for nearly seventy-five miles, until it reaches the present city of Durham. The course there changes to nearly west for some sixty miles, until Greensboro is reached, about forty miles from the Virginia state line. Then it makes a great curve until the course is changed to nearly south for eighty or ninety miles, ending at Charlotte, almost on the South Carolina state line. In its course the road makes almost a complete horseshoe.

The project passed the General Assembly by the vote of the presiding officer, Hon. Calvin Graves. Unless the road had gone to the home of Governor Morehead, had passed by Hillsboro, the home of Secretary of the Navy, Governor and United States Senator Graham, and other distinguished men, had taken in the State Capital in its route, and terminated in the midst of the descendants of the signers of the Mecklenburg Declaration of Independence, it could not have come into existence at all.

So long as the State attempted to operate it, the political factions along its route had to be appeased by seats in its directo-

rate, and favors more or less discriminating were a necessity both to individuals and to influential centers.

In 1871 this road was leased for thirty years to the Richmond and Danville Railroad Company. Some time before this lease expired, it was leased for ninety-nine years to the Southern Railway. On the occasion of each lease the local politicians who had received favors, as well as those who expected them, made themselves heard; but the business judgment of the State, as well as the courts sustained the leases. While the lessees have not by any means done what they might have done, the development of the State along its lines is one of the features of the South's progress. It needs no saying that the road under private management has been a great financial success. The stock readily brings on the market, 175, and more, and the State's income from its shares is safe and certain.

#### A SECOND RAILROAD EXPERIMENT

It was a part of Governor Morehead's dream that North Carolina should have a great through system of railroads from mountains to seashore. To carry out this idea, a charter was obtained for a road from Goldsboro, the eastern terminus of the North Carolina Railroad, to the coast at Morehead City, a place named in honor of the Governor and then considered a great city of the future. The State took 12,000 of the 18,000 shares of stock, appointed a majority of the directors, and has had absolute charge.

This road has now been operated by the State of North Carolina for nearly half a century, in war and peace, by Democrats, by Republicans and by Fusionists—each with varying degrees of failure. The private stockholders for years have pleaded for a lease, or for anything to avoid a continuance of political mismanagement. During these many years no dividend has been earned, though one or two presidents declared dividends of one or two per cent per annum for political effect, when every cent should have been used in betterments. The stock value ranged from ten to twenty-five cents.

Finally, under the administration of Governor Aycock, it became known that the administration had determined to heed the cries of the private stockholders and the sound business judgment of the people of the State, and lease this last of the State's railroads. A great sigh of relief went up from mountains to sea. The lease was not effected until after an attempted sensational receivership in the Federal courts and litigation by those who wanted to hold on to the teats. During this litigation many

evils of political management were made public, among others, the fact that every administration for years had employed prominent politicians in various sections, remote from the railroad, as 'local counsel," thereby enabling them to receive free passes within the letter, but against the spirit, of the State statute prohibiting free passes.

The effects of the lease were immediate. The first year of private management improved the road-bed and equipment to a point never before approached. The road is being extended and new connections made, and is run upon business, as opposed to political, methods. The service, both passenger and freight, has been nearly doubled. Favoritism has been abolished. The stock has advanced to from sixty to seventy cents, and would be higher but for the fact that certain politicians, many of whom participated in making the lease, have instituted litigation in an endeavor to annul it, for want of power and the like.

The State aided in various ways in the construction of the Wilmington and Weldon, the Raleigh and Gaston, the Raleigh and Augusta Air Line, the Wilmington, Columbia and Augusta, the Western North Carolina, the Cape Fear and Yadkin Valley, and several other railroads. But experience followed experience quickly, each a protest against State management and control, until North Carolina disposed of or lost all of its railroad properties, except its stock in the North Carolina Railroad and in the Atlantic and North Carolina Railroad.

It is proper to state that in the condition of affairs then existing these railroad lines could not have been built without State aid. Their construction afforded great relief to the people and promoted local development along their lines. They were worth to the people and to the State all that was paid out for them. In the early days it is doubtful if private management could have been very successful, but certainly State management was a dismal failure.

Practically the entire funded debt of the State, amounting to something over \$6,000,00, originally arose out of the plans for internal improvements. The increase in value of the State's stock in these two roads under private management, if now sold at ruling prices, would pay off the entire State debt.

The leases upon these two properties expire at the same time. Possibly in a century from now, politics will become so pure, politicians so wise, and political management so businesslike that North Carolina may again experiment with the ownership of public utilities. The thinking people of the State pray that it may not make the attempt before that time.

## POLITICAL PHASES OF GOVERNMENT OWNERSHIP

(By S. O. DUNN, Editor of the *Railway Age Gazette*, Chicago, Ill.)

The fundamental trouble with Government ownership is that it reverses a tendency which has marked the progress of modern civilization and has contributed greatly toward promoting it—the tendency toward differentiation of political and economic functions. Under the patriarchal system all political, social and economic functions were concentrated in the patriarch. He was the head of the family, captain of industry, military commander, chief priest, king. Even under feudalism varied and numerous functions and powers were united in the baron. His economic power and his military and political authority, were coextensive. His retainers were forced to fight for him in order to keep their right to exact a living from the soil; they had to cultivate his land to secure from him protection from the attacks of others and to obtain justice in his court; and it was from these conditions that the evils of the feudal system chiefly arose. The king was, politically and economically, merely a greater feudal baron. From the Middle Ages to the present time the differentiation of these various functions, while often retarded, has never ceased.

Most important of all, perhaps, has been the segregation of the political function of ruling from the economic function of directing industry. The doctrine of *laissez-faire*, so ardently preached a century ago, was little more than the doctrine that the function of ruling—that is to say, of maintaining peace and order—and the function of managing industry should be kept separate, and especially that the former should not needlessly interfere with the latter.

Doubtless for a time *laissez-faire* was carried too far in both theory and practice. But it is notable that it was during this time that the greatest impetus was given to the development of political freedom, on the one hand, and of industry, on the other.

Government ownership is a movement backward because it would reconsolidate political and economic functions. There must be some sovereign power. This power must be the political power. And by appropriate means and tribunals the political power should so control the management of industry as to prevent and correct abuses not prevented or corrected by economic law. But it does not follow that the sovereign political power should itself assume the exercise of gigantic economic functions.

The modern industrial system has sometimes been likened to the feudal system, because great captains of industry have some-

times used their money and the votes it has enabled them to command, to dominate and corrupt the politics of cities, States, and the Nation. When this condition has existed, however, the real vice in it, as under the feudal system, has consisted in the union of political and economic power in the same hands. Those possessing the two kinds of power have been able to use their economic power to attain their political ends, and their political power to attain their economic ends; and both politics and legitimate business have suffered.

