FREIGHT RATES AND MANUFACTURES IN COLORADO

PHILLIPS

Freight Rates and Manufactures in Colorado

A Chapter in Economic History

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Chapter I. Introduction

The geographical situation of the city of Denver and its function as the distributing centre of the Rocky Mountain region have made the question of transportation of paramount importance. Denver is 1,000 miles from Chicago and 1,800 from San Francisco. It is also about 1,000 miles from the Gulf points and 1,700 from Seattle. From Missouri River points the distance is 600 miles. It thus appears that the city is the only largely populated centre within a vast territory. Further, the entire region between the Missouri River and the Rocky Mountains is not densely populated. Local traffic is therefore not important and the feature that has appeared most decisive to the railroad companies has always been the long haul. When the Pacific Railroad was opened in 1867, it was supposed that Cheyenne would be the future metropolis of the Rocky Mountain region and little attention was paid by the railroads to the thought of building a road from the Union Pacific southward to Denver, then a town of some 4,000 inhabitants. It must be remembered that the gold craze which was so powerful a factor in filling Colorado with population in the years immediately following 1859 had spent its force and thousands of the disappointed gold hunters had returned to their homes in the east.

The men who had stayed in Colorado knew the value of the region as a mining state and, with a thorough belief in the future, sought to secure railroad connection with the outside world. They began at once to raise the funds necessary for building a railroad from Cheyenne to Denver, and after many disappointments and difficulties, the road was opened for traffic on June 22, 1870. The road was built purely by local enterprise. By September of the same year another railroad, the Kansas Pacific, reached the city and thus Denver had satisfactory communication with the outside world and by two different routes.

The history of no city shows more clearly the immense power of the railroad managers over the growth and development not only of cities but also of large sections of the country. As already indicated the geographical situation of the city and the country tributary to it were in great degree absolutely dependent upon the freight rate for any reasonable growth. Water communication which has guaranteed fair rates to so many places did not exist; navigation of the air was not possible; haulage by wagon was so expensive that it was prohibitory for all except the most valuable kinds of freight. The Rocky Mountain region was therefore absolutely dependent upon the mercies of the railroad manager.

The history of railroading in the United States shows clearly enough that the railroad manager is guided in his action by the interests of the men that own the railroad. The men that build and operate a railroad are entitled to make a profit out of their work and hence it happens that the manager is primarily interested in what dividends he is able to secure. Railroads are built for the purpose of hauling commodities primarily and anything that tends to make communities self-sufficient and thus eliminate the need of transporting goods to them is not likely to receive aid and support from the men who have invested their money in and are devoting their energies to railroads. If each community in the United States began in considerable measure to manufacture the things that are consumed in that particular section, and if the raw materials of manufacture were not required to be hauled in, it is at once apparent that there would be some diminution in the amount of freight carried by the railroads that are now serving these places in the capacity of carriers. It is therefore to the interest of the carrying industry that manufactures should not spread over all sections of the United States. In the railroad manager's point of view, it is more to his financial interest to have manufactures largely localized in the eastern part of the country and to keep the West engaged in the production of raw materials. By accomplishing this, he will be able to furnish enormous traffic for the carrying industry. He will haul the manufactured goods from the East to the raw material producing regions of the West and vice versa. This will greatly increase his profits as long as the industries remain thus localized. This brings to mind the navigation laws of the seventeenth century and the prohibition of manufactures that preceded the revolutionary war. The interest of the mother country was to keep the colonies raw material producing regions, and in modern times the East and the railways have had the same interest in preventing the growth of manufactures in the western states. That this interest has been in some degree effective appears by a study of the increase of population and the movement of manufactures toward the West in the United States.

From 1850 when the domestic system of manufacture gave way to the factory, the progress of manufacture toward the West has not kept pace with the westward movement of population. In 1850, the centre of manufactures was a little south of the middle of Pennsylvania, slightly north and west of Harrisburg, while the centre of population was just west of the eastern boundary line of Maryland, being thus considerably east of the centre of manufactures. By 1900, the centre of population had moved westward to a point almost south of Indianapolis while the centre of manufactures was a little east of a line from Columbus to Toledo. During the same period manufactures increased from $1,000,000,000 in 1850 to $13,000,000,000 in 1900. This shows a marked concentration in the manufacturing industry.

On June 23, 1870, the next day after the first locomotive arrived in Denver, there was a meeting of the heaviest shippers to consider the matter of freight rates. On the following day another meeting of the same persons was held and a schedule of rates was agreed upon. This schedule was presented to the superintendent of the railroad who replied on June 28 as follows:

DENVER PACIFIC RAILWAY
Superintendent's Office
Denver Colo., June 28, 1870

Fred. Z. Solomon, Esq., Chairman Business Men's Meeting, Denver, Colo.

SIR: The proceedings of the meetings of the heaviest shippers of this place, held in this city June 23 and 24, were handed me by your secretary, Mr. McDonald. The recommendations of the meetings were presented by me to the proper railroad officials, and the rates proposed by your meetings for carrying freights have been adopted and will be published in a few days. These rates will apply to all freight which has come into Denver over the Denver Pacific Railway since June 25, and if any other rate has been paid, the matter will be properly adjusted upon application to me at this office.

Very respectfully,
Your obedient servant,
C. W. FISHER,
Supt. D. P. R. R.

In reply to this the committee having the matter in charge adopted the following resolution:

Resolved, That the reply of Col. Fisher to the request of the shippers of Denver relative to freight tariff over the road of which he is superintendent is perfectly satisfactory, and our thanks are due for the prompt and cheerful compliance with our request.

Fred Z. Solomon, *Chairman.*

F. A. McDonald, *Secretary.*

After publishing this correspondence, the editor of the *Colorado Daily Tribune* remarked that this was an auspicious beginning as it proved that the railroad company and the merchants were dwelling together in unity. He thought this was a forerunner of what might be expected in the future.[1]

It is true that this looked like an auspicious beginning but there were certain conditions that made it to the interest of the railroads apparently to keep the prices for transporting freight to Colorado high. The roads had been built in advance of the needs of the time. There was no population along their line to furnish them with any business. If their stock was to become at all valuable, they must do their utmost to secure as large a revenue as possible from all shippers who patronized them. Therefore, there was every inducement for them to raise the rates and keep them high. There was also the inducement to keep new manufactures from locating in Colorado so as to supply the home market. This would reduce the revenue of the roads from hauling in freight.

There was also another cause operating to prevent freight rates favorable to the establishment of manufactures and that was the leading occupation of the country. Manufacturing is a routine industry; it takes time and patience and does not furnish the opportunity to "strike it rich" suddenly. Wealth made in manufacturing comes slowly as the result of years of patient attention and devotion to the details of the business and to the development of a large market by advertising and so forth. This industry, therefore, requires a different type of mind from that needed in such an industry as mining. After the railroad had reached Denver, the people that came for the next ten years or more were very largely persons interested in one way or another in the mining

[1] *Colorado Daily Tribune*, June 29, 1870.

development of the state. They did not come to Colorado for the purpose of starting a manufacturing plant. In fact, the rewards from the mining industry had become sufficiently well known to make most of the migrating population turn their energies in that direction rather than pay much attention to the establishment of manufactures. The persons, then, that came to the state in the earlier decades were persons of the adventurous type of mind and not persons accustomed to the monotonous routine of workaday industry. A population of this sort largely engaged in the mining industry expects that everything will be high. A mining region is accustomed to pay high prices for all things as the rewards of industry in the search for gold are apt to be high and this increases the cost of all other things as workers in other lines must be paid as much as the average returns of the gold seeker. If they are not so paid they will also engage in the search for the precious metals.

This was the situation in Colorado for the first decade and more after the railroad reached Denver. Mining was the leading occupation. No one was paying much attention to manufacturing; the returns from mining were sufficiently large to make that the paramount industry. Therefore the few manufacturing concerns which did start were soon disposed of by the adjustment of discriminatory rates on the part of the railroad companies. After the factories started, the rates were lowered so that goods could be brought in from the East more cheaply than they could be produced in Denver. This matter did not attract any particular attention during the early period as mining was occupying too prominent a place. As Denver increased in population, however, and it was seen that it was destined to be one of the large cities of the country, and as it also became apparent that the cheaper forms of mining were no longer efficient, then it was evident that manufacturing in Colorado would be an advantage to the city and state. Therefore, public attention began to be directed toward whatever hindrances there were to the development of this important industry. The freight rate difficulty was at once complained of. Discussion of the injustice which it was alleged the city and state were suffering at the hands of the railroads was carried on in the newspapers and in January, 1885, the legislature, almost immediately after convening, appointed a special railroad committee of the house of representatives to investigate the freight rate situation and ascertain if possible whether or not the railroads were unfavorable to the establishment of manufactures in Colorado. This committee occupied several weeks in examining witnesses, both shippers and railroad agents and officers, in an honest endeavor to ascertain the facts of the existing situation and also the attitude of the railroads toward the establishment of manufacturing industries in Colorado. Much important testimony was taken and great light was thereby thrown upon many phases of the question. From this testimony important data bearing on the relation of the freight rate to manufactures has been summarized below.

Chapter II. Testimony of Manufacturers and Merchants

Paper

In 1884, a plan was matured to build a paper-mill in Denver. Mr. Woodworth, a gentleman who was familiar with the manufacture of paper in the East and who had been spending the summer in Colorado, saw the possibilities in the manufacture of paper in the city and decided to set up a mill. He convinced some of the local capitalists that the enterprise would pay. A lot was selected and he went East to buy the necessary machinery. The capital of the establishment was to be $250,000. When the railroad officials learned of the scheme they informed Mr. Woodworth that in case a paper-mill was started in Denver they would put the freight rates on incoming paper so low that he could not afford to manufacture.[1]

Saddlery and Hardware

Mr. E. B. Light who was engaged in the saddlery business in Denver in 1885 explained to the committee the effect of the freight rates on leather manufacture. It appears from his testimony that the rate on raw material was generally higher than on manufactured goods. There was at that time a combination in the saddlery hardware business and the trust would lay down the same hardware any place east of the Mississippi River at the same price. The dealer at the River got the goods therefore at the price paid by the dealer in Newark, N. J. The freight on one hundred dollars worth of such hardware from the Missouri River to Denver was about one fourth of the value, so that the Denver dealer had to pay $125 for what the dealer at the River secured for $100.[2] The same rate on raw and manufactured goods was a loss to the railroad according to Mr. Light as the amount of money invested in a harness if invested in the raw material and this shipped in from the River would yield a large amount in freight as the raw material was three or four times as heavy as the finished product. This was true of either leather

[1] *Evidence, Special Railroad Committee*, pp. 13, 14, 1885.

[2] *Ibid.*, p. 84, 1885.

or saddlery hardware. From the railroad point of view, however, cheaper rates on raw materials might have tended strongly to encourage the growth of manufacture in Denver, and ultimately make for the self-sufficiency of the region. This might mean less freight in the future.

At this time Mr. Light's concern had travelers making the towns in Texas, New Mexico, Arizona, Kansas, Nebraska, Idaho, Montana, and they had gone even as far as Hailey, Oregon. The goods sold over this large territory were certain specialties that were well adapted to the uses of this particular region. The competition which these agents encountered was particularly with the California dealers. Goods could be shipped from the East to the California houses more cheaply than they could be shipped to Denver. The goods thus went through to the Pacific points cheaper than they could be stopped off at Denver. In this way the San Francisco dealer could get into Idaho and other parts of the West and undersell the Denver man. Goods were thus carried across the continent and then shipped back again to the points reached by the San Francisco trade. It was the custom of Mr. Light's firm to sell to certain dealers in various parts of the states above mentioned and have the goods shipped directly from the factory to the dealer as the rate would have greatly raised the price had the goods been shipped via Denver. This was considered bad business by the wholesaler as it was said to bring the manufacturer and the dealer into closer relations and in the course of time the dealer would buy directly from the eastern manufacturer, and the Denver jobber's trade would disappear.

