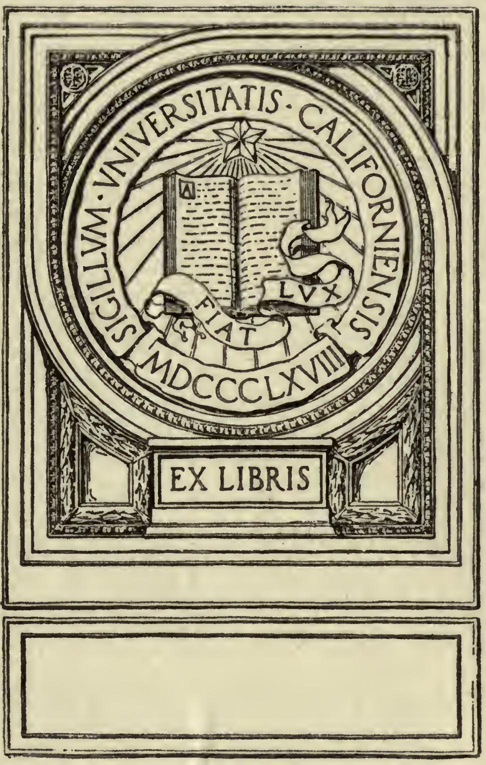
RAILROAD RATES AND REBATES - WALKER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RAILROAD RATES AND REBATES

BY

GUY MORRISON WALKER

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"The point that I want to impress upon you is that all rate reduction in the United States has been by means of rebates."

NEW YORK
1917

FOREWORD

Financial and economic doctors like the medical ones are prone to regard the troubles for which they are called to prescribe as temporary, requiring only palliative treatment instead of major operations. The result of this system of treatment in connection with our railroad problems has been a mass of legislation and regulation that has ignored the fundamental principles involved.

The following lecture, first delivered at DePauw University on January 16, 1914, and at Cornell University on March 13, 1914, is an attempt to explain the relation of Railroad Rebates to the problem of Railroad Rates, and to show the unsound and uneconomic character of recent legislation in respect thereto.

IN previous lectures I have called attention to the fact that the first migrations of our race were for better hunting and fishing. The second migrations were for better pastures, and the third migrations were for better crop locations.

There is a fourth migration that up to this time has been ignored by the historians of civilization and writers of political economy and that is the migration or movement of the race in search of metal deposits.

This last search of the race for the means with which to better its condition has necessarily waited upon the development of the railroad, for the wide use of iron and coal in everyday life was absolutely impossible until the cost of transportation had been reduced to something like what it is under present methods.

Your attention has been called to the limited territory occupied by the early nations owing to the natural isolation imposed upon them by the boundaries of rivers, mountains, forests and seas; to the diversity of races in Palestine, a country less than one-third the size of the State of Indiana; to the diversity of races and dialects on the tiny Greek peninsula.

You have been shown how, by the superior mastery of transportation, of fast boats and good roads, the Romans, for the first time, made fairly universal in their world, their civilization and something of their language and institutions. And how, when the lines of communication were broken and the roads over land interrupted by Goths and Saracens, this Roman world fell apart.

I have shown you how, through the lack of intercommunication, Europe divided into a score of different nations, which, by their isolation from each other, were permitted to develop along sufficiently separate lines to give us at least six distinct races and languages on that small continent.

You have seen how travel and commerce brought to Europe new ideas, new inventions, the art of sailing; how it brought the art of printing, and the foundations of modern art. I have shown you how, under primitive conditions, twenty different kingdoms flourished on the little British island alone, how even the wars of succession, the English Reformation and the wars that followed failed to produce sufficient intercommunication as to disturb the identity either of Englishmen, Welshmen, Scotchmen or Irishmen, and that it has not been until this last generation that the means of transportation and communication have been sufficiently developed to make even the English tongue practically universal throughout its own little island.

I have shown you how the discovery of the art of sailing led to the discovery of our continent; how the profits of commerce—for recollect, that it was the desire for material wealth and the comfort and luxury that it would bring, not a desire for either intellectual or spiritual freedom—led to the discoveries of the East Indies by sailing to the west.

I have shown you how, when this continent was found, its destiny was decided by the English development of the art of transportation, the invention of the fastest and the easiest handled boats that had yet sailed the seas.

I have shown you how the invention of the steamboat determined the future character of this continent, and how the development of the railroad, the invention of the telegraph and the telephone, have enabled us to fill a continent five or six times as large as Europe with a people who, regardless of their diverse ancestry, have, by this very means of transportation and intercommunication, become the most homogeneous of any on the earth, speaking a single language, intelligible to every inhabitant, to the remotest corner, and respecting and upholding institutions that are alike from Maine to Southern California and from the shores of the State of Oregon to the palm beaches of Florida.

I have shown you how we have reduced the cost of transportation to the lowest point that it has ever reached in the history of the race, and how we have, as a consequence, raised the wages of American labor to the highest point that has ever been known on earth. I have shown you how here in our own country, labor has come the nearest to being relieved of the curse placed upon the race when it was driven out of Eden, and that here, where the standard of living is highest and labor's leisure the greatest, we have the largest opportunity to cultivate and enjoy the higher things of life; that civilization is measured by the degree to which the race has surmounted its natural limitations in time and space and expresses itself, not in terms of philosophic thought, but in standards of living.

It is now my intention to call your attention to the present attitude of our people toward the very means by which we have reached our wonderful position, and, if possible, to help you to see for yourselves what the result of the present public attitude toward railroads and the means of transportation and communication generally means, not only for the future of the race and the prosperity of our own country, but what it means to each one of you personally as to your opportunity in the future.

When railroads were first built in England, the popular ideas regarding these roads were those that had grown out of the toll road system, whereby stretches of country road were improved by abutting property owners and closed to the public, except those who were willing to pay the toll for the use of the improved roads.

The earliest railroads were merely plank strips laid lengthwise instead of crosswise on the old plank roads, and they were actually built for the use of wagons and teams. They were first developed about the coal mines of

England. Some driver, noticing that the coal wagons wore out the wooden rails very rapidly, conceived the idea of stopping this wear and prolonging the life of the rail by nailing a strip of iron along the top of the wooden rail.

The use of iron once begun, it was a simple evolution to make the entire rail of iron and so save the wooden sleeper underneath. These iron railroads were first built for the use of ordinary wagons and had a flange rising some three inches higher on their inside edge to prevent the wagon wheels from slipping off. The first railroads that were offered to the public use were offered for public wagons, and any driver who was willing to pay the toll could have the privilege of driving his wagon over the rails.