Public ownership often is advocated as the only effective means of destroying the corrupting alliance of big business and politics. But already the two great movements for the purification of politics and for the regulation of concerns of a monopolistic or quasi-monopolistic character have practically dissolved this alliance, and are raising the tone of politics and reducing the abuses in business. A continuance of efforts to purify politics and improve government, and to use the power of government to destroy and prevent economic and social evils, while avoiding placing unnecessary restrictions and burdens on the exercise of private initiative and enterprise, will have beneficial effects on both politics and business. On the other hand, the adoption of an extensive policy of Government ownership would once more combine great political power and great economic power in the same hands.

In the recent past this power has been combined in the hands of leaders of industry; under Government ownership it would be combined in the hands of leaders of politics. For Government management, like business management, is always more a thing of men than of machinery. Men always have their leaders and bosses, whether in war, or business, or politics; and it is the leaders of politics, whether statesmen or bosses, who really manage the Government and who under public ownership would control the management of elections, on the one hand, and of government industries, on the other. They would then exercise a total power incomparably greater than was ever exercised by any body of men in this country. They would have the same political power of the ordinary kind that the leaders of the party dominant in the Government have now. The power to determine what rates and prices should be charged by concerns earning billions of dollars annually would be a great power; and they would have it. The power to make contracts for expenditures that amount to billions annually would be a great power; and they would have it. The power to determine whether millions of men should be allowed to keep their jobs would be a great power; and they would have it. The power largely to determine how millions of men would vote,

and thereby what men should keep or lose public office, would be a great power; and they would have it. And these would be powers which once acquired, might be transferred from one group of political leaders to another, but which could never be dissolved into their elements without abolishing Government ownership itself; and to abolish it would be much more difficult than to adopt it.

Big business never controlled anywhere near as many voters as it is proposed to take into the Government service; yet big business has managed at times to control the politics of cities, of States, and of the Nation. In politics, as in war, a small, relatively well-organized, well-disciplined force is more powerful than a far larger body, if untrained and undisciplined.

If all the aspects of Government ownership be considered, the conclusion must be reached that its extensive adoption would be destructive of both the economic and the political welfare of the people of the United States. The people would find that they had created an economic and political Frankenstein which would not only be able to undermine their material wellbeing and destroy their free political institutions, but which would be irresistibly impelled by its very nature to accomplish this work of ruin.

---

## GOVERNMENT OWNERSHIP OF THE RAILWAYS AS UNNECESSARY AS IT IS UNDESIRABLE

(By FAIRFAX HARRISON, President, Southern Railway.)

There is an Oriental fable of a discontented shepherd who was ruined by the accomplishment of his own wishes: he prayed for more water than he needed, the Ganges was turned into his grounds and his flock and cottage were swept away by the inundation. Can we find a moral in this for our present inquiry? The American is essentially a practical person. If we can demonstrate to him that he already has all he needs, it is not necessary to argue further, but it may not be out of place to point out that not only is government ownership of the railways unnecessary for his protection, but that there are positive dangers lurking in the proposition.

The natural initiative of the American man of business working under the stress of competition leads him to experiment with new devices and adopt new methods from day to day in a way impossible to a Government-managed industry. Concentration of responsibility is necessary for this, and the criticism of all Government-managed railways in Europe is their rigidity. The individual

officer may be fit, but he is tied fast with red tape in a way quite familiar to every one who has done business with the Government of the United States. I have myself met, and measured, with the utmost respect for their individual professional equipment, some of the officers of the most criticised railway in the world—the State-ridden Western Railway of France.

The result of Government management is almost inevitably bureaucracy, and what this means in comparison with private initiative in living industry can well be illustrated by the experience of Austria. Mr. Pattai, the President of the Austrian Chamber of Deputies, said in a speech delivered last summer:

“We have always been in favor of the State taking over the railways, but if we had been able to foresee the results of the management I assure you we would have hesitated a little longer. We are still in favor of the principle, but it does seem to us that our Government has performed a remarkable feat when it has succeeded in creating a deficit on the Northern Railway, (which, under private management, earned six per cent dividends). The Government have enlisted an army of new employees; they have gone much too far in the reduction of hours of labor; instead of commercial management they have appointed lawyers to posts that require business men or experts; they have established an entirely unpractical bureaucracy. At the present moment we are face to face with a deficit of \$25,000,000. There would be no deficit at all if the return from our railways were that which it ought to be. I repeat that absolute imbecility has characterized the taking over of our railways. We must introduce business ideas into the Government service.”

The greatest positive danger of Government ownership lies in politics. There are upwards of 1,700,000 men now employed by the railroads of the United States earning over a billion dollars a year in wages, and if the Government owned and operated the railways they would all become officeholders. If we may believe the experience of Belgium and Italy, their numbers might be expected to increase rather than diminish under Government management. It is not difficult to imagine what the result would be in practical politics, what pressure there would be upon a party in power for the existing jobs, and for the creation of new ones, a pressure which no civil service could altogether resist. A well-organized political machine would undoubtedly seek to control through patronage all railway votes for the party in power, and what this could be made to mean is evident from the mere fact that at the time of the election of 1908 there were over 200,000 more voters in the railway service than the sum of Mr. Taft's popular plurality.

The result of the election in the pivotal State of New York has more than once determined a presidential succession by a small plurality. If the men in railway service in New York could be voted as a unit, as most holders of office under the Federal Government are now customarily voted, it could not be doubtful how the State would go. Is not this suggestion fraught with real danger to our political institutions?

On the other hand we may consider the compensation which the labor unions might expect for political support. Under the existing regime they have steadily and successfully accomplished advances in wages and modifications of working conditions, which are the equivalent of increased expense to the railways. Is it likely that they would abate their demands upon Government when they had the powerful engine of political pressure to supplement their present strength? It is not inconceivable that their success might make profitable operation by Government an impossibility. This has been the result in Switzerland.

---

## THE GOVERNMENT AND THE RAILROADS

(By ARTHUR T. HADLEY, LL.D., in the *Youth's Companion*. April 18, 1912.)

There is an increasing agitation to have the Government itself own the railroads. The advocates of this plan say that the Government could easily borrow the money to buy old roads and build new ones; and that it could then make rates to suit the needs and develop the traffic of the various sections of the country without asking anybody's permission. They point out that Government railroad systems have been built and operated for many years, not only in monarchies like Germany, but in democracies like the commonwealths of Australia.

If we could assume that Congress would be far-sighted in its policy, or that Government business would habitually be conducted with a high standard of efficiency and economy, there would be a great deal to be said in favor of the United States operating the railroads. Unfortunately, we cannot safely make either of these assumptions.