In 1883, Mr. Light had a drummer in Texas who found he could sell a large quantity of wooden stirrups that were made in Ohio. By bringing them in south of the pool lines and getting them to Fort Worth, they could be handled for $1.10 a hundred. Bringing them to Denver and shipping them thence to Fort Worth would cost $5.10. Mr. Light presented the case to the freight agent of the Santa Fe explaining that he could handle a large amount of these stirrups and asking if the railroad would not give the same rate on them as was then given on wooden ware, namely $0.60 a hundred. The agent said he would write to the head office at Topeka and find out about the matter. Before this time Mr. Light's concern had been called the Denver Whip and Collar Company, but the name had recently been changed to the Denver Manufacturing Company. When this was explained to the agent he said, "The name will kill this thing because you are manufacturers."[1]

Mr. Light asked to be allowed to ship in carload lots and then asked if they would make him a special rate on what he shipped south of Emporia which was a pool point. The railroad would then get a haul to Denver and half way back to Kansas City and none of the goods would be sold in the territory of the pooled roads. This proposition was declined on the ground, according to the statement of the freight agent of the company, that Mr. Light was a manufacturer. The reply from Topeka was unfavorable as had been anticipated.

As an indication of the policy of the railroads toward the development of manufactures in the Rocky Mountain region at this time the following incident is worth noting. Mr. Light bought a carload of blankets in Philadelphia in 1884. The freight on these blankets was $175 from Philadelphia. Of this amount the cost of freight from Philadelphia to Chicago was $45, and from Chicago to Denver, $130. For the first half of the journey the freight was one fourth of the total, the second half, from Chicago to Denver, three fourths of the total freight cost.[2]

The efforts of the Union Pacific to build up Cheyenne and interfere with the progress of Denver which had been the policy of that railroad in the early days lasted till some time previous to 1885 and the rates enjoyed by the merchants in that town were much more favorable than the rates granted to the Denver dealers. Goods shipped to Georgetown and Central City came via Cheyenne. The Union Pacific would not make the same rate to Denver as it was a pool point and Cheyenne was not. If goods were shipped to Denver the Union Pacific would get only one fourth of the freight, but if shipped to Cheyenne, this road would get all. Such a condition prevented the increase of manufacture and trade in Denver. If the Union Pacific hauled to Denver, it would get one fourth of the freight, but if it hauled to Ogden, it would get all the freight. This condition accounts for the lower rates from the Missouri River to Ogden and Salt Lake than to Denver.

Mr. Light formerly manufactured whips in Westfield, Massachusetts.

[1] *Evidence, Special Railroad Committee*, p. 83.

[2] *Ibid.*, p. 84.

He told the committee that he could make whips more cheaply in Denver. This was because factory workers were cheap in Colorado as so many persons had come out from the East in search of health and while they were not fitted to do the heavy work of the building trades or mines, were nevertheless able to do the lighter work of the factories.[1] He also stated that there was no reason why he should not make whips in Denver and sell them to the entire tributary country save only the adverse railroad rates. He had previously had considerable trade in Trinidad but of late it had greatly fallen off. The merchants there said that they could get the goods more cheaply by shipping them in from the East than they could get them from Denver.

The general conditions in Denver in 1885 were not encouraging to the manufacturing industries. Such industries were at that time declining according to testimony before the special railroad committee. The cause of this decline was said to be the railroad pool. The discriminatory rates against Denver and in favor of Cheyenne, Ogden and Salt Lake, are evidence of the injury to the manufacturing interests of Denver wrought by the pool. It was affirmed before the committee that in the days when there was only the old Kansas Pacific to bring in the goods from the Missouri River, it was possible to have the commodities come in more reasonably than in 1885 when the city had four railroads. It was charged that the classification of freight was almost constantly changed and the rates raised in this way every time the traffic would bear a higher charge. The railroad companies were said to have had an inspector at the freight house whose business it was to open boxes and ascertain if freight was properly classified. If a few first class articles were found in a box of mixed freight the whole box was charged up as first class freight. The railroads regarded it as smuggling.[2] This was especially the case in the matter of saddlery. If ten dollars worth of harness rosettes were placed in a $300 box of saddlery hardware, the whole shipment would be put up to first class rates, that being the class to which harness rosettes belonged. In the East harness rosettes were third class freight.[3]

[1] *Evidence, Special Railroad Committee*, p. 84.

[2] *Ibid.*, p. 85. Improper freight classification is a serious fraud practiced on railroads. An inspector may have been necessary. See *Report of the United States Industrial Commission*, Vol. IX, p. 288, 1902.

[3] *Ibid.*, p. 84, 1885.

These various railway practices were not without their effect on the business of the city. It was stated to the legislative committee that in 1885, 25 per cent. less mechanics were employed than was the case two years before. The number of men in the iron industries was also reduced in the same proportion. Nothwithstanding these conditions, many of the business men, especially wholesalers, were at that time friendly to the railroads. The rebating system was then in force and as many of these persons were in the habit of receiving rebates which enabled them to thrive while their competitors were worsted, they naturally remained friendly to the railroad companies. A canner of vegetables agreed to sell to wholesalers as cheaply as they could buy in the East plus the freight. They greatly astonished him by the information that 15 per cent. of the freight should be deducted as this was their rebate. It is said that several of the merchants wanted high rates so they could profit by the rebate they were then getting and at the same time be protected from the competition of new firms that, were it not for this discrimination, might be induced to start business in the city. Rebating was then carried on in other cities of the state besides Denver; Mr. Light told the committee that a merchant in Leadville showed him a check for $2,000, that being his rebate during a certain period.[1]

Freight rates were so adjusted at this time that the Denver merchants and manufacturers could not get into the market at Cheyenne, save only in those cases in which the dealers of the latter city wished their goods sent with great dispatch. In such cases the road would make a rate that would allow the Denver dealer to sell his goods in Cheyenne. Ex-Governor Alva Adams, president of the board of trade at Pueblo, stated in an address that nails made by the Colorado Coal and Iron Company if shipped to El Paso paid a rate of fifty cents a keg. If these nails were bought in the East and shipped to Pueblo, the freight would be twenty-five cents a keg. If they were reshipped at Pueblo and sent to El Paso, the freight to that point would be twenty-five cents more. It thus appears that at that time the manufacturer of nails in Pueblo paid the same rate as the eastern manufacturer whenever he wished to ship to points in what might be called country tributary to his manufactory.[2]

[1] *Ibid.*, p. 84. [2] *Ibid.*

Matches

Mr. James D. Davis began the manufacture of matches in Denver in 1883. He started with a capital of four or five thousand dollars and produced from twenty-five to thirty gross a day. When the factory first started, matches could be sold to the merchants at $2.50 a gross, but he had to sell them very soon at $1.50 in order to keep his trade, as the rates were reduced on matches brought in from the East. When the factory began operations, the freight rate on matches was $3.60 a hundred. Very soon after that it was reduced to $2.60 a hundred, and still later it became the practice to classify matches as wooden ware, and thus classified the rate was one dollar a hundred. When the factory was started, the profit was thirty-five to fifty cents a gross on the manufacture of matches at the Denver factory, but after the profit had declined to five or ten cents in consequence of the reductions in freight rates, it was not profitable to keep the factory running and it accordingly closed down in 1885.[1]

One of the prominent merchants of the city of Denver testified before the committee that there was a general break in the rate in the year 1884, and that aside from matches, soap and other commodities were affected. That this rate war was purely a railroad contest is hard to prove. It appears from evidence before the same committee that Kirk and Company were trying to starve out the small manufacturers of soap at this time. It is also true that the Diamond Match Company had a monopoly more or less complete of the match manufacture of the United States. $27,000,000 worth of matches was manufactured in 1883, and of this amount $22,000,000 was made by the Diamond Match Company. It is easy to believe that so large a shipper as the Diamond Match Company might have some power in the matter of dictating the rate to be charged by the railroads. After the winter of 1884, the rates on matches and other commodities were again raised. The match factory had then gone out of business.[2]

Soap

A soap factory was established in Denver in 1876. In the beginning the factory was somewhat handicapped by the railroads as the freight

[1] *Evidence, Special Railroad Committee*, pp. 22, 23, 133, 139.

[2] *Ibid.*, p. 133.

rates on the raw material for the manufacture of soap were the same as the rates charged for bringing in soap. The factory was able to make a large product but experienced the greatest difficulty in marketing it as the rates were so made by the railroads as to favor the long haul. At this time there were four roads in the pool and the division on a carload of freight hauled from the River to Colorado points would be more than that resulting from a car of soap shipped from Denver to Las Vegas, or other points in the neighboring territory.[1] After the factory had been running for three or four months and had turned out a soap that would take the market, the freight rate was changed. When the factory was opened, the rate on soap from the Missouri River to Denver was one dollar a hundred pounds and the rate from Chicago to the River was forty cents a hundred. This $1.40 rate to Denver was lowered as soon as the factory appeared to be successful to 60 cents a hundred pound case.

About 1880 another soap factory was started in Denver. Some time after it had been in operation, the rates on soap from the East were lowered and a great fall in the price occurred. This was the current report in Denver at the time of the investigation by the legislative committee and a number of witnesses testified before the committee. It was the custom to buy the soap that was shipped into Denver with the freight prepaid and this tended to surround the matter with more mystery and lend color to the suspicion that the report was true. At any rate the factory had gone out of business.[2]

The evidence taken by the committee shows that the freight rate, as in the case of the factory in 1876, was the same on soap and soda, although one car of soda would make many cars of soap. It appeared that there were good opportunities for the manufacture of soap in Denver. It was stated by witnesses before the committee that the price of grease in Denver was lower than it was in the East.

The rate on soap from the Missouri River to Denver was maintained rigidly and honestly from November 1, 1882, to February 28, 1884. On the latter date rate cutting was begun and one cut followed another till the rates were 30 or 40 per cent. of the published freight tariff,

[1] *Ibid.*, pp. 43, 218. [2] *Ibid.*, p. 131.

Chicago to Denver. On August 1, 1884, the rates were restored and the plan of the railroad companies was to exact from all shippers the same rate. It was found, however, that Kirk and Company had a contract which ran till the end of the year by which one of the railroads running from Chicago to Council Bluffs agreed to ship their soap below the published tariff. Over this railroad the Union Pacific had no control. After the expiration of this contract Kirk and Company had to pay the same rate as anybody else. It was the practice of Kirk and Company to sell soap in Denver and Salt Lake as cheaply as in Chicago as they wished to break up the manufacture of soap in the West. In this the committee was told Kirk and Company were usually successful. In case the soap makers of the West were not ruined by this competition, they were at least made sufficiently tractable to make a contract according to which the profits were divided and a share given to Kirk and Company. In 1885, there were very few soap factories between the Missouri River and the Pacific Ocean.[1]

Iron

Of all manufactures, that of iron is the most important and its development usually takes place first in order of time in all places where such industry attains much magnitude. The attitude therefore of the government or of those in control of the forces affecting the iron industry toward the manufacture of iron is a clear indication as to whether or not it is desired to make that particular section a manufacturing centre. In this respect, the attitude of the railroads is important as showing their desire for manufacturing to develop in any particular place. They constitute certain powerful causes in aid of or injury to manufactures, and it is only necessary to ascertain whether or not they make the freight rate so as to discriminate against the infant manufacturing industry struggling to get started in the newer points reached by the road. The attitude of the railroads therefore toward the growth of the iron manufacture at any point is an indication of their general attitude toward the development of the other manufacturing industries at that place. What was the attitude of the transportation companies toward the iron industry in Denver and Colorado generally in the earlier period?

[1] *Evidence, Special Railroad Committee*, p. 225.