When the invention of the steam locomotive and its first introduction by Stevenson occurred, the railroads were offered to public use as they were before, the railway company offering only the rails and the locomotive, picking up anybody's wagon which was offered. In those days some shippers even furnished their own locomotives and hauled their wagons with their own locomotives over the company's rails, but it soon became evident that the railway company could not give facilities for everybody to be running locomotives and trains over the railway company's rails, but that the railway company must control and manage the traffic itself.

The original idea, however, was persistent, and shippers continued to furnish their own cars or wagons, a system which prevails in England very much even to the present time. Practically all coal dealers in England—and by this I mean not only the coal operators or miners, but the large retail coal dealers in the cities—own their own coal cars or wagons, the railway company simply hauling the cars from the mines to the coal yards in the city and back, charging, as it did in the early days, a mere toll for the hauling of the cars over the road.

It is obvious that this system calls for a large investment on the part of the coal companies or private dealers in cars and wagons, but to the railway companies it means a large saving, not only in the original capital investment, but in deterioration and maintenance of this class of equipment, which wears out rapidly.

But there were many small shippers who not only were unable to furnish their own wagons but many whose shipments did not reach car-load lots, and for these the railway companies were compelled to furnish cars to haul the goods offered. The additional capital investment in cars made it necessary for the railway companies to charge these shippers two sets of rates; one, the toll for the use of the rails, and the second the charge for the use of the cars; and this second charge was necessarily made large enough not only to cover the interest on the cost of the car, but the depreciation as well.

There grew up, therefore, in railway traffic, from the first, two sets of rates, one rate charged to the shippers who simply offered their goods for shipment, where the railway company was compelled to furnish cars, loading facilities, engines and rails, and another set of rates charged to those who had their own terminal facilities, their own cars and for whom the only service rendered was the hauling of the cars to their destination. Carriage by wagon, coach or canal boat had long been recognized as a peculiar business and the law of Common Carriers had been developed long before railroads were ever thought of.

But even at the time the railways began to haul such heavy freight as coal and iron, they found this traffic altogether in the hands of the canals, who were charging in some instances as low as five cents a ton mile.

In order to get any share of this traffic, the railway companies were compelled to meet the canal company rate so that within fifteen years after the real beginning of steam railways, their average rates were around four and five cents per ton mile.

It was not until well into the fifties that the average freight rate broke below four cents a ton mile, although even as early as this some shipments, like wheat and coal, were being handled over some of the more level roads at rates only a little over one-cent per ton mile. As late as 1865, after the close of our Civil War, the average freight rate per ton mile of our best railroads in America, such as the New York Central and the Pennsylvania Railroad, was still over three cents per ton mile.

It was not until the organization of the Standard Oil Company in 1869 that a truly scientific effort was made to ascertain the real cost of handling freight and the means by which that cost might be reduced. It is worth while taking a little time to investigate the relation of the Standard Oil Company to the transportation question, not only on account of the importance that it has in relation to the development of transportation rates, but because of the enormous amount of deceit that has been practiced upon our people in relation thereto.

In the early days of the oil business, shippers forwarded their oil to the refineries in barrels, and the branch of the Pennsylvania Railroad through the oil country, had a local train that ran through the oil towns each morning, picking up the oil barrels filled by the producers the day before, in much the same manner in which our interurban cars now pick up the milk cans left by the farmers on the platforms along the country roads. It is certainly not necessary at this time to call your attention to the uneconomic result of handling oil in this way.

In a short time some of the larger producers, including some of those who afterwards organized the Standard Oil Company, began building tank cars of their own, and these were picked up by the oil train as it went past; those furnishing the tank cars receiving, as was the custom and their right, a lower rate or rebate for furnishing their own cars and saving the railway company this investment in cars as well as the expense of loading and unloading, which was necessary in the case of oil shipped in barrels. The business was so profitable that the small producer did not feel any competition, although, of course, his profits were as much less than those of the large shipper, as the economies affected by the large shipper by furnishing his own cars and his savings of twice handling the oil.

The traffic was, however, more or less irregular. Some days the oil train would pick up only five or six cars; other days it would pick up ten or twenty, and yet the cost to the railway company of hauling five or six cars was practically the same as it was when it was fortunate enough to get twenty cars. Its profits were, therefore, not only irregular, but in many cases the light load collected was not even enough to pay the cost of running the locomotive and the train crew over the road.

It was at this point that the Standard Oil Company, getting into the position of being the largest producer, induced the railway company to name a price for which it would furnish locomotive and train crew every day, regardless of the amount of traffic furnished, the Standard Oil Company itself undertaking to furnish cars and sufficient traffic to make the oil train profitable to the railway company every day in the year. In other words, the railway company sold the use of its oil train to the Standard Oil Company, the Standard Oil Company paying the railway company a definite fixed price therefor regardless of whether it had ten or twenty cars a day to ship.

But the oil train was the oil train, and it continued, as in the past, to stop at the different stations and to pick up the different shipments left there by other shippers. This practice of buying or chartering a train for a day or a trip was a common one in those unsophisticated days. Sunday schools and churches and lodges bought or chartered trains from the railway company for picnic excursions and for excursions from all these central state points to Niagara Falls and return, the church, Sunday school or lodge paying the railway company a definite fixed price for the use of the locomotive and so many cars for the day, or trip, as was agreed upon.

That train thereupon became the property of the church, Sunday school or lodge buying it, and it was a matter of indifference to the railway company whether the good people hiring the train sold one hundred or one thousand tickets therefor. All that the railway company got out of it was the price agreed upon in advance. The people interested in the project or excursion were the ones who sought the traffic with which to fill the train and their profits were measured by their ability to sell enough tickets to fill the train to overflowing. Many is the church throughout these states that was built or improved or kept alive by the profits made by them out of these excursions. It was entirely a legitimate plan. It is exactly the practice followed in chartering a ship, which no one has yet suggested is immoral or unethical, and when used by churches, Sunday schools and lodges never excited anyone to criticism.

But the Standard Oil Company, having purchased or rented or chartered the use of the oil trains from the railway company for a definite fixed sum, like the churches and Sunday schools and lodges, claimed for itself the entire earning power of those trains and where the railway company in the excursion days sold tickets on these excursion trains for the benefit of those chartering or hiring the excursion trains, so they accepted freight from independent shippers for shipment via the Standard Oil train and collected the charges therefor.