Congress at each session invests a large amount of public money for the improvement of transportation facilities through the agency of a river and harbor bill. Is this money wisely invested, with a far-sighted view toward the public interest? No. Each member of Congress is more concerned with the immediate demands of his district than with the general needs of the country. Thousands of dollars are wasted in dredging streams that cannot ever be of any

considerable use, while large and much-needed improvements are either postponed or carried on in a half-hearted and inefficient manner. Unless Congress should apply better methods to the development of rivers and harbors, it would show itself wholly unequal to the task.

“RED TAPE”

Moreover, we cannot safely assume that our Government officers would have the business efficiency needed for managing an industry like the railroad. It is possible that they may some day reach this standard. They have certainly made enormous improvements in the last twenty-five years. The business record of a few departments is thoroughly creditable. But in general it costs the Government a great deal more to get a piece of work done than it costs a private company—not so much on account of actual corruption, as on account of cumbersome and unwieldy methods, known by the general name of “red tape,” which are thought necessary to prevent corruption.

The Australian States, in constructing and managing their railroads, seem to have suffered severely from just this cause. The capitalization of Australian lines is just under sixty thousand dollars a mile—almost exactly the same as our own. The standard of construction, of equipment and of service is inferior. There appears to have been no dishonesty in the building of these roads. It was a case of good intentions and bad results.

We cannot expect railroads that are managed by the Government to be so progressive as those that are managed by private companies. Not only the railroad itself, but all the great improvements and economics in the handling of traffic have come in countries where the system of private ownership prevailed and where there was an opportunity for competition to show what method was best. We must not think that because we have lost one of the benefits of free competition in American railroads, we have lost them all. It no longer serves to regulate rates, but it still serves as an incentive to efficiency and economy and as a stimulus to progressive methods. We cannot afford to give up this stimulus by the adoption of a system of Government ownership without weighing carefully the probable results of the change—in other words, without seeing how Government ownership works in practice.

We have looked at a case where it works badly. Let us examine a case where it works well, and see if we can draw any lessons from this which may be of use to the United States. The largest and in many respects the best Government railroad system is that of Prussia. The success of the Prussian railroads has

been due to two causes: first, the management of the railroads has been kept in the hands of experts; and second, there has thus been developed an organization of railroad employees who from top to bottom regard themselves as public servants, and are proud of the fact. Men hold office as long as they do their work well; promotion goes by merit rather than by favor; political influences are kept out of the management.

Unfortunately, those conditions are very far from being realized in the United States. An employee of the United States government feels less assured of the permanence of his position than an employee of most of our private corporations. He is less certain that efficient service will result in promotion, and far more apprehensive of outside interference with his work by people who know nothing of the real conditions under which he labors. So long as this state of things continues much mismanagement would result from the transfer of railroads to Government ownership. Reform in these respects must precede any change of system. Until we are prepared to keep politics out of railroad management, as fully as we keep it out of the management of the courts or of the navy, the experiment would be fraught with grave dangers to the railroad service, the Government, and the country as a whole.

---

## GOVERNMENT OWNERSHIP OF RAILWAYS

(In *Harper's Weekly*, April 21, 1906.)

1. The objection to ownership and operation of the railways by the Government are serious. In the first place, an enormous army of civilian employees is placed at the disposal of the political party in power. This is obvious: the second and still graver objection is often overlooked. State railways are not accused, indeed, of rebates or discriminations in favor of individuals. They are charged, however, and justly, with gross discrimination in favor of localities. Professor Hugo Richard Meyer, of the University of Chicago, has lately pointed out in his book on *Government Regulation of Railway Rates*, that in Prussia, though that country has the most enlightened and the most independent bureaucratic Government which the world has known, the State Railway Department is not allowed to make railway rates that will permit the surplus grain, timber, and beet-sugar of eastern Germany to move by rail to the market of the mining and manufacturing regions along the Rhine, there to compete with the grain, timber, and beet-sugar produced in western, southwestern and central Germany. The failure, too, of the State Railway Department's efforts to get

the iron and steel producers of the Ruhr districts on what shall constitute relatively reasonable rates on iron ores moving from the Saar to the Ruhr, and on coke moving from the Ruhr to the Saar, has for upwards of two decades prevented the German iron and steel industry from exploiting freely the largest iron ore deposits on the continent of Europe, those, namely, of the Saar region. Under the free play of competition, the Ruhr iron and steel industries would outstrip the Saar industries, but the State Railway Department cannot permit that free play of competition, lest it expose the Government to the charge of favoring the Ruhr section. Such has been the paralysis of the Prussian railways under Government railway-rates that the grain, timber, and beet-sugar producers of Eastern Germany, as well as the iron and steel manufacturers of the Ruhr district, have had to resuscitate river and canal transportation. The truth is, according to Professor Meyer, that the present day Germany, with its agriculture, its manufactures and trade, rests upon the waterways, not upon railways, which the regime of Government-made railway rates have reduced to the subordinate position of feeders to the river and canal boats.

2. The same trade jealousy that prevents the Prussian State Railway Department from making rates that would permit the agricultural products and the timber of Eastern Germany to move by rail into Western Germany prevents also the coöperation of the State Railway Department of Germany, Austria-Hungary, and the Danubian principalities for the purpose of securing the free movement by rail into Western Europe of the agricultural products and the timber of Austria-Hungary and the latter's Danubian neighbors, or a correspondingly free movement to the East of the manufactures of Western Europe. In Russia may be observed the same paralysis of State railways through trade jealousies, and the same resultant recourse to transportation by river. Professor Meyer recalls that, on the opening of the Trans-Siberian railway the landed interests of western Russia protested that they must not be exposed to competition from the wheat raised on the cheaper lands of Siberia. They succeeded in compelling the Government to place prohibitive charges upon the carriage of Siberian wheat, so that it has proved impossible adequately to develop Siberia's enormous wheat resources. In Australia, under Government ownership, trade jealousies have forced each colony to refuse to cooperate with its neighbors in the promotion of trade and industry. The Colonial Governments raise materially the rates on freight sent from one colony to the other. Victoria and New South Wales still maintain separate gauges, and the latter colony has refused to connect its railway lines in the southwestern part of its terri-

tory with the Victorian lines, lest trade should be diverted from Sidney to Melbourne. The result of the system followed is that the export and import trade of each colony, as well as a large part of the jobbing business and manufacturing, is confined to one seaport only. The failure to adopt the American practice of port differentials and the American contrivance of "basing points" has produced this concentration of trade and industry. In a word, the experience of Germany has been repeated in Australia, as well as in Austria-Hungary and in Russia. It justifies the words quoted by Professor Meyer from the late Herr Von Miquel, who was Prussian Minister of Finance from 1890 to 1900. He declared that the "system of Government ownership of railways will break down unless it shall prove possible to find refuge from the jealousies and conflicts of local and sectional interests behind the stone wall of a system of hard and fast railway rates which permit of no exercise of discretion." It justifies also Professor Meyer's conclusion, that no Government which has undertaken to make railway rates by assuming Government ownership has been able to prescribe railway rates in such a way as to promote and conserve the public welfare, if the test of welfare be the making of two blades of grass grow where one grew before. Restraint of competition and of trade, with failure to develop the resources of soil and climate, has been everywhere the outcome of Government ownership of railways. To that system, however, we seem likely to be driven, unless the Constitution and the laws shall enable us through our Federal Government, to exercise such regulation of railway rates as shall not be open to the serious objections here stated.