Aside from any interference on the part of the railroads, the natural situation of the state of Colorado and the nature of the industry that was first developed in the state, namely, mining, are conditions that would of necessity have started the iron industry at an early date. Heavy iron machinery was greatly needed in working the mines. Such machinery is expensive to bring in from points 1,000 miles distant as its weight adds greatly to the difficulty in transporting it and freight rates must of necessity be very high. In 1881–82, just after the great mining successes at Leadville, there was a great influx of mining machinery. It was shipped from points beyond the Missouri River, much of it from places as far distant as Pittsburgh, and the average rate of freight was said to have been ten cents a pound.[1] This was an enormous tax on the mining industry of the state. There can be little doubt that this great demand for the products of iron manufacture would have stimulated the development of that industry very rapidly, had it not been for the discriminating freight rates.

The foundry business was started in Denver in 1871. It was handicapped by the rates for the shipment of its products. The freight rates from Denver to points in Arizona, Montana and southern California were the same as from Missouri River points. The foundry shipped in pig iron and coke from the East as these were superior in quality to any made in Colorado at that time. The freight rate on these products was fifteen dollars a ton.[2]

The freight rates were not favorable to the manufacturer of foundry products then nor did they become so soon. The discrimination in favor of the places on the Missouri River continued. The rates were kept as high on the raw material needed for use in iron manufacture as on the manufactured product. It cost as much in every case except that of pig iron to bring in the raw materials as it did the manufactured machines. This is especially illustrated by the rate on boilers. On 30 per cent. of the material in boilers, the rate was higher than the rate on the manufactured boiler. The rate on the boiler tubes was $1.15; on the finished boiler, the rate was $1.00.[3] Six firms were engaged in the manufacture of boilers in 1884. The price of boilers was high enough

[1] *Ibid.*, p. 166. [2] *Ibid.*, p. 51. [3] *Ibid.*, p. 166.

to encourage their manufacture in Colorado if the railroads would have been willing to change their classification of freight so as not to discriminate against the growth of the manufacture. Most of the boilers made in Colorado at this time were made from scrap iron.[1] If the freight rate on boiler iron had been reduced to 75 cents a hundred, it was said before the committee that the boilers made in Colorado would have been equal to the demand in that state. It was also stated that this lowering of the rate on boiler iron would have had a great effect in developing mining in the state. In 1881–82 when there seemed for a time to be a prospect favoring the growth of this industry, the Colorado Iron Works employed from 150 to 300 men.[2]

Mr. James W. Nesmith, the president of the Colorado Iron Works, testified before the committee in verification of the testimony already given by other witnesses concerning the discrimination against the development of the iron industry in Colorado. He said it did not pay to manufacture boilers in Colorado as the freight on boilers was at that time less than the freight on the iron from which boilers were made and this iron would have to be shipped in from Pittsburgh. Boilers from the same point could be brought in for less money. To make the boilers in Colorado would have cost as much more as the labor put into the manufacture of them was worth. Mr. Nesmith testified that this discrimination had always existed. There was a rate war beginning June 2, 1884, when for a time there was a difference of twenty-five cents between the freight rates on raw and manufactured iron. The Colorado Iron Works did not manufacture more than 33 per cent. of the boilers which they might manufacture were it not for the discriminating freight tariff. The five or six iron manufacturing concerns in Denver in 1885 had all dropped out of the business of making boilers on account of the unfavorable freight rate, and had devoted themselves to the manufacture of other things. At that time $1,000,000 was invested in the various machine shops of the city, all of which could engage in the manufacture of boilers were it not for the rate against them. These various shops had a capacity to employ 1,200 men, but owing to the unfavorable attitude of the railroads toward the development of manufactures in the state,

[1] *Evidence, Special Railroad Committee*, p. 169.

[2] *Ibid.*, p. 168.

these shops were not then and had not been for a year employing more than 150 men. Had there been no rate discrimination, Colorado would have made all the mining machinery needed in the state. However, at that time and with all the shops ready, Denver did not produce more than 25 per cent. of the mining machinery needed in the country tributary to it. It was stated that if there had been at that time the same discrimination between manufactured articles and raw iron as there had been between pig and manufactured iron, the iron manufacture would have developed rapidly in Denver. The rate on pig iron from the Missouri River was fifty cents a hundred; on bar iron $1.00. If the bar iron was boxed to go into machinery, the rate was sixty cents a hundred.[1] There was a discrimination also against Denver as a distributing point for manufactured articles. The rate from Denver to Wood River was the same as the rate from Omaha and other Missouri River points to Wood River, though the distance was several times as great.[2]

It was brought out in the testimony before the committee that the Santa Fe charged about 40 per cent. higher rates on freight from Denver to New Mexico points than was charged shippers bringing in their goods from eastern points. As an illustration of this Mr. Davis, a manufacturer of boilers and engines, related to the committee the following incident: He sold a hoisting outfit, boiler and engine, to a person who desired them to be shipped to Los Cerillos, New Mexico. After the bargain had been concluded, other dealers in boilers and engines who were handling goods shipped in from the East offered the purchaser of Mr. Davis' machinery the same goods at a cheaper price. The purchaser stuck to his bargain. Mr. Davis went to see about the freight rate on the outfit to the destination in New Mexico. Before stating the rate, the freight agent asked Mr. Davis where the goods were made. When he was told they were made in Denver, the freight rate announced was considerably higher than the rate from Denver to New Mexico charged commodities that were shipped in and jobbed from Denver. Mr. Davis next tried to ship this outfit through a firm that had a special agreement with the Santa Fe, Jensen, Bliss and Company. "I went to Mr. Bliss and asked him if he would ship it, he said he would and asked what it was; I told him

[1] *Ibid.*, p. 4. [2] *Ibid.*

an engine and boiler; he said, 'I can't ship that; it would burst my arrangements up;' he said he had a special contract with them to ship his goods at a special rate but they must be goods shipped in here."[1] This transaction occurred some time previous to January, 1885. Mr. Davis began the preparation of a lawsuit against the Santa Fe on account of this discrimination maintained by it, but found that at that time there was no existing law against it.

Another foundry had started in 1880, but failed as the rates were so high that coal, coke and pig iron could not be brought in to enable the manufacturer to compete with machinery brought in from the East.[2]

In 1883, the Union Pacific began a fight against the Colorado Coal and Iron Company by lowering the rates on manufactured iron goods. The cut began in Utah and by September 11, had extended to Colorado. This cut affected the company disastrously.[3]

The same situation confronted other iron industries as was the case with the boiler manufacture. In a new country that was doing so much development work as was being done in Colorado in the decade from 1880 to 1890, much iron to be used in bridges was needed. The roads were being improved in all directions and this meant a great need of bridges. Iron had been found to be the best material of which bridges should be made and it was therefore natural to expect the development in the state of certain bridge manufacturing plants. This did not occur as the rate on bridge iron brought in from the eastern manufactories was so adjusted that the eastern manufacturer could make the bridges and ship them to the Rocky Mountain region more cheaply than they could be made in Colorado. As late as 1884, no iron bridge had ever been made in Colorado. The freight on the raw bridge iron from the Missouri River was $1.00 per hundred weight, while the freight on the finished bridge was only seventy-five cents. The iron manufacturers stated that twenty-five cents a hundred was a very large profit.[4] It is thus very clear that as long as this condition prevailed, bridges would continue to be made east of the Missouri River and shipped to Colorado.

[1] *Evidence, Special Railroad Committee*, p. 78.

[2] *Ibid.*, p. 50.

[3] *Ibid.*, p. 218.

[4] *Ibid.*, p. 168.

Powder

Some years previous to 1884, a company was formed for the manufacture of powder in Denver. Much of this article was then used in the mining operations in the districts tributary to that city and it occurred to the men promoting the company that the cost of transporting it to Colorado from the East might be saved if its manufacture was begun in Denver. The company secured a patent by which it was claimed that powder could be made for nine cents a pound cheaper than it was then made in the East. The mill was accordingly started. At that time the price of powder was thirty-seven or thirty-eight cents a pound. Immediately after the factory was in operation, the price was put down to twenty cents a pound for powder brought from the East to Denver. It cost more than twenty cents a pound to manufacture powder at the Denver mill. The mill was operated for about six months when the lower prices of powder from the East made it apparent to the stockholders that the enterprise was not likely to be in condition to pay any dividends and the mill was accordingly closed. The stockholders sold out for about 35 cents on the dollar, losing about $20,000 of the cost of the plant.

It is said that DuPont did not want the mill in Denver to manufacture powder. He wanted the powder to be made in his mills in the East. Mr. Bosworth, who was superintendent of the mill, told the committee that he understood there was a rebate given by the railroad companies as powder was sold in Colorado during the time the mill was in operation for less than it could be made in the East.[1]

Just after the Denver factory had started and when the price had been put down, the president of the company, Henry R. Wolcott, went East to investigate the low price of powder. He found that powder making in the East was in the hands of the DuPont monopoly, and that this monopoly in combination with the railroads was too strong for the Denver firm. By lowering the freight rates to Colorado and also the price at which powder was sold in the state, and by recouping itself by higher rates and prices elsewhere, the combine could give away all the powder used in Colorado and still not lose. When this state of affairs was understood, it was felt by the stockholders that it was idle to fight the

[1] *Ibid.*, p. 66.

collusion of the railroads and the trust and although the Denver plant was one of the finest, it was sold out to DuPont at his own figures.[1]

Some interesting light is shed on this matter by the testimony of the general freight agent of the Union Pacific Railroad. This agent, Mr. Shelby, stated that his company had had nothing to do with the destruction of the powder-mill. His railroad wanted to go out of the business of transporting high explosives and desired to foster their manufacture in Colorado. To this other roads having terminals in Colorado objected and believed that their interests lay in the transportation of powder to Colorado. The Union Pacific went out of the business of transporting powder for a time and the other roads charged a high tariff for carrying it. Mr. Shelby did not think the rate was lowered for the purpose of destroying the powder factory in Denver. He thought the case was more like the case of the soap factory mentioned above. Kirk wanted to monopolize the manufacture of soap and did so. So with the DuPont powder company; they would give away powder in Colorado rather than let the factory produce it in the state.[2]

Glass

The glass industry encountered similar opposition to that which confronted the others already described. It is an industry that tends to establish itself as near as may be to the localities where it is consumed in large quantities as the commodity is one that is liable to loss from breakage resulting from shipment. Thus with the growth of Denver and the cities of Colorado, there was an impetus given to the establishment of glass industries. According to statements by the Denver dealers, during the ten months ending November 1, 1881, $281,000 worth of glass was sold in Denver. Mr. Burdsall came to the conclusion that this manufacture might be carried on profitably there as all the materials needed in making it were to be found in Colorado and not distant from the city. He intended to utilize the soda lakes near Morrison from which an abundance of soda could be easily brought to Denver. He discussed the matter with the Union Pacific officials and found that the freight on the incoming glass was a considerable item in the income of that railroad,

[1] *Evidence, Special Railroad Committee*, p. 64.

[2] *Ibid.*, p. 243.

amounting to not less than $100,000 for the preceding ten months. Mr. Burdsall also discussed with the railroad officials the matter of bringing in soda from Morrison and establishing a glass factory in Denver; they told him that if his company started a factory in Denver, they would put the freight rate on glass from the East down to nothing so as to kill his company's business.[1] They charged Mr. Burdsall $14 a car to ship some soda, silica, kaolin and so forth from Morrison to Denver. Lime and other products for the Grant Smelter were brought to Denver from the same place for seven dollars a car. The materials near Morrison were so abundant that if the rate from there to Denver could be lowered, glass and sulphate of soda could be made in Denver and sold in the country tributary to that city in defiance of anything the railroads could do. At the prevailing rate east, the product might be shipped to the Missouri River and sold there.[2]

The general freight agent of the Union Pacific, Mr. Shelby, told the committee that the rates on silica, soda etc. were not fourteen dollars a car if several cars a day were shipped. He said lower rates were not given the Grant Smelter.[3] The explanation would seem to be that the Grant Smelter was at that time consuming enough of the material to get a cheaper rate in consequence of larger shipments. Mr. Shelby also stated that at that time the Union Pacific would be glad to encourage a glass factory in Denver and would haul in the materials at as low a rate as four cents a hundred as it was then (1885) doing for the glass factory that had recently started.[4]

Mr. John P. Epley began the manufacture of glass in Denver in 1884. His factory turned out bottles only. These he attempted to sell in the territory tributary to Denver, but had encountered difficulties. He received an order for bottles to be shipped to a point east of Denver on the Burlington, but as soon as the customer ascertained what the freight would be, he canceled the order. The freight rate for bottles made in Denver and shipped to points in the territory adjacent was too high to allow such manufacture to develop. After the factory had been started, the freight rates on bottles from the East were lowered. In consequence,

[1] *Ibid.*, p. 147.