The Standard Oil Company, having purchased from the railway company the use of the train, claimed that these freight charges collected by the railway company from other shippers belonged to it, and when at the end of the month it came to pay the railway company for the use of the trains as agreed, it asked for a statement from the railway company of the amounts collected by the railway company for freight shipped via their, the Standard Oil Company's, trains, and, of course, entered that amount as a credit against what they owed the railway company and paid the difference.

In other words, they received, on what they owed the railway company for the use of the oil trains a credit of the amounts collected by the railway company from other shippers via this same train, an entirely reasonable proposition and one that you can easily see involved absolutely no moral turpitude, either on the part of the Standard Oil Company or of the railway company. Yet it was out of this simple transaction, not only distinctly honorable on the part of everybody connected with it, but a transaction the very essence of which warrants a tribute to the business ability and acumen, not only of the Standard Oil Company as a shipper, but of the railway company as a carrier of traffic, that there grew the outcry against the Standard Oil Company that its freight was being paid by its competitors. This was the beginning of that development in the science of transportation that led to the consolidation of traffic into trainloads, which has now superseded carloads as the unit of rate-making. Only a few years ago the meat prices in New York were revised on the basis of a contract made by a single packing house to furnish a solid train of packing house products every day from Chicago to New York, and every day from that time to this that train of from fifty to eighty cars starts out on its thousand mile trip without a stop on the whole journey, except such as are necessary for the changing of engines and train crews.

The late Mr. Flagler, of the Standard Oil Company, claimed the credit of devising this economy and securing for himself and his associates this credit or rebate, but a short time thereafter he was amazed to find that the railway company had made the matter known and that other large shippers, whose traffic had formerly gone forward via the Standard Oil Company's train, had combined together and pooled their shipments, chartered a separate train and secured for themselves not only a rate equal to that granted to the Standard Oil Company, but one a trifle better, which, of course, led to redoubled efforts on the part of the men who made up the Standard Oil Company to meet the conditions created by their competitors and secure for themselves an additional reduction.

The small shippers, of course, had to take such service as their shipments warranted, and the freight that they paid contributed to the credits or rebate granted either to the Standard Oil Company or to its larger competitors who were pooled together; and this continued until the enormous increase in the production of oil led to such a great reduction in the price of oil and to such competition in the markets that the small producer could not deliver at a profit, or at least thought that he could not.

Then the cry went up of unfair competition, and, for the first time, it was discovered that it was immoral for the small shipper to have his oil carried on the same train with the Standard Oil Company's oil or to permit the Standard Oil Company to pay part of the cost of its oil train out of the charges collected from the small shipper.

You must recollect that the conditions produced in the oil traffic by the Standard Oil Company and its largest competitors had resulted in such a reduction in freight rates that even the small producer was paying less than half as much as he had been paying five years before. The railway companies, with such reductions in freight rates, anxiously searched for a larger volume of traffic and gladly granted discounts or rebates to shippers who could furnish traffic in larger volume or who could devise some new saving in the cost of transportation.

Other shippers, learning of the advantages accruing to large shippers in the oil business, followed the practice of holding their shipments and forwarding them in carload lots, or several shippers pooled together, so that it was not long until practically all shippers were meeting the same conditions, all claiming the same discount, with the result that the new discount rate soon became the standard rate.

Different shippers found different ways of expediting traffic. Managers of transportation joined with shippers in devising ways and means by which traffic could be expedited or the cost of transportation reduced, whereby discounts could be claimed by the shippers and allowed by the railway companies, in every instance the discount or rebate being based on some salvage or saving to the railway company over its previous cost of shipping; some furnishing more traffic that could be handled cheaper or more expeditiously, or doing something themselves which was formerly done by the railway company, while others devised various savings in the cost of handling.

It will perhaps surprise you to know that in the early days a railway company would not think of permitting its freight cars to leave its own track, and that freight from New York to Buffalo was frequently loaded and unloaded five or six different times.

The devising of one of the greatest economies in the transportation business has been credited to Andrew Carnegie. At the time when he took up the iron and steel business in America, it was in a most primitive state. The early iron rails imported for our first railroads had cost as high as one hundred and thirty dollars a ton. Ocean freights were high, and even with the cheapened cost resulting from rail development in England, the cost of rails in New York, via English steamer, at the end of our Civil War was from sixty to sixty-five dollars a ton.

The cost of transportation to middle western points was so high that even though light rails were used, the cost per mile was as much or more than it is now, with rails weighing two or three times as much. The product of our own iron and steel mills was comparatively small, the rails short and light, and after their manufacture they were hauled by the iron companies down to the railroad and there delivered at a railroad freight house, where later railway employees loaded the rails on the cars.

This process impressed Mr. Carnegie with its wastefulness. He could not understand why it was necessary to handle such a heavy product as rails two and three times, and he suggested to the railway company that if they would put the cars where his men could get at them, he would load the cars himself. It would not cost him any more to put the rails on the cars from the wagons than it then cost to unload them at the railway freight house and it would save for the railway company the entire cost that it was then put to of loading the rails from the freight house to the cars.

Mr. Carnegie naturally claimed from the railway company the benefit of the saving and the railway company gladly agreed, for, in addition to the saving of labor, the railway company was not bothered by the filling of the freight house or the damage and depreciation to it of handling the heaviest and hardest kind of freight. CARNEGIE'S FIRST REBATE WAS A REBATE GRANTED TO HIM FOR SAVING A RAILWAY COMPANY THE EXPENSE OF ONCE HANDLING IRON RAILS.

But the process of shipping was still expensive. The rails were loaded on the trucks at the rail mills and then loaded from the trucks on to the cars at the railway station, and it seemed so obviously simple to save half of this cost by running the empty freight cars on a switch to the mill and loading them direct from the mill on to the freight cars. This not only saved another handling of the rails, but it saved the expense of teams and wagons and the time of haulage from mill to railway.

It involved, however, the expense of building a switch from the railway line to the rail mill, and this the railway company refused to do except upon a guaranty from the shipper to pay interest on the cost of the switch. This the iron company agreed to, saving for itself one handling of all its iron products and all the expense of teaming and hauling at the small cost of the interest on the investment necessary to build a half mile or so of switch track from the main line of the railroad to the mill.