---

### THE FAILURES OF GOVERNMENT OWNERSHIP

(By WILLIAM W. COOK, in *McClure's Magazine*, Volume 38, pages 354-355. January, 1912.)

The railroads of continental Europe are quite generally under Government ownership. That this ownership has developed and is now developing grievous faults, can not be denied. Perhaps the most authoritative recent study of this situation is given by Logan G. McPherson, lecturer on transportation in Johns Hopkins University, in a volume published in 1910. His conclusions are decidedly adverse to the policy of Government ownership. "In France, Belgium, and Italy," he says, "where socialistic influences are strong in the Government, the number of employees of the governmental railways has been increased beyond all reason to make places for political henchmen, with the result that expenses are

going up, revenue is going down, and the quality of service, from all accounts, is badly deteriorating." "In Switzerland," he says, "where the Government has sought to please all the people by lowering rates, increasing facilities, and raising wages, the railways which were doing well under *corporate* management show a deficit after ten years of governmental administration. . . . In Switzerland, if anywhere, it might be supposed the operation of railways ought to be attended with profit. Under a State administration they show a loss."

This is the result of the experiment under the more centralized Governments of Europe. In the United States, a loosely constructed democracy extending over an enormous territory, the problem would be much more difficult. Experience in this country has shown that popular sovereignty is not fitted to own and administer great properties. Popular sovereignty, with ignorance and poverty in control, early bankrupted a number of the Southern States, and almost bankrupted many in the North. Popular sovereignty bankrupted American cities like Elizabeth, N. J., and Memphis, Tenn.; and in the great development of municipal enterprises in recent years it has piled up in American cities a portentous burden of debt, \$1,718,000,000 in 1908, according to the United States Bureau of the Census—that is, over one-half of the National debt at the close of the Civil War, when intelligent men despaired of the Nation's solvency. Were it not for constitutional limitations and prohibitions, these city debts would be greater still.

Public ownership of railroads and other means of transportation are not untried experiments in the United States; indeed, at the beginning the transportation enterprises of the country were quite largely undertaken or aided by States and cities. With scarcely an exception, these experiments were failures. Judge Thomas M. Cooley, in his *History of Michigan*, gives a graphic account of that State's disastrous experience with railroads and canals, drawn from his own observation. "At the end," he says, "nothing but the debris of our air-castles remained, and that only to plague our recollections."

The result of all this is that Government ownership of railroads in the United States is now generally feared by its citizens. The effects are dreaded. It would mean an enormous increase of power and patronage to the National Government. It would mean that the Government would be swindled in acquiring the railroads. It would mean bad service, stagnation of enterprise, and financial loss. It would mean inefficient and, at times, corrupt administration of the railroads. These enterprises require the highest class of administrative ability and economy in their operation. Politicians

do not and can not furnish that ability. Railroad men are trained for their vocation by a lifetime of constant, practical work. The Government would not get such men, because they are not politicians and because the Government would not pay the price to retain them.

---

## ARGUMENTS AGAINST GOVERNMENT OWNERSHIP

(By S. O. DUNN, in *Government Ownership of Railways*.)

Now, as to the railway situation in the United States specifically: Is it such as to warrant the belief that a complete change of railway policy in this country is desirable? Or, to come more directly to the point—do the railway conditions and the general political conditions existing here, and the experience of other democratic Nations, indicate that the adoption of Government ownership of railways here would be, on the whole, beneficial to the public? The answer to this question is suggested by the following summary of some of the more important conclusions which have been indicated by the facts set forth in preceding chapters:

1. The railways of the United States are, considering all pertinent conditions, as economically managed as any in the world; and it is probable that under Government management there would be an increase in the total expense incurred in rendering railway service.

2. Under private ownership the development of the railways of this country has gone forward at a rate which, until recent years, has not been equaled in any other country. The capacity of the railway trackage and equipment provided in proportion to both area and population is not surpassed in any other country; and while there are sometimes shortages of facilities for handling freight traffic, these are not peculiar to this country. Similar shortages occur on some of the other leading private and State railways of the world.

3. The quality of the freight and passenger service rendered here is in most respects equal or superior to the quality of that rendered by railways in other countries under conditions at all comparable.

4. The service in this country is, however, very deficient as compared with that of most other countries in respect of the extremely important element of safety. But the evidence indicates that this is due rather to local conditions than to private management, and that the situation in this regard probably would not be improved under Government management.

5. Passenger rates in this country probably are no higher than in most other countries for similar services; but the average rate per passenger per mile is much higher than it is on most State railways; and State railways usually make lower passenger rates than private railways.

6. The freight rates of the railways of this country have been, and are yet, based largely on what the traffic will bear. In other countries under public management, the domestic freight rates are usually based rigidly on distance. The rate-making policy followed in this country is well adapted to promote the fullest development of industry and commerce, but it has led to many unfair and extremely harmful discriminations. Public regulation has greatly reduced the number of these unfair discriminations, and doubtless can reduce it further; but, in the nature of things, unfair discrimination seems more likely to occur under private management than under State management.

7. The average freight rate per ton mile of the railways of this country is the lowest in the world, excepting, apparently, that of the State railways of Japan; and relatively to the conditions under which they are charged freight rates here are probably the lowest in the world. Private railways generally tend to make lower freight rates than State railways; and low freight rates are of more benefit to the public than low passenger rates.

8. While in many countries State railways cause financial losses to the public, in the United States the public derives large sums from the railways in the form of taxes. Furthermore, the amount of taxes being collected from them is rapidly increasing.

9. The condition of the labor employed on the railways of this country relatively is as good as that of the labor employed on the railways of any other country; and it could not be substantially improved without imposing an additional burden of rates on travelers or shippers, or both, or an additional burden of taxes on the general public. In either case, the greater part of the added burden would fall on the middle and working classes in general.

10. In view of the experience of many other countries with State management of railways, and of the conditions existing in our own country, it would seem that State management here would have a tendency rather to corrupt than to purify politics.