[2] *Ibid.*, p. 149.

[3] *Ibid.*, p. 248.

[4] *Ibid.*

the price of the bottles made in Denver had to be lowered to meet the competition and hold the customers which the new factory had secured in Denver. None of the materials used in the manufacture of bottles by this factory were brought in from the East. The soda was brought from Wyoming. When this glass company attempted to extend its trade to the southern part of Colorado, territory served by the Santa Fe railroad, it encountered difficulties as the freight rate from Denver to the points in this territory had been raised during the year 1884 and just after the glass factory had started.[1]

Carriages

The difficulties which the manufacturer of carriages suffered on account of the arrangement of the freight rates were related to the investigating committee of the legislature by Mr. D. K. Wall, a carriage manufacturer who was employing from fifteen to twenty-five men in his factory in 1885. Mr. Wall stated that the freight rate on carriages partly finished in the white as it is called was the same as the rate on the finished product. Carriages made in Colorado were said by this manufacturer to be superior to those made in the East owing to the greater dryness of the atmosphere and the fact that the timber would in consequence be so much better seasoned. Mr. Wall thought carriage manufacture could be carried on as well in Denver as anywhere as it is the custom for all carriage manufactories to have certain parts used in the manufacture shipped in from points all over the United States. The rate on carriages from the Missouri River at that time was $1.37½ a hundred weight, the same as the rate on carriage wheels in the white or other parts of the vehicle. He stated that if rates were proportioned according to the value of the article, carriages would be made in Denver at a very good profit. Many laborers had come out to Colorado for their health and unable to do heavy work would be very happy to find work such as is required in a carriage factory and which they would be able to perform successfully.[2]

Another carriage manufacturer employing from fifteen to twenty-five men confirmed the testimony of Mr. Wall, stating that everything that

[1] *Evidence, Special Railroad Committee*, p. 55.

[2] *Ibid.*, p. 157.

goes into a carriage is charged at a higher freight rate than the finished carriage when that is shipped from the East. This manufacturer, Mr. Melburn, stated that in 1883 he had asked that the rates on all the things that go to make a wagon, wheels, springs, carriage bolts etc. be so adjusted that they would be the same as the rate on manufactured wagons. This the railroad officials refused and said the articles could be classified only after their arrival here. The rates were such that the freight on a car of finished wagons from the Missouri River to Denver would cost $200, but the car of parts of wagons from the Missouri River would have to pay freight amounting to $365. The manufacturer stated that four carriage wheels in raw material ironed cost $17.40, but when painted and ready for the wagon they were worth $32, the difference being due to the additional labor put on them. If the freight on this $17.40 of raw material were in the same proportion to the value of the material as the freight on the manufactured article was to its value, carriages could be made in Denver and the Denver manufacturers would control the trade. Their profits would be increased about 10 per cent., said Mr. Melburn. It seems that at that time the carriages made in Colorado would sell for a little more than those shipped from the East.[1]

An interesting light is thrown on the carriage trade by the testimony of this manufacturer. It seems that when he began the manufacture of wagons in 1877, vehicles made in Colorado were not in demand, but by 1884 the preference was given to the wagons that were made in the state. It was estimated at that time that the wagons made in the state would last 20 per cent. longer because of the better seasoning of the timber put into them, due, of course, to the dryness of the climate. A lowering of the rates would enable him to employ in his factory 300 more hands. At that time not more than 125 men were employed in this kind of manufacture in the entire city. The witness stated that the employment of 300 more men would mean a difference in the population of the city of from 1,500 to 2,000.[2]

Building Material and Furniture

The freight rates had their effect on the manufacture of the higher grades of building material and furniture. Sash, doors and blinds

[1] *Ibid.*

[2] *Ibid.*, p. 157.

made in Denver could not be marketed north of the Union Pacific nor south of the Santa Fe. One of the prominent lumber dealers in Denver stated that in 1882 he could make doors and started in the business but the Chicago firms got the rates lowered so that in 1885, doors could not be made in Colorado. In 1885, the rate on glazed sash from the Missouri River to Colorado common points was seventy-five cents; on window glass the freight rate from the River was one dollar. Therefore glazing could not well be done in Denver. At that time only odd sizes of sash and the like were made in the city. These sizes did not compete with the product shipped in from the East and the manufacturer was therefore allowed to sell them north of the Union Pacific railroad. His market could not be extended to the towns within a short distance of Denver such as Longmont, Colorado Springs or Pueblo. The freight rate on such goods from the East to these points was the same as the rate from Denver.[1]

Mr. Henry C. Taussig, a manufacturer of packing-boxes, stated that the freight rate on such boxes complete in the knock-down shape from the Missouri River to Colorado points was the same as the rate on the rough lumber of which such boxes were made. There was also considerable waste in the manufacture of these boxes. Mr. Taussig stated that this rate was special to certain dealers in the city. Some makers of crackers and soap were getting their boxes from the East in 1885. The rate had not recently been lowered, but the classification of packing-boxes had been changed. He could not sell to the soap factory in Pueblo as the rate from Kansas City to Pueblo was the same as the rate from Kansas City to Denver. The rate on lumber from the mountains of Colorado about 75 miles distant was $1.65 a hundred weight, while the rate on lumber from Kansas City, 600 miles, was fifty cents.[2]

A broom factory was started in Denver in 1880. The market was mostly local owing to the unfavorable freight rates from the East as compared with the rates from the Denver manufactory. Brooms were shipped from various points between the Missouri River and Denver to points in the Mountains at $40 a car. The rate on brooms shipped from the Denver factory to the same points in the Mountains was $130 to $150 a car. Manufactured brooms were also shipped from the Missouri

[1] *Evidence, Special Railroad Committee*, pp. 73, 79, 81. [2] *Ibid.*, p. 33.

River to Denver at the same rate as raw material. Brooms were classified as wooden and willow ware, the same as raw material. It cost more at that time to ship a carload of broom handles from the River to Denver than it cost to ship a carload of brooms.[1] Mr. Shelby, freight agent of the Union Pacific, said that these rates would be modified so as to give the Denver broom manufacturer a market from 100 to 200 miles east of the city.[2]

A furniture dealer who had also been engaged in the manufacture of mattresses stated that he had had to abandon their manufacture on account of the unfavorable freight rate on goods brought in from the East. Rates on materials from which mattresses are made were $1.05 from the Missouri River to Colorado. After the manufacture had begun in Denver, the rate on these materials was advanced to $1.45. Then the firm ceased to manufacture and bought the mattresses in the East. Mr. Gartner, the manufacturer, stated that the rates on the raw material for upholstered goods were the same as for the finished article. Mr. Stewart, another manufacturer of mattresses, confirmed what Mr. Gartner had said and added other interesting items. He had begun the manufacture of mattresses in 1881 and soon found that the freight rates were unfavorable to the extension of his market over territory south of Denver. Freight rates to New Mexican points had been raised after the factory started. Formerly the rate on mattresses from Denver to Las Vegas was $1.55; in 1885, it was $2.80. The old rate to Albuquerque was $2.15; in 1885, it was $3.80. Until 1884 or 1885, the rates from Denver to points in New Mexico were higher than the rates from the Missouri River to these points. This, of course, did not encourage the growth of his market. The freight rate on bed springs was lower than the rate on the raw wire of which these bed springs were made.[3]

The freight rate on chairs in knock-down condition was the same as the rate on chairs set up and finished if shipped in carload lots. Looking glass plates were charged the same freight rate as finished looking glasses, and all furniture, whether in the raw or finished condition, paid

[1] *Ibid.*, p. 39.

[2] *Ibid.*, p. 85.

[3] *Ibid.*, p. 28.

the same rate.[1] Labor was higher in Colorado and without a considerable difference in the raw and manufactured goods, furniture could not be finished in Denver.[2]

Cement and Terra Cotta

Fire brick, cement and terra cotta works in Denver had each similar experiences to those of the other industries already mentioned. The fire brick company could not enlarge its market on account of the unfavorable freight rates. The cost of manufacturing this commodity in Denver was somewhat higher than at the Missouri River points as the coal had to be hauled in and labor was higher. After the article was manufactured, however, the rates from Denver to points in Idaho and Montana were the same as the rate to those points from places on the Missouri River.[3] This condition confined the fire brick made in Denver to the local market.

Much the same condition confronted the manufacturers of cement in Denver in the years preceding 1885. The firm could not sell its product in Salt Lake as the rate from Denver to Salt Lake was about the same as the rate from the Missouri River to Salt Lake and hence, the manufacturer at the River who could produce more cheaply had the advantage over the Denver manufacturer. The freight rate from Denver to Albuquerque was the same as the rate from the Missouri River to the same point. This was true generally of the rates to points in Mexico. In 1885, the freight rate on cement from Denver to Cheyenne was lower than the rate from the River to that point but the Denver company could not sell cement in Cheyenne. Mr. Evans, the secretary of the company, stated that he thought the merchants in Cheyenne were getting rebates at that time, and that the public schedule did not obtain. He said his company had nearly closed a contract for three cars in that city, but the Union Pacific learned of it and cut the freight rate so that the company lost the contract and the cement was hauled from the Missouri River. After the factory had been started in Denver, the freight rate on cement from the Missouri River to Denver was greatly lowered, whether to injure the factory or not the secretary said he did not know.[4]

The terra cotta stone works were built in 1881 and the product was

[1] *Evidence, Special Railroad Committee*, p. 91. [2] *Ibid.*, p. 142. [3] *Ibid.*, p. 35. [4] *Ibid.*, p. 42.

soon more than sufficient to supply the local market. The owner, Mr. Moulton, sought to sell his surplus in Salt Lake. He found to his astonishment that the freight rate on a car of his products from Denver to Salt Lake was $75 more than the rate on the same products from the Missouri River to Salt Lake. Eastern firms at Akron, Ohio, Peoria, Ill., and Des Moines, Iowa, were then competing in the Denver market. Since Mr. Moulton's factory was started, the freight rate from the Missouri River to Denver had been greatly lowered. He stated that if the rates had remained the same as they were when his factory began operations, he would be able to compete with eastern manufacturers. The rate then existing on terra cotta products from Denver to Salt Lake was $250 a car. The rate from Omaha to Salt Lake on the same products was $175 a car. This effectually shut out Denver from the market in Salt Lak . Seventy-five dollars a car was a handsome profit according to the testimony of the Denver manufacturer.[1]

Groceries

The grocery business was so discriminated against by the freight rate that Denver could not become a distributing point for the Rocky Mountain country. It was stated in the evidence before the railroad committee, that the Kansas Pacific Railroad was capitalized at $250,000 a mile which sum was vastly beyond the cost of constructing it, and that in consequence of this great capitalization, it was the desire of the railroad company to secure all the returns in freight that could possibly be obtained. The same was more or less true of the capitalization of the other railroads that at that time terminated in Denver or other parts of the state. It was alleged that the railroads expected the people to pay interest on this enormous capitalization, and hence the high r tes for everything carried into the state. Mr. Shelby, general freight agent of the Union Pacific, stated that during the preceding year, the Union Pacific fell short of paying expenses and interest on bonds by $623,299.[2] It was also charged by Mr. Martin, a wholesale grocer, that the goods shipped to Colorado were frequently overweighed. He had brought a suit against the railroad company on this charge and had won the suit.[3]

[1] *Ibid.*, p. 171. [2] *Ibid.*, p. 240. [3] *Ibid.*, p. 61.