Other iron companies at once saw the saving that was being affected and the rebates that were being secured by Mr. Carnegie, and they hastened to build switches of their own or to guarantee the cost of those built by the railway companies, and from that time until the passage of the Hepburn Bill practically every shipper in the United States was on a constant quest of ways and means by which to earn some discount or rebate from the railway companies, with the result that we have so consolidated shipments and economized and developed the art of transportation, that we have reduced our transportation rates to the lowest point that the world has ever seen.

The success of the Standard Oil Company has been due almost entirely to its attention to the problem of transportation. Fifteen years ago the late Mr. Dodd, then General Solicitor of the Standard Oil Company, told me that they had reduced the cost of transportation of their product to such a point that if oil were free to their competitors on the shores of Lake Erie they could not deliver their product at tidewater so cheaply as could the Standard Oil Company.

The success of the United States Steel Corporation has been due to its appreciation of the part that transportation plays in the cost of the finished product and its development of its own lines of steamers from the ore fields on the lakes, its own lines of railway from the lakes to the furnaces and from the coal mines to the furnaces. It has thus been able to get for itself the benefit of every economy resulting, not only in scientific mining and production, but in scientific transportation, and the result has justified itself, for until the organization of the United States Steel Corporation and the co-ordination of these various elements that go to make up the finished product, the iron and steel business had alternated between feast and famine, but since its organization we have had, for the first time, something like a continuous prosperity in this branch of business as the result of a scientific effort to reduce costs to the point that will result in largest use and consumption of the product and to limit production to the possible demand.

The point that I want to impress upon you is, that all rate reduction in the United States has been by means of rebates. First the rate, then the rebate claimed and allowed for some economy or saving device, then the universal use of that economy or saving, so that everybody got the benefit of the rebate. Then new economies and new devices, new rebates, new reductions; the rebate of today constantly becoming the rate of tomorrow. You shall later see that the first effect of the abolition of rebates must have been and was a cessation in the further reduction of rates.

The preferential rates granted by railroads to large shippers in the early days amounted to nothing but applying to railways the principles prevailing in regard to retail and wholesale business everywhere. It was just as legitimate a practice for railway companies as it was for dealers in cotton goods, shoes or any other kinds of commodity. Not only the railroads but the shippers and the public believed that the man who shipped a thousand cars a year or a thousand tons a year was justly entitled to a lower rate than the man who shipped but one car or one ton.

The question of free passes to large shippers by railway companies was based on the principle that the traveling of these large shippers was for the sake of attending to the business which gave rise to the great volume of traffic, and that consquently the railway companies were securing the benefit from the business trips of the shippers through the increased business that he was so able to secure and the increased volume of traffic that he sent over their line. In other words, the railway companies regarded every large shipper as a special traffic agent for their line, whose services they secured without cost, in consideration only of granting to them free transportation.

At the same time, free passes were extended by many railroads to members of the clergy on the theory that the railroads were benefited by the decrease of lawlessness and by the decrease of the destruction and theft of railway property as the result of their ministrations. I make this explanation because I want you to see that the former practices were not only not morally wrong, but that they were economically sound and that the legislation against such practices has resulted only in the creation of a great mass of artificial crime that involves not the slightest element of moral turpitude.

The old simple wagon rate, or the early railroad rate, based on primitive conditions, measured the charge in accordance to the distance. This simply extended the zone wherein former markets were to be found and perpetuated the system that gave the producers of any commodity a monopoly on the business in their community.

A comparatively high rate of transportation for a short distance is no hindrance to trade, but the same rate extended for a longer distance soon eats up the value of the commodity in the mere cost of transportation. On the other hand, a low rate for a long distance widens the markets and makes possible commercial and industrial competition that would otherwise be impossible.

It is one of the peculiar features of rate making that the complaints of shippers are always that the rates of their competitors should be based on distance. This, if allowed, would shut their competitors out of their local market. But when he clamors for rates for himself, the shipper insists upon a low rate for the long haul, so that he may be enabled to invade the territory of his competitors.

In 1860 the average freight rate of the New York Central was three cents per ton mile; on the Erie it was about two cents; on the Pittsburgh, Fort Wayne and Chicago it was one and three-quarters cents; the average of the Pennsylvania Railroad was two and three-quarter cents. In 1860 the average of all

American roads was two and three-quarter cents per ton mile.

By 1870 the average of all American roads had fallen to a fraction less than two cents per ton mile. By 1880 the the average of all American roads had fallen to one and one-quarter cents and in 1886 it had fallen to about one cent per ton mile. In 1887 the Interstate Commerce Commission was created, and we began an era of interference with the conditions of natural competition that had theretofore existed.

Under free competition the New York Central rates were reduced from three cents a ton mile in 1865 to .78 in 1885. Twenty years of Interstate Commerce Commission regulation since 1887 has sufficed only to reduce it from .78 to .60, while the passage of the Hepburn Bill, with the abolition of rebates and the prohibition of railroad economies, has resulted in an increase from .60 to .65. And what is true of the experience of the New York Central and those dependent upon it for transportation has been true of practically every other railroad system in the United States.

From 1878 to 1887 the average number of

miles of railroad constructed annually in the United States was over 7,000 miles a year, but with the interference of the Interstate Commerce Commission has been ushered in an era of persecution and harrassment of our transportation interests, so that the average railway construction during the years following the passage of the Interstate Commerce Act has been only half what it had been during the ten years before, and this notwithstanding the increased population needing transportation facilities and the increased wealth of the country with which to furnish them.

Our legislatures from the beginning failed to realize what the difference in the density of population means in traffic. Because the New York Central and the Pennsylvania could afford to haul passengers for two cents a mile, it was argued that they could do the same thing in Indiana or Texas, but the facts of the case were that the population in New York is so dense in proportion to its railroad mileage that each 10,000 of population in New York is only compelled to support ten miles of railroad. The population in Pennsylvania is so dense that each 10,000 of population supports fifteen miles of railroad, but out here in Indiana you have twenty-six miles of railroad per 10,000 of population, while in Texas there are forty miles of railroad per 10,000 population.

In several of our Western States—Idaho, North Dakota, Montana—there are considerable over 100 miles of railroad per 10,000 population, while in Nevada there are over 400 miles of railroad to each 10,000 of people.

Now, it is plain that in order for the railroad mileage of Indiana to earn the same amount as that of New York from its passenger traffic would require the Indiana population to ride two and one-half as much per capita as the New York population, while to attain the same result in Nevada would require each individual to ride forty miles to every mile ridden by a man in New York.