Clearly the preponderance of the evidence does not indicate that, under existing conditions at least, the adoption of Government ownership in the United States would be beneficial to the public.

## POINTS OPPOSING GOVERNMENT OWNERSHIP OF RAILWAYS

(Compiled by editors of the Bulletin.)

1. Even though railway transportation is essentially of a public nature, the Government, if sufficiently effective to operate it, can by regulation make private operation work for the best interests of the public.

2. Even though railway transportation is for the most part essentially monopolistic, private operation can best do its work by having a monopoly management. This monopoly management can be effectively regulated by the Government, if it is sufficiently capable of successful operation.

3. Even though all sections of a country need the development which railway transportation brings, private enterprise, with effective Government aid and regulation, may develop the undeveloped sections—those sections which cannot immediately yield profits. Such aid and regulation need be but a slight task for the Government as compared to that of financing and managing Government operation.

4. Though railway charges are of fundamental concern to all consumers and producers, they can be regulated under private operation, and the idea of profits by a government that is strong enough to operate them effectively, so as to render practically universal service at reasonable rates. There have been many abuses in private operation in the past, but comparatively few exist now in such countries as England and the United States, which have developed effective methods of governmental regulation; and the few abuses which now exist will be eliminated by a further growth in the effectiveness of governmental regulation.

5. A government may have its highest development in the work of regulating industries rather than in the actual operation of industries. From its very nature and composition, the Government exists primarily for the purposes of regulating industry, and not for the purpose of carrying on business.

6. The Government may really obtain more revenue through the process of taxing the railways which are operated by private enterprise than it could through the net earnings of Government operation.

## GENERAL RESULTS OF STATE OPERATION

(By CHARLES LEE RAPER, Ph.D., in *Railway Transportation*.)

Our investigation in the history of State operation of railways in a number of important countries entitles us, we fancy, to make a few general statements concerning it, without bringing upon ourselves the charge of dealing in extravagances of speech. We believe the following general facts make themselves fairly clear throughout the history of State management:

(1) That Government operation of the railways has, with a few notable exceptions, as, for instance, the Prussian, not paid all of its expenses, and that it has consequently been a burden upon the taxpayers.

(2) That Government operation, though it has been a burden to the citizens as taxpayers, has not supplied them with a particularly excellent service—that its freight service especially has lacked in efficiency and practical adjustability to traffic and industrial conditions.

(3) That Government operation, though it has not been particularly efficient, has not been especially cheap—that its freight rates have not been, after all allowance for difference in traffic conditions has been made, as low as those upon a number of the privately managed railways.

(4) That Government operation, to be at all efficient, presupposes the existence of a highly centralized, powerful, and intelligently active administration—an institution which exists only in a few countries, and which the people of the United States have, at the present at least, no desire to possess.

(5) That Government operation is not needed at the present, at least in Great Britain and the United States, to supply the lack of railway facilities. Private capital with slight aid has done this in the past, and it can alone and unaided do it in the future.

(6) That Government operation is not needed at the present, at least in Great Britain and the United States, to correct the abuses of private operation. This has been done by Government supervision and regulation with a fair degree of efficiency, and it can be, and will be, done in the future with still greater efficiency.

(7) That the institution of Government operation in such countries as the United States and Great Britain, with their present systems of comparatively efficient operation under relatively effective State control, could have no possible defense except that of political and social ambition—the ambition of the State to become wider, greater, and more powerful in all phases of the life of the people, to perform services which private enterprises under State supervision could perform just as well, and perhaps much more efficiently. Its only possible defense would be socialism.

## OWNERSHIP AND SUPERVISION

(By ALBERT J. BEVERIDGE, in *Reader*, Volume 11, pages 295-296. February, 1908.)

Government ownership violates the American principle that Government enterprise ought not to own and manage what individual enterprise can own and manage.

Government supervision is a recognition of that American principle and an application of its corollary, that a business which affects all the people is no longer private and should be regulated by the Government of all the people.

Government supervision leaves business in individual hands; but requires that individual to act as trustee for the people, and this prevents abuses hurtful to the people; Government ownership takes business out of the hands of the people and substitutes for private abuses of railway management, which Government supervision cures, official abuses of management, which nothing can cure.

Government supervision leaves the making of rates, local and general, over our maze of railways, embracing more than three hundred and eighteen thousand miles of road, in the hands of men who are familiar with local and general conditions and have individual interest in successful management; and yet Government supervision corrects those rates when they are unjust or impartial. Government ownership puts the making of rates in the hands of an enormous Government bureau of officials, unfamiliar with local and general conditions and without individual interest in the management of particular roads.

Government supervision leaves the system of individual management, under which the country has developed, and requires that management to act as a trustee for the people; Government ownership creates a vast machine so complicated that its workings would be cumbersome, so great as to break of its own weight. Government supervision means the intelligence and conscience of the people laying their restraining hands on the wrongs of railway management; Government ownership means an American bureaucracy as much greater than any other bureaucracy on earth as the American railway system is greater than any other railway system.

## STATE OWNERSHIP IN MISSOURI AND PENNSYLVANIA

(By C. M. KEYS, Formerly Railroad Editor of the *Wall Street Journal*.)

The story of Governor Folk's own State, Missouri, is a melancholy commentary upon State interest in railroads. In only one case did this interest extend to ownership, and that for but a few months, but the net result of the State's experiments is a loss of nearly \$25,000,000. It came about through funds advanced by the State to the pioneer roads, to be repaid with interest at various rates as the railroads made the money.

The principal of the advances made in this way amounted to \$26,700,000. Only one road out of the seven to which such aid was extended ever paid its debt in full. That was the Hannibal and St. Joseph, to which the original advance was \$3,000,000. It paid off the last dollar of this debt, with interest, in 1883. Including interest, the total advance of the State to the other six roads amounted to \$31,735,000.

When, after many defaults, the State seized the roads or ordered them sold, the total amount realized from such seizure or sale was only \$6,131,000, leaving a net loss to the State of \$25,604,000. The processes by which the roads were sold were among the most scandalous in the history of legislation in this country. For instance, the St. Louis and Iron Mountain and the Cairo and Fulton were sold to McKay, Read & Co., for \$900,000, although several bids of over \$1,000,000 were put in. The firm turned around and sold the roads at a profit of over \$300,000 to one of the other bidders. General Fremont bought the Southwest Branch Railroad for \$1,300,000, and immediately offered it for sale for \$22,000,000. He did not get a bidder, and sold it shortly afterward at a profit of \$100. The buyer went into bankruptcy.