The following table of freight rates on the various groceries shows very clearly the discrimination in that business:[1]

CANNED GOODS	
California to Boston	$1.25
California to Cheyenne	1.20
California to Atchison	1.25
California to Denver	1.70
DRIED FRUITS	
California to Chicago	1.85
California to Denver	2.60
RAISINS	
California to Missouri River	1.50
California to Denver	2.50
NUTS	
California to Chicago	1.80
California to Denver	2.50
BEANS	
California to Chicago	1.50
California to St. Louis	1.50
California to Cincinnati	1.50
California to Denver	1.70
COFFEE AND RICE	
California to Missouri River	1.16
California to Denver	1.70
FRUITS AND VEGETABLES (CAR LOTS)	
California to Chicago	1.25
California to Denver	1.75
California to Denver (less car lots)	3.50
SUGAR	
California to Kansas City	1.00
California to Denver	1.40
RICE	
California to Kansas City	1.00
California to Denver	1.40

By this table it appears that all staple groceries that came from California to Denver were charged at a higher rate of freight than if they

[1] *Evidence, Special Railroad Committee*, p. 60.

went on through to the Missouri River or Chicago. As a general rule, all fifth class goods which consisted of groceries were hauled from California to the Missouri River points for one dollar, but to Denver, six hundred miles shorter haul, the rate was $1.50. Green fruits shipped from California to Denver paid a rate of two cents a pound, but if shipped through to the Missouri River, New York or Chicago, the rate was one cent a pound.[1] A number of wholesale grocers confirmed this testimony.[2] Isaac Brinker, a retired grocer, bought syrup in California and shipped it to the Missouri River and then back from the River to Denver in order to get the advantage of the lower freight rate.[3] Mr. Wolfe Londoner, one of the wholesalers of Denver, stated that the railroad pool was a great injury to the business interests of the city. The rates were so arranged as to favor shipping in manufactured goods. He had lost his trade at Trinidad, Colorado Springs and Grand Junction, on account of the discrimination against Denver as a distributing point. The freight rate from Chicago to Salt Lake injured the trade of the Denver wholesalers and destroyed the trade with Grand Junction. It was hard for the wholesalers to live at that time as the rates were so unfavorable. Merchants in Georgetown and other points in the interior of the state could get the same rate as the Denver wholesaler and as a consequence, they ceased buying from the Denver house and bought directly from the firms in the East or elsewhere.[4] It was impossible to ship groceries to Utah from Colorado. California competed with the East. Canned goods, coffee, rice, dried fruit, liquors, cigars, machinery and nails were hauled from California to Utah because these all came to California by water and at a very low rates. They had been shipped from California to points in Utah at as low as thirty-five cents a hundred weight. This is why the freight rate on nails from Pittsburgh to California was sixty-five cents a hundred.[5]

In explaining why fifth class freight was carried from California to Chicago and Omaha more cheaply than to Denver, Mr. Shelby, general freight agent of the Union Pacific, said that there was water

[1] *Ibid.*, p. 243. Mr. Shelby, general freight agent of the Union Pacific, said this was not true in 1885.

[2] *Ibid.*, pp. 133, 97.

[3] *Ibid.*, p. 111.

[4] *Ibid.*, pp. 139, 140.

[5] *Ibid.*, p. 199.

competition at these points and there was no water competition at Denver. These articles were shipped around Cape Horn.[1]

Coal Mining

It appears also that the business of coal mining upon which the growth of manufacturing industry depends was not greatly encouraged by the railroads. Various witnesses before the committee testified to discriminations of different kinds which interfered with the profitable conduct of the business. Mr. Langford who was at that time operating the Marshall Mine about sixteen miles from Denver stated that the freight rate on coal from the mine to Denver was $1.25 a ton. The Louisville Mine was operated by the Union Coal Company and was two miles farther from Denver than the Marshall Mine, but the rate on coal from the Louisville Mine to Denver was only twenty-five cents a ton. This was denied by the general freight agent of the Union Pacific who said the Union Coal Company was a department of the Union Pacific Railroad.[2] The directors and stockholders of the Louisville Mine were the same as the largest stockholders in the Union Pacific Railroad Company.[3] Mr. Goodrich who was mining coal at Erie confirmed the testimony of Mr. Langford. He stated that he was obliged to pay $1.00 a ton to get his coal from Erie to Denver, and that he could not sell in the Mountains nor south of Denver as the freight rate was discriminatory.[4]

The sale of Colorado coal outside of the state was not encouraged by the railroads. A Denver dealer got orders for coal at places in Kansas. The Union Pacific quoted him a rate of $3.50 a ton for the shipment of coal to these points. A traveler had been sent out and had worked up considerable trade. Three cars were sent over the Union Pacific. Then an order came to receive no more cars, and the shipper had to abandon the attempt to sell in Kansas. Coal was at that time being mined in Gunnison County and shipped to Denver ready for the markets in Kansas and Nebraska. The coal came over the Rio Grande. The Union Pacific raised the freight rate for hauling coal to points in the states east of Colorado to $10.00 a ton. The officials of the Union

[1] *Evidence, Special Railroad Committee*, p. 248.
[2] *Ibid.*, p. 239.
[3] *Ibid.*, p. 50.
[4] *Ibid.*, p. 64.

Pacific said they were not receiving any freight from the Rio Grande at that time. A similar case happened with the Santa Fe. As soon as it was learned that the coal came from Colorado, a prohibitory tariff was fixed.[1]

It is stated in the report of the railroad commissioner for the year 1885 that the price of coal was exhorbitantly high to the consumers in many parts of the state. This was due to the large profits secured by the dealers and not to any extreme cost of production. It appeared that the dealers in many instances had been able to secure a monopoly of the business through connivance with the railroad companies. Discrimination had, therefore, become so common that it became a settled conviction in the public mind that a coal measure in the state was without value unless owned by or in connection with a railroad company, and that the transportation companies controlled the price of the entire product. Whether or not this was true, the report does not say.[2]

The explanation of the railroads being engaged in the business of coal mining is, however, not without great interest because of the light it throws on the development of manufactures in the state. When the railroads reached Colorado in the summer and fall of 1870, a demand for coal was created. The consumption by the railroads was more than the mines could produce with their equipment at that time. Hence, the era of railroads created a demand for the investment of more capital in the coal mining business. This capital was not furnished by private parties as their wealth was invested in the mining of precious metals. The Colorado immigrant of the earlier decade came for the purpose of mining gold and not coal. His relation to the coal mining industry was that of consumer rather than producer. If the railroads had not engaged at that time in the mining of coal, it is quite possible that their excessive demands on the small amount of private capital invested in the business would have added a scarcity value to the product. It was on this account that the railroad ownership and operation of coal mines was not in the earlier decades considered a serious menace to the welfare of the state.[3] The commissioner of railroads stated that as private enterprise entered

[1] *Ibid.*, pp. 104, 105.

[2] *Report of the Railroad Commissioner*, pp. 63, 65, 1885.

[3] *Ibid.*, p. 66, 1885.

the field, the railway manager could not fail to see that the interest of his company would not be advanced by his staying in the markets as a commercial trader and antagonizing the patrons of his road.[1] The difficulty with the situation in 1885 was the monopoly of the business by the railroads and their affiliated dealers so that private capital was discouraged from going into the business. As a result of this situation, the high price of this most essential commodity had a depressing effect on the minds of those persons who were considering the establishment of new manufacturing plants in the state.

[1] *Report of the Railroad Commissioner*, p. 66, 1885.

Chapter III. Testimony of Railroad Officials

The true attitude of the railroads toward the growth of manufacture in Colorado during this period is perhaps most clearly shown by the statements of the freight agents before the investigating committee of 1885. The freight agent of the Santa Fe testified that the rate on freight from Denver to points in New Mexico was uniformly more than the rate from Kansas City. He said it averaged 40 per cent. more on goods made in Colorado. The rate was uniformly more to Denver and from there to destination than was the case if the freight went through direct. The then existing rates were not published in the rate sheet, but were gotten up in a hektograph form and distributed among some of the shippers. The date of the sheet exhibited to the committee was January 1, 1882. It showed a pronounced discrimination against Colorado manfacturers. These rates applied on jobbing business.[1] They were as follows:

DISCRIMINATION AGAINST COLORADO MANUFACTURERS

Furniture made in the East	Pueblo to Albuquerque	$1.40
" " " Colorado	" " "	2.15
Fourth class goods made in the East	" " "	1.15
" " " " " Colorado	" " "	1.47
First class goods made in the East	" " Socorro	1.65
" " " " " Colorado	" " "	2.50
Fourth class goods made in the East	" " "	1.35
" " " " " Colorado	" " "	1.70
First class goods made in the East	" " Deming	2.15
" " " " " Colorado	" " "	3.20
Fourth class goods made in the East	" " "	1.75
" " " " " Colorado	" " "	2.12
Iron made in the East	" " Socorro	1.35
" " " Colorado	" " "	1.70
Nails made in the East (car lots)	" " "	1.15
" " " Colorado	" " "	1.60

[1] *Evidence, Special Railroad Committee*, pp. 106, 107.

The freight rate was usually from 50 per cent. to 75 per cent. more from Denver to points in Arizona and New Mexico than from Kansas City 600 or 700 miles farther distant. Much the same situation prevailed with regard to the freight rates from Omaha.[1] These rates show that the man with the capital to invest in manufacturing enterprises would be driven out of Colorado and would probably locate his factory at some point on the Missouri River.

From the railway point of view some light is shed on the above table of rates by the testimony of Mr. Hamblin, the general freight agent of the Santa Fe. He stated that the rate tariff was made the last of 1882 or early in 1883, and that according to this tariff, the rates were as shown in the table. The aim of the railroad at that time was to increase its revenues. Since January, 1884, Mr. Hamblin said this tariff had not been in use. Formerly, however, this road had discriminated against goods made in Colorado and was not anxious to encourage manufactures there. He verified the statements of Mr. Davis concerning the purchase of the hoisting engine. The freight rate on this machinery was higher if the article was made in Colorado.[2] In explanation of the desire of the railroad to prevent the growth of manufactures in the state, Mr. Hamblin said the Santa Fe was at that time getting 19 per cent. of the business of the Colorado pool, "and of course, controlling all of that line from Kansas City clear down here, we naturally wanted to make as much money as we possibly could and we made a distinction between manufactured articles and those that we shipped in."[3]

Mr. Hughes, traffic manager of the Rio Grande, stated that the freight rates were made before there were any manufacturers in the state, and that it was the desire of the railroad companies to bring in manufactured products cheaply enough so that people could live in the Rocky Mountain region. The railroads tried to favor the consumer rather than stimulate manufacturers. He said there was some justice in the complaints that were at that time made by the persons desiring to start manufacturing in Colorado, and that his railroad was

[1] *Evidence, Special Railroad Committee*, p. 107.

[2] *Ibid.*, p. 254. See *supra*, p. 25.

[3] *Ibid.*, pp. 254, 255.

willing to make a difference between the rate on the raw material and the manufactured product. He thought that if coal, coke and iron were abundant in the state the policy of the railroads toward manufactures might be changed. His road was not willing to haul in everything needed in manufacture and thereby allow manufactures to develop in the state by keeping up the price of the finished article.