The contrast shown in train service by this difference of density in population is easily seen by a comparison between the New Jersey and New York Railroad, which carries 140 passengers per train mile, and the Fitzgerald and Boxton Railroad, which carries only two passengers per train mile.

The same startling differences are shown in freight traffic. The Hocking Valley, the Erie, the Delaware, Lackawanna and Western, average from 500 to 600 tons of freight per train mile, while the Detroit and Toledo Shore Line averages 700 tons per train mile, and the Bessemer and Lake Erie Railroad almost 1,000 tons per train mile. The other extreme is shown by a number of smaller railroads, like the Skaneateles, which average only eight or nine tons per train mile, while the White Deer and Loganstown Railroad averages less than five tons and the New Berline and Winfield Railroad only one and one-half tons per train mile, or about the load of an ordinary farm wagon.

A very considerable mileage of the United States railways has a freight traffic of less than ten tons per mile. You can easily see, therefore, that a rate, either for passengers or for freight, that would be a feast for one railroad might easily prove a famine for another and that a rate that permits one railroad merely to exist might enable another road to take excessive profits from the territory that it served.

Politicians do not like to hear these things. They regard a plain statement of facts as an attack upon them; but here are the facts, and it is time that our people took notice of them and decided upon their own course in the premises without the assistance of the demagogues. The railroads are doing business, it is true, but they are not hauling out new rails; they are not building new sidings; they are not making new spurs; they are doing little or no double-tracking; they are building no extensions; they are not increasing their terminal facilities, and they are buying no new rolling stock. New railroad enterprises have been abandoned.

The operation of the Public Service Commissions in New York has brought railroad construction in that state to such a standstill that a couple of years ago a member of the New York Legislature introduced a bill providing for state aid and subsidies to induce the construction of railroads in rural districts.

He declared that 933 towns in the State of New York were not yet reached by any railroad and that hundreds of thousands of acres in New York State were untilled because they were too remote from railway accommodation.

Railway enterprise has been so killed in Colorado that the Denver Chamber of Commerce has been doing everything possible to secure private inducements and subsidies that will overcome the handicap of hostile legislation. Texas, notorious for its anti-railroad legislation, built a state railroad to show the privately-owned railroads how a railroad should be run, with the result that its state owned and operated is now bankrupted and it is offering it to anyone who will assume the deficits. The proposed extension of the road has been abandoned and the Governor, himself a radical opponent of the privately-owned railroads, has recently sent a message to the Legislature advising the sale of this state-owned road.*

Ohio, which for fifteen years built more miles of interurban railway than any other state in the Union, passed a bill creating a Public Service Commission about two years ago, with the result that there has scarcely been a mile of

* Texas has an area of 265,896 square miles. Its estimated population in 1916 was 4,472,494. Its development has but begun, yet in this gigantic state in 1916 only nineteen miles of railroad were built. The Galveston News recently said:

"Texas needs more railroad mileage and if the supply of idle investment capital is abundant beyond all precedent, what is the explanation of the fact that last year only nineteen miles of railroad were built in Texas? It seems to us it can be explained upon only one hypothesis, and that is that *railroad building in Texas is not an inviting form of investment,* and this at a time when capital is busily looking for investment opportunities."

railroad built in the state since the bill was passed and the Commission created.

It is useless to multiply instances to prove this, for there are more important things to consider. A bill has been passed and our Government is undertaking, at an enormous expense, a physical valuation of the railways in the United States, the argument being that rates should be based on the cost of the railroad, or, where that cannot be ascertained, on its value. I want, therefore, to call your attention to the capitalization of the railways in the United States compared to that of the leading countries in the world with whom we compete.

The average capitalization of railways in Germany is about $115,000 per mile; in France the railway capitalization is $145,000 per mile; in Belgium and Holland a little over $150,000 a mile; in Italy, $125,000 a mile; in all of Great Britain the average rises to the extremely high figure of $275,000 per mile, while for England and Wales alone it rises to the truly enormous figures of nearly $330,000 per mile. In contrast with these figures, our American railroads are capitalized even at the present time, after seventy years of improvements and betterments, at less than $60,000 per mile.

There is, as you shall see, a reason for this truly remarkable contrast. No one will pretend that English railways are five or six times better than American railways, or that they give a service better in proportion to their higher capitalization. The difference is due to the fact that the English began earlier to regulate and interfere with natural normal free competition in railroad traffic.

As early as 1840, within ten years after the first commercial railway began to operate, the British Parliament had passed over three hundred railway regulation acts. In 1872, a Parliamentary Committee reported that there was at that time in operation more than three thousand special acts of Parliament relating to railways, and since that time legislation has piled up at the rate of one hundred acts per year.

In 1844 the British Parliament passed what was known as the "Cheap Trains Act" to regulate the charges of transportation on railroads. This act required every railroad in England to run a train each way daily at an average speed of not less than twelve miles an hour and to carry passengers in covered wagons for not more than a penny or two cents a mile for third class transportation, but most important of all there was a provision that has had more to do with the conditions under which railways have grown up in England than anything else. It was nothing more nor less than an attempt at physical valuation and the regulation of rates based upon such valuation.

This Act of 1844 provided that in the future if at any time the profits of any British railway exceeded ten per cent. on the capital invested in it, it might be bought by the state at a valuation to be computed as follows: The net earnings of the railway for three consecutive years were to be taken and averaged and the valuation of the railway was to be twenty-five times this average annual net earning.

This law still stands. Its provisions have never been applied, for the simple reason that the railway companies, in order to prevent their property from being taken away from them, began to disguise the real extent of their profits. With a penalty facing them for economy and efficiency, they became extravagant. Expensive methods of operation were permitted; no allowance was made for depreciation or obsolescence. All disbursements for maintenance or up-keep, which in our American practice are charged out of earnings as part of the cost of operation, have under the English system been charged to capital in order to inflate the capital amount of the company and thereby reduce the percentage of profit and keep it below the ten per cent. point at which the government right attached.

This act has been the supreme demoralizing influence in railway finance in England. To it is due the continued increase of British railway capitalization until now it is nearly three times as high as the average capitalization of Prussian railways and nearly six times as high as the average capitalization of American railways In the past twenty years the average capitalization of all British railways has risen from $200,000 per mile to over $275,000 per mile, or, in other words, the mere increase per mile in capitalization of British railways, brought about by their system of legislative regulation and of interfering with their operation, has equalled one and one-half times the total capitalization per mile of American railways.