The largest advances were to the Pacific Railroad. This company owed the State about \$10,800,000. The value of the property was supposed to be about \$10,000,000, and the Union Pacific was said to have offered more than that for the road. It was finally sold in 1868 for \$5,000,000, and the State debt was canceled. In reporting the sale, the State's committee reported the "cost" of the sale at about \$200,000 and "an amount of labor, pain, mortification, and degradation which this or any other company can never adequately compensate."

Go through the State of Missouri today and look for these hapless railroads, which cost the State and its leaders so much money, "mortification, and degradation." They have been taken in by the great systems—the Missouri Pacific, the St. Louis and San Francisco, the Iron Mountain. Nearly all of them are rich and

prosperous. They pay the State some taxes year by year, but the memory of the debt to the State is fading rapidly.

Turn to the State of Pennsylvania and its history as a railroad builder and operator. This commonwealth was one of the pioneer railroad builders of the United States. It took out its first charter on March 14, 1828, and opened for operation its first railroad in 1834. This was the Philadelphia and Columbia Railroad. It ran from the corner of Broad and Vine streets, Philadelphia, to Columbia. For the first ten years of its history it was a combination steam and horse-power railroad. Shippers owned their own cars and could hitch their horses to them and haul them along the right-of-way. There was war between the horse-train and the steam train from the outset, arising out of the delight with which the drivers of horse-trains would stop along the main line to light a pipe, water the horses, or talk to the neighbors, while the steam train snorted behind, waiting to go ahead if it ever got a chance.

Difficulties gradually adjusted themselves until, in 1844, the horse-power privilege was abolished. Then came ten years of competition with other routes and facilities, notably the Pennsylvania Railroad. It ended, about 1855, with a sale of the State Railroad to the Pennsylvania for \$7,500,000, about twice what it was worth, but about one-quarter of what it had cost the State. It is now an important part of the main line of the Pennsylvania. Under the deed of sale the State surrendered its right to purchase the Pennsylvania Railroad.

Mr. William Bender Wilson, the historian of the Pennsylvania Railroad, has thrown much light upon the political conditions that arose from this experiment. The following paragraphs are vital to the question of State or National control of railroads:

“The individual transporter who did not dance when the politician in charge of traffic piped was placed at a great disadvantage. His cars were not moved until after his competitor, who was a partisan, reached market; classifications were interpreted against him, and his cars were condemned by inspectors; every effort was made to compel his adherence, failing in which he was run out of business or badly crippled.

“The free-pass system originated on the State works, and grew out of the assumption by public officials that they had a right to pass over the public highways, in going to and from the capital, free of tolls. County officials soon claimed that they were entitled to the same immunity in going to and from their respective county towns, and political hangerson. . . . enrolled themselves under the banner of free transportation. . . .

"It became a potent factor in corruption, and reached such an extent that transporters who would do certain political work at an election would have their tolls rebated to an extent that nearly always reached a refund of the entire amount paid. The State debt grew and grew, until bankruptcy stared the people in the face."

Desperately, the people of the State of Pennsylvania turned to the comparatively youthful Pennsylvania Railroad for assistance. After more than twenty years of hard experience, Pennsylvania grimly pocketed its loss of over \$20,000,000, and turned its back forever upon the gospel of State ownership of railroads.

---

### GOVERNMENT OWNERSHIP OF QUASI-PUBLIC CORPORATIONS

(By EDWIN R. A. SELIGMAN, in *Gunton's*, Volume 20, pages 305-322. April, 1901.)

The main reasons why Government railways would be a failure in the United States have been mentioned in the other two general considerations adduced above. Take, for instance, the question of the investment of capital. In the case of the postoffice, even though we spend over a hundred millions a year, there is no large capital account. It is chiefly current expense. But in the case of the railway service we have the most stupendous of all modern industries. The amount of capital invested is gigantic. The fiscal reason would suffice to kill the scheme for Government railways. Government ownership would throw the whole budget out of gear; the revenues and expenditures of our railways would be two or three times as great as all the rest of our revenues together, and the entire budget would depend upon the temporary prosperity or lack of prosperity of the railway system. We know that in bad times the revenues of the railways in this country shrink by tens and even hundreds of millions of dollars. This would so embarrass the whole revenue side of our budget as to lead to a complete revolution not only of our tax system, but also of our entire budgetary methods. This point, which has commonly been overlooked, is of considerable significance.

Still more important, however, is the problem of the complexity of management. This alone would be an insuperable bar to governmental management of railways. Of all businesses, the railway business calls for the most delicate handling and must needs pay for the highest possible business ability. The great salaries of today are given to the railway presidents, salaries from \$25,000 to \$100,000 a year, and deservedly so, because without consummate capacity the attempt to run a railway would be a failure. Governments could not hope to compete successfully in this respect with private individuals.

(Abstract of "Comparative Railway Statistics, United States and Foreign Countries, 1912"; Bureau Bulletin. Used as Article in *Railway Age Gazette*, October 29, 1915.)

In only one country in the world do railways haul freight so cheaply as the railways of the United States. That country is India, where the cost of labor is so little as to be almost negligible. On the other hand, wages of railway employees in the United States are higher than in any other country except Western Australia, in which country average receipts per ton are almost twice as great as in the United States. In this country the average annual wage of the railway employee in 1912 was \$730. Only in Australia, New Zealand and Canada does the average annual wage reach one-half that amount. In Japan it is \$114 per year. In capitalization per mile of its railways, the United States is exceeded by every one of the principal countries of the world. The list is headed by the United Kingdom, with a capitalization of \$277,147 per mile. Belgium comes next with \$216,143 per mile. Russia has an average of \$149,814; France, \$148,436; Switzerland, \$122,010; Austria, \$121,327; Germany, \$116,365. The average for the United States is \$63,535. In no country in the world has so much progress been made in efforts to perform railway service in a manner which shall best serve the business interests of its patrons. In none of them is the service performed so cheaply.

---

#### WAGES HERE AND IN EUROPE

(By W. C. BROWN: Address at annual dinner of Railway Young Men's Christian Association, at Columbus, Ohio, February 4, 1911.)

The engineers pulling the train between Paris and Cherbourg receive two dollars and seven cents, in contrast to ten dollars and twenty-five cents paid the engineers handling the trains between Cincinnati and Cleveland; and the conductors one dollar and thirty-one cents, in contrast to seven dollars and twenty-three cents paid on the run in Ohio.

In other words, while the passenger fare in France is sixty-nine per cent greater, the wages paid here to engineers and conductors are four hundred per cent greater than those paid in France.

Between London and Liverpool, a distance of two hundred miles, the first-class passenger fare, including one hundred and fifty pounds of baggage, is seven dollars and eight cents, while from Cincinnati to Toledo, a distance of two hundred and eleven miles, the fare, including a parlor-car seat and one hundred and fifty pounds of baggage, is only four dollars and seventy-five cents.