In 1882, the Colorado Coal and Iron Company began the manufacture of nails. Immediately thereafter, the Union Pacific lowered the rate on nails from the Missouri River. Prior to their manufacture in Colorado, the rate had been $1.25; it was reduced to one dollar as soon as the Coal and Iron Company began to turn out this product. There was likewise a lowering of the rate on everything the company turned out as soon as they began the process of manufacture. Mr. Shelby of the Union Pacific testified that this lowering of the rates was true. He said there had been some "isolated cases."[1] In the spring of 1884 a large territory was opened up to the Coal and Iron Company on account of a change in the freight rates which allowed the company to compete with the eastern dealers in the country north and west of Denver. The company was able in January, 1885, to ship its products to Georgetown, Central City, Idaho Springs, Erie, Greeley, Boulder and other points which were inaccessible to it ten months previous to the beginning of the year 1885. The iron ore used by the company in this manufacture was a Colorado product which came from the mines at Calumet and Villa Grove.[2] Mr. Hughes stated that the Union Pacific had formerly had a rate from the Missouri River to Salt Lake that was the same as the rate from Denver to Salt Lake, but when the new pool was formed and the rates restored, the Rio Grande had obtained a concession that the rates from Colorado points to Salt Lake should be something like 70 per cent. of the rates from the Missouri River to Utah. In consequence of this, the Colorado Coal and Iron Company was selling nails all over Utah and doing the entire business there. After this pool went into operation, the rate on nails from the Missouri River to Utah was $1.50 while from Pueblo, it was ninety cents.[3]

[1] *Ibid.*, p. 223. [2] *Ibid.*, pp. 218, 219. [3] *Ibid.*, pp. 191, 193.

The reasons for the reduction in the freight rate so as to enable the company to sell in the above district and in Utah were due to the activity of the Rio Grande which was friendly to the Coal and Iron Company as stockholders of the railroad were largely interested in the company, owning half of its stock. When the pool was formed, they insisted upon a readjustment of the rates by the Union Pacific so that the company might be able to sell its products in a larger territory.

The origin of the Colorado Coal (Fuel) and Iron Company at least as far as it has become a factor in the manufacturing industry of the country is due to its reliance upon railroad assistance. Had it been deprived of the close relation with the railroad interest, it is very doubtful whether or not it would have been able to grow into the great manufacturing concern it has become.

About 1873, the Rio Grande railroad was built into Pueblo. General Palmer, the builder, got into difficulty when the road had reached this city and found himself short of funds. He wished to build the road from Pueblo to Canon City, a distance of 42 miles. The Colorado Coal and Iron Company had many coal and ore lands in the vicinity of Canon City which they wished to develop. The Coal and Iron Company, therefore, raised the money needed to build the road to Canon City, taking in exchange therefor the stock of the railroad. In this way the road was successfully extended to that point. In a similar fashion, another company bought up the coal and iron lands around Trinidad, Huerfano and some other points, and then turned over one half of their interests to the railroad and on these properties, the funds were raised with which the railroad was built to Trinidad. In 1880 or 1881, in order to develop the resources along the road, General Palmer got the men interested in these properties, both at Trinidad and at Canon City, to put up capital for a steel plant at Pueblo. All the companies were consolidated into the Colorado Coal and Iron Company. About $2,500,000 was expended at that time. The two contracts which had formerly been made by the railroad by which special favors were granted to the companies in the matter of freight rates were then consolidated into one contract with the combined company. This contract extended special favors to the company in the matter of freight rates as the company had united with Palmer in the development of the coal and ore beds and was therefore entitled to a good bargain. This is why, according to the evidence of the receiver of the Rio Grande, no other companies were allowed to sell coal in Leadville except the Colorado Coal and Iron Company.[1] This also explains why the above company shipped coal from Coal Creek to Pueblo at two dollars less a ton than could other shippers at Canon City. The discrimination was even greater than two dollars ordinarily at that point.[2] This is also sufficient to explain the refusal of the Rio Grande to furnish cars to the other companies even though a number of the cars desired were at that time standing empty on the side track.[3]

Concerning the railroad attitude toward manufactures in Colorado Mr. Shelby, the general freight agent of the Union Pacific, said:

> It would be to the interest of the Union Pacific Company to so adjust their rates between the Missiouri River and those Colorado central points, as to make it to the interests of the merchants at these points or at the Missouri River, but when you come to go a step further, you will see that would turn the jobbing merchant of Denver against us, if we were to pursue that policy; so from a business standpoint, we find it to our interest to so adjust our rates as to give the Denver merchant the benefit of dealing with all the merchants in Colorado. There may be some few instances where this plan is not lived up to.[4]

A number of wholesalers had already shown that this plan was not generally lived up to. In theory the rate to the points in central Colorado was the rate to Denver, plus the local rate, but a number of instances are recorded where the dealer in the interior of the state got the same rate as the Denver dealer. As far as the manufacturer was concerned, Mr. Shelby said the Union Pacific was willing to make the freight rate on raw materials 90 per cent. of the rate on manufactured articles in order to encourage manufactures in Colorado.[5]

As to the general question of freight rates from the East to the Rocky Mountains, it is clear that very great pressure was brought to bear on

[1] *Evidence, Special Railroad Committee*, p. 206.

[2] *Ibid.*, p. 19; *Colorado Daily Tribune*, January 1, 1885.

[3] *Evidence, Special Railroad Committee*, p. 67. [4] *Ibid.*, p. 240. [5] *Ibid.*, p. 228.

the railroads by the manufacturers of the eastern states to induce them to keep the rate favorable for the shipment of eastern articles to that region. It was not a matter of purely selfish interest on the part of the railroads alone; whatever selfish interest in the matter they may have had was greatly reinforced by a similar interest on the part of the eastern manufacturers. This is made vividly apparent by the testimony of Mr. Daniels who was at that time the official charged with the administration of the Colorado pool. Repeatedly during 1884, and even as late as the month of January, 1885, the railroads were requested by manufacturers in the East to lower the rates on manufactured goods shipped to the Rocky Mountain region. The reasons stated in these petitions were that the eastern dealers and manufacturers were losing trade in Colorado on account of the growth of manufactures there. The pool commissioner, Mr. Daniels, said the roads refused to do this as they felt that in the end reasonable protection to the manufacturers of Colorado would increase the profits of those engaged in the transportation business.

On January 4, 1885, a meeting of the general freight classification committee was held in St. Louis. At this meeting a number of concessions were made to Colorado manufacturers. Wagon wood was reduced from class A to class B so as to promote the manufacture of wagons in Colorado. Iron bridge material which had been for some years in class B was advanced to class A. This was protecting the Colorado iron manufacturer. A petition from important shippers was presented to the classification meeting asking for a reduction of the freight rate on soap from the East to Colorado, and stating that soap was being made in that state. The Colorado roads protested against any reduction in this rate and the rate was not changed. A similar petition was presented from the manufacturers of matches asking for a reduction in the carload rate to Colorado and stating that matches were being made in the state, and in consequence, the market for easterners was being destroyed. This request was also opposed by the Colorado railroads and the rate was not changed.[1]

It was also shown by Mr. Daniels that the railroads, in August,

[1] *Evidence, Special Railroad Committee*, pp. 265, 266.

1884, had reduced the freight rates on the different classes of freight from the Missouri River to Colorado common points. These reductions had been made on the demands of the business men of the leading cities.

FREIGHT RATE REDUCTIONS FROM MISSOURI RIVER TO COLORADO

1st	class	reduced	from	$2.40	to	$2.10	a cwt.
2d	"	"	"	2.00	"	1.70	"
3d	"	"	"	1.75	"	1.40	"
4th	"	"	"	1.35	"	1.15	"
5th	"	"	"	1.25	"	1.00	"

It was said that these reductions were very nearly and in some cases "quite the rates" asked by the shippers. Mr. Daniels said this was evidence of the attitude of the railroads on the freight rate question.[1]

On January 30, 1885, a circular was sent out by the Denver chamber of commerce and board of trade containing a letter which had been addressed to the president of that body three days before by the officials representing the railroads of the state. The circular of the chamber of commerce aimed to call the attention of the world to Colorado as a desirable place for the establishment of manufacturing enterprises. It contains the following:

"Many persons in failing health in the eastern states familiar with manufacturing and desiring to establish their particular industries here so as to secure the benefit of our wonderful climate, have hesitated from fears of railroad opposition. The subjoined letter clearly proves that the railroad companies themselves want this idea eradicated."[2]

At the meeting of railroad officials at which it was decided to issue this letter to the president of the chamber of commerce, all the railroads in the Colorado pool were represented. The general traffic manager, and general freight agent of the Union Pacific, assistant general manager, and general freight agent of the Burlington and Missouri River, the traffic manager of the Santa Fe, the traffic manager of the Rio Grande, and Mr. Daniels, the commissioner of the Colorado Railway Association, were present. The letter is as follows:

[1] *Ibid.*, p. 267.

[2] *Ibid.*, p. 264.

IMPORTANT TO MANUFACTURERS

COLORADO RAILWAY ASSOCIATION
UNION PACIFIC RAILWAY
BURLINGTON AND MISSOURI RIVER RY.
ATCHISON, TOPEKA AND SANTA FE RY.
DENVER AND RIO GRANDE RY.
DENVER, SOUTH PARK AND PACIFIC RY.

OFFICE OF THE COMMISSIONER
Denver, Colo., Jan. 27, 1885

R. W. Woodbury, Esq., President of the Denver Chamber of Commerce and Board of Trade, Denver, Colo.:

DEAR SIR: I am instructed by the managers of the lines, members of the Colorado Railway Association, to say to you that they will be glad to use every means within their power, consistent with a broad commercial policy, to encourage manufactures in Colorado and to foster and build up her home institutions; and to this end they will be pleased at all times to meet through their representatives, committees of your association or others for the purpose of discussing means for the advancement of such interests, believing as they do, that the interests of the people of the state of Colorado and of the railroads, members of this association, are largely identical, and that whatever legitimately advances your interests must advance the interests of these railways. The association invites, through your Chamber of Commerce, the attention of manufacturers of the United States to the natural advantages of the Rocky Mountain country for the establishment of industrial enterprises.[1]

In the light of what happened in the years succeeding the issue of this circular, it has been said that it was not issued in good faith. This would probably be hard to prove. It is true it was issued at a time when an investigation of the freight rate question was being conducted by a legislative committee and the fear of adverse legislation might have had some influence on the minds of the railroad managers. However this may be, it is certain that the high promises concerning the establishment of manufactures in Denver and Colorado generally that are apparently embraced in the provisions of the letter were not fulfilled by a favorable adjustment of freight rates.

[1] *Second Annual Report of Chamber of Commerce*, 1884–85, p. 21.

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Notwithstanding the fair promises held out in the letter of the pool commissioner to the president of the Denver chamber of commerce, the disadvantageous freight rates of which the shippers complained were not generally readjusted. The legislative committee worked up considerable public sentiment by their investigation and as a result of it the legislature passed a law providing for the appointment of a railroad commissioner. The law was approved April 6, 1885.[1] The commissioner displayed considerable activity and published a creditable report covering the year 1885. No report was published for the year 1886 as there was no appropriation to pay for it.[2] No future appropriations were made to pay the salary of the commissioner. It has been said that the railroad lobby defeated the appropriations and finally compelled the repeal of the law in 1893.[3] Whatever was the attitude of the railroads in this matter, it does not appear that their rate policy was changed. There is abundant evidence that very little had been done to encourage manufacturers by favorable freight rates during the period from 1885 to 1896.

The following is taken from the address of the president of the Denver chamber of commerce delivered in January, 1886:

> Your directory is unwilling to believe that Denver, a city aspiring to become a commercial, manufacturing and distributing centre, advertising itself to the world as such, can aquiesce in and much longer continue a condition which is delaying its natural growth and development of business year by year. It is useless to say that freight charges in and out of Denver, are so because of so and so. The fact remains that Denver, amongst many characteristics, enjoys or seems to prefer the distinction of being the highest charged town in the country.[4]

[1] This act was supposed to give the commissioner sufficient power over rates to prevent discrimination though it did not say he had the power to make rates. It empowered him to have compulsory process to secure the attendance of witnesses, obtain books, papers etc. in the investigation of railroad affairs.

[2] A small report—21 pages—covering the years 1891–92 was published in 1893.