It has retarded the construction of railways built in Great Britain to such an extent that the total mileage of railways built in Great Britain in the past thirty-five years is less than we have built in the United States in a single year. You must not suppose that Englishmen have been blind to the effects of this legislation. As early as 1856 Robert Stevenson, the son of the inventor of the steam locomotive, in his inaugural address as President of the British Engineers' Association, said:

> "Little more than a quarter of a century has elapsed since Parliament first began to legislate for railways, but in this period a multitude of laws has been placed upon the statute book which will certainly excite the wonder, though it may fail to be the admiration, of future generations."

Stevenson called attention to the fact that at that time the London and Northwestern Railway was regulated by no less than 187 different acts, adding that it was not so much the number of the statutes, regarding railways that excited surprise, but that the extraordinary feature of this legislation consisted in the anomalies, incongruities, irreconcilabilities and absurdities which prevailed in this mass of legislation.

You will undoubtedly be surprised when I tell you that Mr. Gladstone himself was the Chairman of the Parliamentary Committee that suggested, drew up and secured the passage of the Railway Act of 1844 limiting the profits of British railways to ten per cent. on their capital. But he lived to see his mistake. At a meeting of the Cobden Club some twenty-five years afterward he made an address estimating the waste on British railways up to that time as the result of ill-advised legislation at the then enormous sum of £200,000,000—$1,000,000,000—or an amount which at that time equalled $60,000 of waste for every mile of railroad then in existence in Great Britain.

In other words, the waste that had been brought about in Great Britain by foolish and unreasonable legislation, had cost English railroads in twenty-five years more for every mile of track in the United Kingdom than the average capitalization per mile of American railroads at the present time. Gladstone also quoted with approval the recommendation of Robert Stevenson that England might well sweep the whole of her railway legislation from her statute books and legislate afresh.

At this time, Parsloe, an eminent authority, contrasting the conditions of railways in Great Britain with those in the United States, said:

> "The Americans have been able to obtain the necessary authority from their Government to build their railways without unreasonable delay or expense. Enterprise in America has had a free course, with the result that our cousins across the Atlantic have now a length of railway more than sufficient to twice girdle the earth, a mileage equal to that of all the seven great powers of Europe combined."

Remember, this statement was not written recently with any idea of its possible effect upon present conditions or proposed legislation, but was written thirty-five years ago, before present conditions could possibly have been anticipated.

Government legislation and regulation have always operated to crystallize rates. When such regulation has reached its highest development railroad rates cannot be changed without calling into play an elaborate mechanism. In Germany and Belgium and France it required the meeting together of a General Advisory Council and a General Tariff Committee. These bodies are composed of various Government ministers, representatives of chambers of commerce, of industrial and agricultural societies, and are so large as to be unwieldy.

They claim that through their deliberations the rates are adjusted for the best interests of the country, but the fact is that in their deliberations so many contending interests are represented that many districts have to suffer because of the opposition of other districts to rate adjustment that would benefit them in competition with their rivals. The business associations of Germany vigorously assert that their rates are held at too high a level. In France the periods of time required for the deliberations of the Consultative Committee and the securing of ministerial approval are so long that the occasion for the making of a new rate has usually passed long before the decision thereon has been reached.

The effect of legislative tampering with rates is no better illustrated than in the case of the New York Central. When the New York Legislature, over forty years ago, passed the law authorizing the consolidation of several small roads up the Hudson and through the Mohawk Valleys in New York into the New York Central and Hudson River Railroad, the passenger rate was fixed by law at two cents a mile, while the sapient legislators did not attempt to fix the freight rates.

The result is that now, after over forty years, passenger rates fixed by law at two cents a mile, remain today at two cents a mile without any reduction, while the freight rates, which at that time were over three cents per ton mile and were left by the legislators without compulsory reduction, have been voluntarily reduced by the railroad company in order to get business in competition with other railroads to little over one-half a cent per ton mile, or about one-sixth what the rate was forty years ago. Wherever the thing has been tried, the result has been the same.

In 1877 the Legislature of Texas reduced the passenger fare from five cents to three cents per mile. The average freight rate in

Texas at that time was three and one-third cents per ton mile. Texas passenger rates are still three cents a mile, but the average passenger revenue per passenger mile in Texas is only about two and one-half cents, because much of their passenger traffic is through business on which they willingly accept about two cents per mile. But the freight rates with which the Legislature in '77 did not interfere, were by 1910 reduced to nine mills per ton mile, or little more than one-fourth what they were thirty-six years ago.

Wherever legislation attempts to interfere with or regulate rates, it tends to maintain rates at the maximum allowed by law and operates to prevent any further reduction, while without legislation, competition requires the strictest economy and stimulates the highest efficiency with the result of steadily lowering rates.

If you will compare the capitalizations of the different countries in the world with the freight rates in those countries, you will see that there is absolutely no relation between capitalization and freight rates. If there were, the high capitalization in England would require a freight rate so high as to be practically prohibitory and so put an end to traffic entirely. English capitalization is six times as high per mile as American capitalization, but English rates are less than three times as high as American rates. Here at home our eastern roads are capitalized twice as high per mile as are our western railroads, but in order to live at all our western roads are compelled to charge twice as high a rate per ton mile as the eastern railroads, while the eastern roads with a capitalization twice as high as the western roads are prosperous with a freight rate only one-half as high. The truth is that freight rates must be placed at the figure at which the maximum amount of traffic will move, and this regardless of whether the capitalization is high or low.

There is a feature, however, of this in connection with Great Britain that illustrates again the necessity for a distinction of rates between long and short hauls. In Great Britain the shortness of the average haul, in fact the comparative shortness of the maximum possible haul, makes the maximum cost of transportation a comparatively small item in the total cost of the finished product, even though the freight rate is three times as high as it is in America, but English legislation has resulted in forcing on their railway companies such financial practices that even with these enormously high freight rates the English roads find it difficult to earn more than three and one-half per cent. on their enormous capitalization.

There is a feature of rate making that has been more or less ignored, and that is the insurance value of transportation service. A common carrier is responsible for the safe delivery of freight delivered to it for transportation, and it would be manifestly unfair to require a railway company to pay $6,000 for the loss of a carload of clothing or $600 for the loss of a carload of wheat, if it had received only the same amount of freight per car for the clothing or the wheat, that it received for a car of coal that was worth only $50 or $60.