The engineers handling the train from London to Liverpool receive two dollars, in contrast to eight dollars and twenty cents paid

engineers for the run between Cincinnati and Toledo, and the wages of conductors and firemen bear approximately the same relation.

---

### WHAT STATE OWNERSHIP MEANS

(By ARTHUR T. HADLEY: American Railroad Legislation. *Harper's Magazine*. June, 1887.)

State railroad ownership too often means not the ownership of the State as a whole, but of a small body of men who happen to hold political power at the time; it is neither more nor less than the substitution of a ring of political managers for a ring of railroad managers. Its practical success varies according to the condition of the civil service. But the Government is, as a rule, less responsible than a private corporation, instead of more so. If there is any lesson which is clearly taught by the history of railroad management from the beginning until now, it is that publicity and responsibility are more important than any set of laws or regulations.

---

### PRESIDENT TAFT'S VIEWS

(Extract from PRESIDENT TAFT'S special message to Congress, February 22, 1912.)

This presents the question of Government ownership of public utilities which are now being conducted by private enterprise under franchises from the Government. I believe that the true principle is that private enterprises should be permitted to carry on such public utilities under due regulation as to rates by proper authority, rather than that the Government should itself conduct them. This principle I favor, because I do not think it in accordance with the best public policy thus greatly to increase the body of public servants.

# Bibliography

---

A list of publications containing valuable material on the query under discussion is given below. The books and magazines can be secured from their publishers. Included in the bibliography are the names of a number of organizations and bureaus which will be glad to furnish material as far as they are able.

## GENERAL REFERENCES

The Bureau of Extension of the University of North Carolina will furnish material in addition to this bulletin, such as it may be able to obtain from time to time. Address the Bureau of Extension, Chapel Hill, N. C.

The North Carolina Library Commission will furnish traveling package libraries on the question upon the request of the principal of the school. Address Miss Minnie W. Leatherman, Secretary, Raleigh, N. C.

Debater's Handbook Series—"Government Ownership of Railways." Each school should have a copy of this publication of 250 pages or more, issued in December, 1916. Published by the H. W. Wilson Company, White Plains, N. Y. Price, \$1.

The Wilson Package Library, consisting of articles clipped from magazines, documents, and pamphlets, will be loaned upon application to the H. W. Wilson Company, White Plains, N. Y. The minimum charge for the first one to seven articles on each topic in each order is 50 cents; additional articles, 5 cents each.

The Bureau of Railway Economics, Washington, D. C., will furnish to all who wish it an excellent supply of material on the negative side of the query. This material consists of reports, pamphlets, statistics, and reprints.

Mr. S. O. Dunn, Chicago, Ill., editor of the *Railway Age Gazette*, will be able to supply the various schools with some valuable material bearing on the query.

The North Carolina Senators and Representatives in Congress will furnish from Congressional sources such material as is at their disposal, upon request.

The Interstate Commerce Commission, Washington, D. C., will furnish a pamphlet entitled "Abstract of Statistics of Steam Railways in the United States" for the year ended June 30, 1915.

S. O. Dunn—"Government Ownership of Railways." D. Appleton & Co., New York, 1914, \$1.50. This book contains excellent material, and each school is advised to purchase a copy.

Charles Lee Raper—"Railway Transportation: A History of its Economics and of its Relation to the State." G. P. Putnam's Sons, New York. 1912. Price \$1.50.

E. A. Pratt—"State Railways: Object Lessons from Other Lands." 1907.

William Z. Ripley—"Railway Problems," pages 531-82. Ginn & Co., Boston. 1907. Price \$2.70.

Emory R. Johnson—"American Railway Transportation." Part IV, Railways and the State. D. Appleton & Co., New York, 1909. Price \$1.50.

W. D. P. Bliss—"New Encyclopedia of Social Reform." Pages 1017-43. Funk & Wagnalls Co., New York. 1908. Article by Frank B. Parsons on "Railways and Railway Problems." Also article on "Public Ownership." Price, \$7.50.

*Arena*, Volume 35, pages 86-7. January, 1906. "Government-Owned Railways of Australia Yield Millions to the Public Treasury."

*Arena*, Volume 36, pages 577-84. December, 1906. "Nationalization of Railways in Switzerland." Frank Parsons.

*Arena*, Volume 40, pages 15-63. September, 1908. "Railway Nationalization in France." Carl S. Vrooman.

*Arena*, Volume 40, pages 533-60. December, 1908. "Our Railroad Riddle." Carl S. Vrooman.

#### AFFIRMATIVE REFERENCES

##### *Books, Pamphlets, and Documents*

Anthony Van Wagenen—"Government Ownership of Railways." G. P. Putnam's Sons, New York. 1910. Price, \$1.25.

Frank Parsons—"Public Ownership." Senate Document, No. 69, 154 Session, 56th Congress. Supt. of Documents, Washington, D. C. Price, 75 cents.

Martin Johnson—"Magnate or the People." Martin Publishing Co. Milwaukee, Wis. 1913. Price, \$2.00.

Frank Parsons—"The Railways, the Trusts, and the People." Edited and published by C. F. Taylor, M.D., editor and publisher of *Equity Series*, 1520 Chestnut Street, Philadelphia, Pa.

Carl S. Vrooman—"American Railway Problems in the Light of European Experience." Price \$2.00.

##### *Magazine Articles*

*Annals of the American Academy*. Volume 29, pages 310-22, March, 1907.

"Prussian Railway Administration." E. S. Bradford.

*Arena*, Volume 9, pages 460-5, March, 1894. "Nationalization of Railroads." Solomon Schindler.

*Arena*, Volume 29, pages 91-2, January, 1903. "Extension of Public Ownership of Railways." B. O. Flower.

*Arena*, Volume 35, pages 541-3, May, 1906. "Nationalization of the Railways of Japan Another Object Lesson for the United States."

*Arena*, Volume 36, pages 653-6, December, 1906. "Public Ownership of Natural Monopolies."

*Arena*, Volume 37, pages 113-20, 250-4, February, March, 1907. "Railway Experience of Germany." Frank Parsons.

*Arena*, Volume 38, pages 113-7, August, 1907. "Government-Owned Railways of New Zealand." A. A. Brown.

*Arena*, Volume 39, pages 630-1, May, 1908. "Government-Owned Railways in Switzerland."

*Arena*, Volume 40, pages 156-63, September, 1908. "Railway Nationalization in France." C. S. Vrooman.

*Arena*, Volume 40, pages 358-60, December, 1908. "New Zealand's Master Concern, the Happiness and Prosperity of the People."