[3] The repealing act was vetoed by the governor, but passed both houses, March 30, 1893, by a two-thirds vote and so became law. It was given effect in these words: "Inasmuch as the public interest requires that this act should take effect at once, an emergency exists requiring this act to take effect immediately; there-ore this act shall take effect and be in force from and after its passage."—*Session Laws of Colorado*, 1893, chap. cxxxvi.

[4] *Report of the Chamber of Commerce, Denver*, p. 7, 1896.

Again in a similar address some years later is the following:

It is not possible that the railroads centering here can much longer ignore the importance of the enormous tonnage, but must see that it is to their interest to give to our manufacturers and jobbers a freight rate that will permit of the distribution of goods to a much greater distance than they now enjoy. In fact each year the dealers have to cut the profits to hold their trade to far distant points. Yet with the discriminations by the railroads in favor of cities located on navigable waters, the tonnage continues to develop, and when they see fit to foster the manufacturers and give to them equal rates with those located to the east, Denver will be the most important city between Chicago and San Francisco.[1]

An illustration of the attitude of the railways toward the development of manufactures appears in the testimony of Professor Ripley and Mr. Kindel before the United States Industrial Commission. During the years 1890–92, a number of men had planned to build a pulp- and paper-mill in Denver and use the raw materials of that section to manufacture paper for the newspapers that circulate in the Rocky Mountain region. In this way it was thought the great expense of shipping this commodity a thousand miles might be avoided. Plans were under way when the attention of one of the railroads was called to the matter, and the officials of the railroad informed the promoters that if a paper-mill was built in Denver, and thereby the shipment of paper from Wisconsin interfered with, the railroads would kill the enterprise at any cost to themselves. This they threatened to accomplish by lowering the freight rate on paper from the East. The promoters were greatly discouraged, but as the freight rate was very high, they decided to build the mill. Plenty of timber was available in the near-by mountains. Coal mines were in active operation within twenty miles of Denver. The promoters thought there was every reason to believe the mill would succeed owing to the great expense of hauling paper 1,000 miles from Wisconsin. The rate on incoming paper had been $1.55 a hundred, and the complaints about the high rate had been one of the leading causes that had led to the erection of the mill. As soon as the mill went into operation, the railroads reduced the rate on incoming paper to $0.25 a hundred. The profits of the enterprise were greatly cut down and the mill finally closed.[2]

[1] *Report of the Chamber of Commerce, Denver*, p. 57, 1895.

[2] *Report of the Industrial Commission*, Vol. IV, p. 264, 1902; *ibid.*, Vol. IX, p. 287.

Whether or not the closing of the mill was due entirely to the low rate on incoming paper is not important in this connection. The incident is important as showing the disposition of the great traction interests toward the development of an industry which was likely to reduce their profits from freight haulage.

Under the schedule of freight rates in force in 1894, Chicago and St. Louis manufacturers could ship mining machinery and supplies to points in New Mexico and Arizona "a great deal cheaper" than the same class of goods could be laid down from Denver. It was said that as a matter of fact this was the case with all kinds of manufactured articles. The freight tariff at that time was prohibitory and closed Mexico to Colorado manufacturers and jobbers. As a general rule the rates were the same from Omaha to Denver and to Salt Lake although the latter point was 800 miles farther west. The result of all this was that the Colorado shipper was at the mercy of the eastern manufacturer. Chicago was closer to New and Old Mexico than was Denver. This is one of the ways in which the railroad annihilates space. Manufacturers of mining machinery in Denver stated that were that city placed on an equal footing with the other centres, they could increase their trade threefold within a year. Even as it was, the enterprise of the local manufacturer had in some degree overcome the hardship imposed by the railroad discrimination.[1]

On August 17, 1896, the Citizens' League of Arapahoe County adopted a resolution declaring that railroad discrimination had retarded the development of the resources, crippled manufactures and diminished the commerce of the state to a point below the volume it had attained in 1884. The resolution also demanded that a promise be exacted from all candidates for the legislature that they would use their best efforts to enact laws for the establishment of an efficient state railroad commission with power to prevent unjust discriminations and charges.[2] Perhaps some allowance should be made for other causes which had reduced the commerce of Colorado at the time this resolution was adopted. The closing of the silver mines between 1893 and 1896 was an important

[1] *Denver Republican*, January 1, 1895.

[2] *Ibid.*, August 18, 1896.

factor in bringing on the depression which prevailed during the latter year. However, the resolution shows that the freight rate discrimination was felt to be a serious grievance.

On May 21, 1896, the Denver chamber of commerce adopted a resolution stating that Colorado industries were subject to extortionate and discriminative transportation rates, and that these rates had reduced the volume of business in many lines below that of 1884. The resolution also provided for the appointment of a committee of three to solicit money to carry on the fight for fair freight rates.[1]

It is thus apparent that in 1896 the freight rates were complained of by the most prominent business organizations and the newspapers. Whether or not there was justice in these complaints of the shippers can be determined by an examination of the rates themselves. The following table gives the commodity rates in force in 1896, Chicago to California and to Colorado. A glance is sufficient to show that everything was charged more if it stopped in Colorado than if it went on through to the Coast.

TRANSCONTINENTAL COMMODITY RATES, 1896*

	Chicago to California Terminals. Average Distance 2,500 Miles	Chicago to Colorado Common Points. Average Distance 1,000 Miles
Boots and shoes	$1.50	$2.05
Burial cases	1.50	3.07½
Carpets	1.75	2.05
Carpet linings	1.50	2.05
Cash registers	2.40	4.10
Clothing	1.50	2.05
Coffee (roasted and ground)	.80	1.25
Chocolate L. C. L	1.50	2.05
Dry goods	1.00	2.05
Drugs and medicines	1.20	2.05
Earthenware (plumbers')	1.00	1.65
Glass (plate)	1.50	6.15
Glass (colored, decorated etc.)	1.50	6.15
Hair (compressed, etc.)	1.00	2.05
Hardware	1.00	1.65
Hose (garden)	1.00	2.05
Iron and steel (bar, road, hoop etc.)	.50	.77
Iron and steel (boiler and plate)	.60	.77
Iron pipe	.50	.77

* KINDEL, *A B C of Freight Rates*, Denver, p. 17, 1896.

[1] KINDEL, *ibid.*, p. 9.

TRANSCONTINENTAL COMMODITY RATES, 1896—*Continued*

	Chicago to California Terminals. Average Distance 2,500 Miles	Chicago to Colorado Common Points. Average Distance 1,000 Miles
Iron (roofing and corrugated)	$ .70	$ .77
Iron horseshoes	.50	.57
Iron bale ties	.50	.57
Japanned ware	1.00	2.05
Mats (rubber)	1.00	2.05
Miners' leather-lined clothing	1.50	2.05
Money-drawers	1.50	2.05
Mustard	1.00	1.65
Mackintoshes	1.50	2.05
Nails and spikes	.50	.57
Nuts (edible)	1.00	1.15
Oilcloth (floor) and linoleum	1.00	2.05
Paint	1.00	1.65
Paper hangings	1.00	2.05
Rubber clothing	1.00	2.05
Rattan and willow furniture	3.40	6.15
Spices	1.10	2.05
Screens (foundry)	1.10	2.05
Sewing machines	1.20	2.05
Shoe findings	1.50	2.05
Slates (school)	1.00	2.05
Starch	1.00	1.25
Stair pads	1.00	2.05
Sweaters	1.50	2.05
Shirts	1.50	2.05
Stoves (gas, oil etc.)	1.50	2.05
Tin (pig or bar)	1.00	1.65
Tiling (art, decorated or inlaid)	1.10	2.05
Tapioca	1.00	1.65
Tobacco (smoking or cut plug, baled)	1.50	2.05
Tobacco in barrels, boxes or kegs	1.40	1.65
Toys	1.00	2.05
Type	1.00	1.65
Varnish	1.00	2.05
Wax (for sealing canned goods)	1.00	2.05
Window shades	1.00	2.05
Water closets	1.00	2.05

The following table shows the commodity rates from the California terminal points to Colorado and also to the Missouri River. The same characteristic feature appears as in the other table. It cost more to ship to Colorado than to points on the Missouri River.

TRANSCONTINENTAL COMMODITY RATES, 1896*

	California Terminals to Kansas City, St. Joseph and Omaha, 2,157 Miles	California Terminals to Pueblo, Colorado Springs and Denver, 1,545 Miles
Agricultural implements	$1.35	$1.40
Brushes	1.20	2.20
Blankets	1.50	2.50
Chocolate	1.00	2.20
Sugar	.50	.75
Drugs and medicines	1.20	3.00
Hides (green)	1.00	1.30
Honey	.75	1.10
Ink	1.00	3.00
Lard and substitutes	1.10	1.30
Machinery, class A	1.10	1.40
Oilcloth (floor) and linoleum	.75	1.90
Paint (earth and mineral)	.75	1.00
Rice	.50	1.00
Soap	.75	.82
Skins, Russian sable, silver fox, sea otter and blue fox	3.50	6.00
Martin, fisher, cross fox and white fox	3.00	6.00
Bear, beaver, otter, mink, lynx and red fox	2.80	6.00
Deer, raccoon, muskrat, squirrel, reindeer etc.	2.50	3.00

* KINDEL, *op. cit.*, p. 24.

Colorado was under similar disadvantages when it came to shipping goods out of the state. It did not seem to be the scheme of the man who made the rates to allow Denver to be a distributing point. The following tables giving the freight rates from Colorado cities to certain points, and also the rates from other cities to these same points, show that it generally cost more to ship from Colorado than from other cities even though in the latter case the haul was often much longer.

FIRST CLASS RATES, 1895*

New York to San Francisco	$1.00
Chicago to San Francisco	1.00
New Orleans to San Francisco	1.00
Omaha to San Francisco	1.00
Denver to San Francisco	3.00
Omaha to Salt Lake	1.65
Denver to Salt Lake	1.65
Chicago to El Paso	1.62
Denver to El Paso	2.00

* KINDEL, *op. cit.*, p. 53.

First Class Rates, 1895—*Continued*

Omaha to Julesburg	$1.00
Denver to Julesburg	.87
Kansas City to Haighler, Neb	.89
Omaha to Haighler, Neb	.84
Denver to Haighler, Neb	.87
Missouri River to Chappell, Neb	1.01
Denver to Chappell, Neb	1.25
Missouri River to Rock Springs, Wyo	1.65
Denver to Rock Springs, Wyo	1.65

A slight advantage in rates was given to Denver over Missouri River points in shipments to other places in Wyoming.[1]

Discrimination in Favor of Missouri River Points, 1896*

Commodity Rates	Omaha, Kansas City and St. Joseph to California Terminals	Denver, Colorado Springs and Pueblo to California Terminals
Acid	$0.90	$1.40
Agricultural implements	1.05	1.40
Babbit metal	.75	1.75
Blue vitrol	.75	1.60
Boots and shoes	1.50	3.00
Bottles (glass)	.65	1.60
Boxes (paper)	1.00	6.00
Brass goods	1.00	2.60
Brooms	1.95	3.00
Brushes (shoe, scrub, stove)	1.20	3.00
Cans (tin)	.75	1.60
Cars (street)	1.35	1.40
Car seats and backs	1.45	3.00
Cheese	1.65	2.60
Chimneys and lantern globes (glass)	.90	2.00
China	1.00	3.00
Clothing, overalls	1.50	3.00
Coffee (roasted, ground)	.80	2.00
Copper goods	1.00	2.60
Crockery and queensware	.85	1.60
Drugs and medicines	1.20	3.00
Dry goods	1.50	3.00
Filters (stone)	1.00	1.75
Flasks (glass)	.65	1.60
Fuel (composition)	1.00	2.00
Fuse	1.20	3.00
Glass (window)	.65	1.60

* Kindel, *op. cit.*, p. 23.

[1] *Ibid.*, p. 16.