Freight rates must be based on what it is worth to move the commodity offered. Obviously they cannot be higher than that product can afford to pay, for if they were it would not move and there would be no traffic in that particular kind of product at all. If you were to attempt to make a flat freight rate on the basis of what is now our average freight rate, you would find at once that all the traffic that is now being moved at three or four mills per ton mile would cease being moved. That would mean the practical cessation of all freight in ore, stone, sand and the curtailment of the use of coal to within a comparatively limited radius about the mines. This would mean an enormous falling off in the volume of freight traffic.

The loss of the freight in these lower classes would make necessary the raising of the rates on the traffic that was left, and this would automatically put a stop to the movement of the next grade of traffic, which could not afford to be moved at the increased rate.

I want to lay stress upon this point, for this is exactly what is now being attempted by the foolish and inexpert railroad operators, assisted by the railway unions, who have joined in a conspiracy with the railroad operators to raise the price of transportation to the country at large, the understanding being that this increase is to be divided between the railroad companies and their employees, but the results to the rest of the country have been carefully concealed from the public.

The freight charges of railroads are taxes inexorably collected, on every product of human labor, collected by a natural law that can only be escaped by the laborer consuming his own product. The raising or lowering of railroad rates, therefore, vitally affects all labor dependent upon the railroads for the market of its products.

The result of the present project can only mean the imposition of an additional burden on trade and on the products of labor. It means the narrowing of markets, the curtailing of the product of labor, and for all the rest of the country, except railroad employees alone, lower wages and lower standards of living, which will soon react upon the railroads themselves and shortly thereafter upon railroad employees.

I wonder if you realize the extent to which our present railroad systems are the result of consolidations and how much the reduction of railroad rates has been due to economies growing out of the reduction of management charges by the consolidation of many small companies. Your attention has already been called to the consolidation that resulted in the creation of the New York Central and Hudson River Railway system. The New York, New

Haven and Hartford as it now stands consists of the properties formerly built, owned and operated by 189 different companies. The Boston and Maine is composed of pieces of property that were built and operated by over 200 different companies.

The reduction in railroad charges and the economies secured in railroad management by the consolidation of railways during the period from 1873 to 1879, a time when the rest of the country was in the throes of a panic, amounted to the enormous sum of one billion dollars in freight charges alone. It may well be argued that the reduction in freight rates of this enormous sum, with the consequent impetus given thereby, to manufacturers and the relief to the producers of farm products, was more than any other single influence the cause of recovery from the panic and of the prosperity that followed.

In 1882, when the Great Northern Railway began operation, its ton mile charges on farm products and timber from the Northwest was two and one-half cents per ton mile. In twenty years this had fallen to less than one-third, or about eight mills per ton mile. In this latter year, at the then low rate, the gross earnings of the Great Northern amounted to $31,000,-000. At the rate which prevailed twenty years before, the money taken from producers and shippers along the line of the Great Northern for handling this same amount of traffic would have amounted to ninety-one millions of dollars. The voluntary reductions in freight charges by the Great Northern, made possible by the highest economy and efficiency, saved to the patrons of that line the sum of $60,000,000 in a single year. This capitalized at six per cent. means that through the economy and efficiency of the management of the Great Northern Railroad there was added in a single year, to the values of the lands and products raised in the territory served by it, the enormous sum of one billion dollars.

Throughout our western country the agricultural era is succeeding the grazing era. Every panic has been followed by a human swarming to the west. When the conditions in the east become hard, the people swarm out to the region of cheap lands, where on a few acres a man may at least make a living for himself and his family. The panic of '73 peopled the area just beyond the Missouri River. The panic of 1893 poured a myriad of farmers into the territory tributary to Kansas City and Omaha, but there can be no market and no profit in farm products unless the transportation charges are low enough to carry these products to the place where they can be consumed.

Figures recently prepared by the Department of Agriculture show that the average cost of hauling farm products from the farm to the railroad station, an average distance of less than ten miles, amounted on grains, like wheat, corn and oats, to about ten cents per one hundred pounds. In the case of cotton and some other products, it ran as high as sixteen cents per one hundred pounds, while the same report showed that the average rail and ocean rate on grain from St. Louis to Liverpool was less than 15 cents per one hundred pounds.

Not long ago the railroads from the lakes to tidewater entered into a competition for the movement of the wheat crop. The crop was light, and if divided would have given no single road much traffic. The rate at this time for grain from Buffalo to New York was five cents a bushel for wheat, with a differential in favor of Philadelphia of four-tenths of a cent. The New York lines attempted to divert this traffic by meeting the differential in favor of Philadelphia. The Pennsylvania Railroad and the Lehigh Valley met the cut of the New York Central lines, with the result that within ten days the rates had fallen from five cents a bushel from Buffalo to New York, to two and one-half cents a bushel. The result was that that crop was moved from Chicago and St. Louis to Liverpool at a lower cost per bushel than it formerly took for the farmer to haul it from his farm to the nearest railway station.

Instead of complaining of our railroads, whose remarkable service is not only the cause of their prosperity, but the reason that most of them are able to live where they are, our farmers had better look to their country roads and find out why it costs them two-thirds as much to haul their wheat from the farm to the railroad station as it costs to take it from the railroad station in some Mississippi Valley towns to the Liverpool market.

After all, our farmers are not very much ahead of a Chinese camel driver, who charged me more to carry a bale of rugs ninety miles from Tsun Hua to Tien Tsin than it cost me for the 17,000 miles from Tien Tsin to New York.

The Texas authorities recently figured out that Texas farmers marketed annually approximately 10,000,000 tons of products, which cost them an average of forty-three cents per ton mile to reach their local market, and the average distance that the farmers hauled their product was only five miles, while Commissioner Lane, of the Interstate Commerce Commission, in an address recently made, called attention to the fact that the Norfolk and Western and the Baltimore and Ohio received only four mills per ton mile for the coal hauled over their roads, while the Chesapeake and Ohio Railroad had actually received less than three and one-half mills per ton mile on its coal traffic.

Commissioner Lane further did these roads the justice to declare that they had so perfected the handling of coal that it did not take them over two mills per ton mile to handle this freight. If such roads can handle such traffic at a profit at such rates, it is idle to pretend that railroad operators may not, by efficiency and scientific operation, reduce the average cost from the figure where it now stands to somewhere near this minimum cost, which is barely one-fourth the present average.

I have called attention to the detrimental effect on railroad rates of legislation wherever had and particularly to the effect here in America of the creation of the Interstate Commerce Commission and of its interference with the normal handling of traffic. It is altogether too lengthy a task to review the decisions of the Interstate Commerce Commission and show their relation to and effect upon railroad rates, but I wish to call attention to at least two of the famous decisions that have largely controlled subsequent rate making.