*Arena*, Volume 41, pages 20-9, January, 1909. "Highly Efficient State Railway Administration." C. S. Vrooman.

*Arena*, Volume 41, pages 160-70. February, 1909. "Railway Nationalization Not Confiscatory." C. S. Vrooman.

*Everybody's*, Volume 14, pages 178-89, 340-52, 469-82. February-April, 1906. "Soldiers of the Common Good." Charles E. Russell.

*Outlook*, Volume 82, pages 391-2, Feb. 24, 1906. "This is Not Socialism."

*Outlook*, Volume 82, pages 286-87, February, 1906. "German State-Owned Railways."

*Outlook*, Volume 104, pages 613-23, July, 1913. "Popular Control of National Wealth—a Practical Radical's View." O. C. Barber.

*Review of Reviews*, Volume 33, pages 353-4, March, 1906. "State-Owned Railroads of Germany."

*Saturday Evening Post*, Volume 186, pages 3-5 and 28-33, June 6, 1914. "Public Ownership of Railroads, Waterways, and Water-Power." W. R. Stubbs.

## NEGATIVE REFERENCES

### *Books, Pamphlets, and Documents.*

S. O. Dunn—"The Failure of Government Ownership in Canada." Reprinted from the *Journal of Political Economy*, June, 1916. S. O. Dunn, Chicago, Ill.

S. O. Dunn—"Some Political Phases of Government Ownership." Reprinted from the *Atlantic Monthly*, February, 1915. S. O. Dunn, Chicago, Ill.

S. O. Dunn—"Some Often Overlooked Points Regarding Government Ownership of Railways." An address before the Traffic Club of New England, Boston, Mass., Dec. 6, 1912. Bureau of Railway Economics, Washington, D. C.

S. O. Dunn—"Government Ownership of Railways." D. Appleton & Co., New York. 1914. \$1.50. This book, which is listed previously in this bibliography, contains especially valuable material on the negative side.

Fairfax Harrison—"Government Ownership of the Railways as Unnecessary as it is Undesirable." An address before the Conference on Southern Problems, Sewanee, Tenn., August 1, 1911. Bureau of Railway Economics, Washington, D. C.

Edwin A. Pratt—"Case Against Railroad Nationalization." Collier's Clear-Type Press, London.

W. M. Acworth—"The Prospects of State Ownership in England and in the United States." Reprinted from the *Bulletin of the International Railway Congress Association* (English Edition), August, 1911. The Bureau of Railway Economics, Washington, D. C.

#### *Magazine Articles*

*Annals of the American Academy*, Volume 29, pages 342-51, March, 1907. "Argument Against Government Railroads in the United States." W. A. Robertson.

*Annals of the American Academy*, Volume 32, pages 120-24, July, 1908. "Trend of Governmental Regulation of Railroads." E. R. Johnson.

*Atlantic Monthly*, Volume 110, pages 746-58, December, 1912. "Drift Toward Government Ownership of Railways." B. L. Winchell.

*Arena*, Volume 34, pages 79-82, July, 1905. "Andrew D. White's Special Plea for Private Ownership."

*Contemporary Review*, Volume 87, pages 570-76, April, 1905. "Railways of Germany and England." W. M. Acworth.

*Gunton's*, Volume 20, pages 305-22, April, 1901. "Government Ownership of Quasi-Public Corporations." E. R. A. Seligman.

*Harper's Weekly*, Volume 50, page 544, April 21, 1906. "State Ownership of Railways."

*Harper's Weekly*, Volume 57, page 22, Jan. 18, 1913. "How Government Ownership of Railways Works in Japan." G. R. Bedinger.

*Journal of Political Economy*, Volume 14, pages 362-69, June, 1906.  
"Disastrous Results in Italy of State Railway Building." H. R. Meyer.

*Journal of Political Economy*, Volume 14, pages 450-53, July, 1906.  
"Breakdown of State Railway Building in France." H. R. Meyer.

*Nation*, Volume 94, pages 255-6, March 14 1912. "Switzerland's Railroad Success."

*North American Review*, Volume 197, pages 8-21, January, 1913.  
"Some Problems of Public Ownership." W. S. Allen.

*North American Review*, Volume 197, pages 295-311, March, 1913.  
"Public Ownership in France." Paul LeRoy-Beaulieu.

*North American Review*, Volume 180, pages 576-85, April, 1905.  
"Common Sense and the Railroad Question." F. G. Newlands.

*North American Review*, Volume 199, pages 573-84, April, 1914.  
"Government Railroads in Alaska." Carrington Weems.

*Railway Age Gazette*, Volume 55, pages 1020-21, May 23, 1913.  
"Possible Savings Under Government Ownership." Clifford Thorne and E. P. Ripley.

*Reader*, Volume 11, pages 294-305, February, 1908. "Supervision Not Ownership." A. J. Beveridge.

*Cassier's*, Volume 34, pages 288-95. December, 1908. "Nationalization of Railways: Practical Workings of State Ownership in Various Countries." C. S. Vesey-Brown.

*Current Literature*, Volume 51, pages 512-15. November, 1911.  
"Uncle Sam as a Railroad Magnate."

*Independent*, Volume 60, pages 786-88. April 5, 1906. "State Management of Railways in Italy." Gustavo v. del Ferro.

*Independent*, Volume 62, pages 599-603. March 14, 1907. "Solving the Railroad Question." Francis G. Newlands.

*Journal of Political Economy*, Volume 19, pages 437-55. June, 1911.  
"State Regulation in Texas."

*Literary Digest*, Volume 48, page 193. Jan. 31, 1914. "Government Railroads in Alaska."

*Quarterly Journal of Economics*, Volume 1, pages 28-44. October, 1886. "Private Monopolies and Public Rights." Arthur T. Hadley.

*Railway Age Gazette*, Volume 55, pages 1110-11. December 12, 1913. "The Discussion of Government Ownership."

*Railway Age Gazette*, Volume 56, pages 9-10. January 2 1914.  
"Is Government Ownership in Sight?" Hon. J. J. Esch.

*Review of Reviews*, Volume 46, pages 585-92. November, 1912.  
"Canada's Government Railway: An Experiment in Public Ownership and Operation." Albert J. Beveridge.

*Saturday Evening Post*, Volume 186, pages 12, 27, July 18, 1914. "Public Ownership." E. P. Ripley.

*Westminster Review*, Volume 171, pages 611-24, June, 1909. "Railway Nationalization: Its Fallacies and Dangers—A Forecast." G. B. Lissenden.

*World's Work*, Volume 13, pages 8333-36, December, 1906. "State Ownership in North Carolina." T. B. Womack.

*Yale Review*, Volume 4, pages 398-408. February, 1896. "Government Administration of Industrial Enterprise."