DISCRIMINATION IN FAVOR OF MISSOURI RIVER POINTS, 1896—*Continued*

Commodity Rates	Omaha, Kansas City and St. Joseph to California Terminals	Denver, Colorado Springs and Pueblo to California Terminals
Glassware	$ .85	$2.00
Grates (iron)	1.00	1.40
Hosiery	1.20	3.00
Hardware	1.00	3.00
Ink	1.00	3.00
Jars and glasses (glass)	.65	1.60
Lamps (glass)	1.00	3.00
Lead pipe	.75	1.60
Machinery (class A)	1.10	1.40
Matches	1.00	1.75
Mining car wheels	1.00	1.75
Pickles	.90	1.60
Pipe (sewer clay)	.65	.80
Solder	1.00	2.00
Soap	.75	.82
Tinware	.75	1.75

PECULIARITIES OF FREIGHT RATE DISCRIMINATION, 1896*

	Rate
Beer—	
Denver to Leadville, 151 miles	$0.60
St. Louis to Leadville, 1,000 miles	.70
Denver to La Junta, 180 miles	.37
Kansas City to La Junta, 571 miles	.30
Plate glass: commodity rate—	
Chicago to Denver	1.25
Chicago to San Francisco	1.10
Single large plates—	
Chicago to Denver	6.15
Chicago to San Francisco	1.50
Chocolate—	
Boston to Denver, water and rail	2.29
Boston to Denver, all rail	2.60
Boston to San Francisco	1.00
Machinery: class A—	
Chicago to Denver	1.40
Chicago to San Francisco	1.10

* KINDEL, *op. cit.*, pp. 24, 37.

Oil—	
Chicago to San Francisco	.78½
Colorado common points to San Francisco	.96
Pickles—	
Chicago to San Francisco	.90
Denver to San Francisco	1.60
Soap—	
Chicago to San Francisco	.75
Chicago to Denver	.77
Denver to San Francisco	.82

FREIGHT RATES, DENVER TO SAN FRANCISCO, 1896*

	1st Class	2d Class	3d Class	4th Class	5th Class
Chicago to San Francisco	$2.40	$2.15	$2.00	$1.70	$1.65
Denver to San Francisco	3.00	2.60	2.00	1.75	1.60
San Francisco to Denver	3.00	2.60	1.90	1.55	1.30

* KINDEL, *op. cit.*, p. 36.

The following table of rates shows the impracticability of carrying on the jobbing business in Denver under the discriminations prevailing in 1896. Shale is a town on the Rio Grande Railway 28 miles west of Grand Junction.

Chicago to Omaha	$0.80
Omaha to Shale	1.65
	$2.45
Chicago to Denver	$2.05
Denver to Grand Junction	1.75
Grand Junction to Shale	.35
	$4.15
Denver jobber's rate in excess of Omaha's	$1.70

By 1895 the jobbing business in Colorado had not reached any appreciable development, most of the jobbers supplying the state having found it more profitable to locate at the Missouri River.[1]

The rate on cash registers illustrates likewise the same disadvantages of the jobber at that time.[2]

[1] *Ibid.*, p. 14.

[2] *Ibid.*, p. 37.

CASH REGISTERS

Chicago or Kansas City to San Francisco	$2.40
Chicago to Denver	4.10
Denver to San Francisco	6.00
Denver to Grand Junction	3.50
Denver to Salt Lake	3.30

Some time previous to August, 1896, Messrs. Grove & Pryor, jobbers of hats and gloves in Denver, shipped 600 pounds of gloves from San Francisco. On receipt of them, they discovered that some mistake had been made in filling their order and immediately returned the gloves. They were much surprised to find the rate on gloves was, San Francisco to Denver, 600 pounds at $2.00 a cwt., $12.00; return, Denver to San Francisco, 600 pounds at $3.00 a cwt., $18.00.[1]

In a number of instances, there was in 1896 a discrimination against manufactures in Colorado by a higher freight rate on raw material than on the manufactured goods. This is quite apparent from the rate on material used in the manufacture of mattresses.

In 1883, the railroads first took notice of the manufacture of excelsior in Colorado. At that time the rate from the Missiour River to Denver was $1.40 a cwt. After the manufacture of excelsior was well begun, the freight rate was reduced to fifty cents a cwt., the same as the rate on cord wood.[2] The unfavorable freight rate which began in 1883 was still in force in 1895. Manufactured mattresses were charged more than the raw material as appears from the following table:

100 pounds of curled hair in sacks, Chicago to Denver	$4.10
15 pounds of ticking, Chicago to Denver	.25
	$4.35
115 pounds of mattresses in a car of furniture, Chicago to Denver	1.26
Raw material in excess of manufactured goods	$3.09

Mattresses are worth at least 10 per cent. more than the raw material on account of the added labor. A grease spot will injure a manufac-

[1] KINDEL, *op. cit.*, p. 37.

[2] *Ibid.*, p. 54.

tured mattress, but hair in sacks is not likely to be injured very much in transportation. The effect of these rates on the mattress industry in Denver is shown by the fact that when the Brown Palace Hotel was built in that city, the hotel company bought 20,000 pounds of curled hair mattresses, and at that time the freight rate was so adjusted that had the company bought the raw material and had it shipped in and manufactured in Denver, the difference in the freight rate alone was so great that it would have added $800 to the cost which the company had to pay for the mattresses already manufactured in the East and delivered.[1]

The same disadvantage appeared at that time when Denver was considered as a distributing point. The Missouri River cities were favored by the rates.[2]

100 pounds of moss, New Orleans to Omaha	$0.59	
15 pounds of ticking, Chicago to Omaha	.07½	
		0.66½
115 pounds of mattresses, Omaha to Trinidad		1.43
Total		$2.09
100 pounds of moss, New Orleans to Denver	$1.59	
15 pounds of ticking, Chicago to Denver	.26	
	$1.85	
115 pounds of mattresses, Denver to Trinidad	.82	
Total		$2.67
Difference in favor of Omaha		$0.58

A study of freight rates from Denver to the various cities which served as the distributing centres of the country shows that these rates were considerably reduced on January 1, 1895, and remained so reduced till November 1, 1895. At the latter date they were raised somewhat though not to the level of the old schedule. The changes are shown in the following table:

[1] *Ibid.*, p. 45.
[2] *Ibid.*

RATES FROM DENVER AND COLORADO COMMON POINTS, 1896;* REDUCED JANUARY 1, 1895, AND ADVANCED NOVEMBER 1, 1895

Class	1	2	3	4	5	A	B	C	D	E
To										
Chicago—										
Old rate....	$2.32	$1.90	$1.52	$1.20	$1.00	$1.15	$0.90	$0.75	$0.62½	$0.56
Reduced ...	2.00	1.55	1.22	.95	.75	.85	.70	.60	.52½	.46
New rate...	2.05	1.65	1.25	.97	.77	.92	.72	.62	.53½	.46
Peoria—										
Old rate....	2.22	1.80	1.47	1.14½	.97½	.11¼	.86	.72½	.60	.53½
Reduced ...	1.90	1.45	1.17	.92½	.72½	.81¼	.66	.57½	.50	.43½
New rate...	1.95	1.55	1.20	.94½	.74½	.88¼	.68	.59½	.51	.43
Mississippi River—										
Old rate....	2.12	1.70	1.42	1.15	.95	1.07½	.82½	.70	.57½	.51
Reduced ...	1.80	1.35	1.12	.90	.70	.77½	.62½	.55	.47½	.41
New rate...	1.85	1.45	1.15	.92	.72	.84½	.64½	.57	.48½	.41
St. Paul—										
Old rate....	2.15	1.75	1.42	1.15	.93	1.07	.83	.70	.59	.52
Reduced ...	1.80	1.40	1.12	.90	.68	.77	.63	.55	.49	.42
New rate...	1.85	1.50	1.15	.92	.70	.84	.65	.57	.50	.42
Missouri River—										
Old rate....	1.60	1.30	1.10	.90	.75	.85	.65	.55	.45	.40
Reduced ...	1.25	.95	.80	.65	.50	.55	.45	.40	.35	.30
New rate...	1.25	1.00	.80	.65	.50	.60	.45	.40	.35	.30
Spokane, etc.—										
Old rate....	2.80	2.40	2.00	1.60	1.40	1.40	1.24	1.00	.88	.72
Reduced ...	1.496	1.32	1.29	1.16	1.04	1.04	.712	.648	.624	.56
New rate...	2.40	2.08	1.76	1.52	1.20	1.16	1.00	.88	.76	.68
Helena—										
Old rate....	2.00	1.72	1.40	1.16	1.00	.88	.736	.656	.576	.49
Reduced ...	1.33	1.20	1.13	1.04	.96	.88	.67	.59	.56	.48
New rate...	2.00	1.72	1.40	1.20	1.00	.92	.80	.72	.60	.52
Galveston—										
Old rate....	2.07	1.73	1.37	1.07	.88	1.04	.80	.65	.52½	.46
Reduced ...	1.75	1.38	1.07	.82	.63	.74	.60	.50	.42½	.36
New rate...	1.30	1.13	.97	.90	.70	.74	.65	.54	.43	.36
Galveston to Denver ..	1.80	1.48	1.10	.84	.65	.80	.62	.52	.43½	.36

* KINDEL, *op. cit.*, p. 37.

The reasons for these changes are hard to understand. It may be that the railroads were experimenting to ascertain what the traffic would bear. Some have interpreted the readjustment of rates as a fresh attack on the manufacturing industries then starting in Denver.

For some time before 1896 the rates discriminated heavily against the manufacture of iron in Pueblo as is shown by the following table. They were lowered, however, in April, 1896.[1]

	April 15, 1895, Chicago to San Francisco	Same Date Pueblo to San Francisco	Reduced April 28, 1896, Pueblo to San Francisco
Rails (iron and steel)....	\$0.60	\$1.60	\$0.45
Iron (bar)..............	.60	1.60	.37½
Iron billets and blooms	.50	1.60	.37½
Iron (pig)..............	.50	.85	.37½
Iron rivets..............	.50	1.60	.37½
Iron nails..............	.50	1.60	.37½
Iron pipe (cast iron).....	.50	1.20	.37½

This reduction in rates was the result of a decision and order of the United States Inter-State Commerce Commission made in November, 1895, and providing that the rates from Pueblo to California should not exceed 75 per cent. of the rates from Chicago to California. This order the railroads refused to obey. Court proceedings were begun by the commission to enforce the order. Then the railroads obeyed and the rates were lowered as shown above. But this situation was not to last. They kept the rates down about two years, till October 17, 1898. Then the Southern Pacific increased the rates. The Colorado Fuel and Iron Company, on whose complaint the investigation and order was made, sued for damages and an injunction, October, 1898. The Circuit Court enjoined the railroads from charging more than the rates fixed by the commission. But April 16, 1900, the Circuit Court of Appeals reversed the decision on the ground that the United States Supreme Court had ruled that the commission cannot fix rates.[2]

Notwithstanding a vigorous campaign by Denver shippers and manufacturers to secure Missouri River commodity rates for Denver, they were denied and the following excuse was given by Mr. W. A. Poteet, secretary of the Southern Pacific Company, in a letter dated July 21, 1896. The statement is as follows:

> That it was not considered that the circumstances would justify the application of the transcontinental basis of rates to Denver and common points without making

[1] *Ibid.*, p. 12.

[2] *Inter-State Commerce Commission Reports*, pp. 41–43, 1895; pp. 55–61, 1900; 101 Fed. 779. The appeal to the Supreme Court was dismissed by stipulation, November 1901 (46 L. Ed. 1264); Parsons, *Heart of the Railroad Problem*, p. 92.

the same basis applicable in surrounding territory and such action would be more apt to have an injurious effect upon the industries of Denver and other centers of trade in Colorado than would the continuance of the present rates.[1]

Since 1896 there has been much improvement in the attitude of the transportation companies toward the development of Denver as a manufacturing and distributing centre, but as yet the freight rates are far from satisfactory and the evil effect of the old rates on the city's growth has not been obliterated.

[1] KINDEL, *op. cit.*, p. 35.