One of the earliest decisions of the Interstate Commerce Commission was rendered by Judge Cooley, its first Chairman, in 1887, on the question of rebates to large shippers. A railroad company had allowed a discount of ten per cent. on a 30,000 ton shipment; but it appeared when the complaint was made by some shippers that although this rate was general in its terms, there were only two dealers in the district who could make a shipment of that quantity.

The decision denied the right of the railroad to make any discount to the large shippers, not because they were not entitled to it, for it was admitted that the cost of transporting such a large shipment in sixty solid trainloads from one place to another was much less than that of transporting numerous smaller shipments under varying conditions, but because if such a discount was allowed it MIGHT hand over the whole of the trade in the district to a single dealer. It was argued that if the discounts were allowed it would be possible for the railroads to allow this dealer such a discount as would equal the ordinary trade profit, so that competition by smaller dealers, who could not do business on a large enough scale to get the discount, would then be out of the question.

This decision, uneconomical, unsound, immoral, is the thing which above everything else has tended to paralyze business and endanger prosperity in the United States since the Interstate Commerce Commission was created. Had the discount or rebate been allowed, the numerous small dealers who felt the stress of competition would have combined among themselves and pooled their shipments so as to secure a ten per cent. discount for themselves, and having done that, their next move would have been to have pooled their shipments to the amount of 40,000 tons and then to have demanded for themselves a discount of fifteen per cent. instead of the ten per cent. discount allowed to the original large shipper. With the increased volume of business and the greater economy of handling the traffic, the commerce of our country would have been benefited and the cost of that product, to every consumer, not only in the United States, but in the world, would have been lowered.

Another leading case to which I wish to call your attention is the famous packing house case, involving the rate on packing house products from the Missouri River to Chicago. The rate on live stock was a trifle less than the rate on packing house products, so that it operated to build up the live stock traffic to Chicago and established the packing house business in Chicago rather than in the Missouri River cities; but the Chicago and Great Western Railroad reduced the rate on packing house products from Kansas City and St. Joe to Chicago from twenty-three and one-half cents to eighteen and one-half cents, in consideration of it being guaranteed a large proportion of the packing house traffic from Kansas City and St. Joe for a period of seven years.

The railroad company did not at the same time offer any corresponding reduction of the rate on live stock. The result was that the lower rate offered by the Great Western on packing house products acted as an inducement to the building up of the packing house business in the Missouri River cities. In other words, hogs and cattle in transit from the Southwest were butchered in Kansas City and St. Joe and forwarded in their cured and packed state instead of going on to Chicago as live stock and being butchered there.

The Chicago Live Stock Exchange complained to the Interstate Commerce Commission against the reduction, claiming that it was an unfair discrimination against the live stock traffic in the Chicago market. The expert members of the Interstate Commerce Commission upheld the complaint of the Chicago Live Stock Exchange and ordered the Great Western Railroad to restore its former rate on packing house products.

Practically every railroad traffic officer in America agreed with the Interstate Commerce Commission, claiming that the making of lower rates on packing house products was economically unjustifiable, because the increased value of the packing house product over the live stock made it unfair to charge a lower rate on the finished product than was charged on the raw material, but the Supreme Court of the United States overruled the Interstate Commerce Commission, holding that the lower rate had not in the least reduced the volume of traffic to Chicago, the only difference being, it held, the condition of the product when it reached Chicago.

Neither the Interstate Commerce Commission, nor the Supreme Court, nor the traffic managers, took the slightest notice of the real economic principle involved, which was that the packing house products were much more compact and easier handled than the live stock, that the live stock deteriorated rapidly when moved alive and their movement not only involved considerable care but considerable loss. While the packing house products could be moved without any attention, with absolutely no depreciation or loss in transit, and, what was most important of all, you could pack and haul in a single car in the shape of packing house products, stock that if shipped alive would occupy two or three cars. Nor was there any doubt that the quality of the food product was much better with the live stock butchered as near as possible to the place where it was produced, instead of being butchered after it had been harried and worried by a long railroad trip under physical conditions more or less cruel.

Not long ago I was invited by a friend to meet the general counsel of the railroad system of which he is an officer. We met to discuss primarily the Compensation Law, since passed, then under consideration by the New York Legislature. In discussing the matter, I made frequent references to the experience of compensation laws and compulsory insurance in continental countries and also to railroad experience in matters of injuries and damage claims. The eminent counsel turned to me in astonishment and asked: "Are such facts in existence where they can be found?" I replied that they certainly were; that I had become interested in the subject some fifteen years ago by reading a report of railway experience in Germany, and that I had since then followed the matter up. He replied, saying: "I have represented my railroad company at every hearing in Albany for the past twenty years and I have represented them at every hearing before the Interstate Commerce Commission for the past twelve years, and I never heard any railroad man offer such arguments as you have given me today, nor suggest that there was any record of experience in existence on the subject." I replied that I had no doubt that his statement was correct, for I had known many railroad executives, and that I had yet to meet one who had the slightest knowledge of the history of transportation, or of its economic significance. I might have added that there have been few addresses in the past ten years by railroad executives without some quotation, usually uncredited, from some pamphlet of mine on the subject of transportation.

Some months ago Leslie's Weekly printed a large double-page with the portraits of twenty-two of the leading railroad presidents and operators in America, and short interviews with each of them as to the trouble with the railroad situation in the United States. The first thing that struck me in reading over this list was the fact that only one of the twenty-two presidents quoted had had a college education and only one other a technical education in an engineering school. Few of the others had had even a high school education.

The biographies of most of them ran about as follows: "At the age of 17 he got a job driving stakes with a surveying party," or "He carried a rod, and later became an engineer," or, "At the age of 14 he began as a waterboy on construction work," or "At an early age he was a handy boy in railroad shops," and became ...., and ...., and ...., and finally vice-president, and upon the death of .... was promoted to president."

In one case, the railroad executive had been a farmer's boy. When the first railroad survey passed his father's farm, he applied for a job and got one as a section head; later he became local agent in the little village that sprang up near by, then district freight agent, then general freight agent, then fourth or third vice-president, and from there was rapidly promoted through the second and first vice-presidencies to president, when those ahead of him found the pressing problems of those times beyond their comprehension and ability to solve.

But in this particular case this railroad executive realized his own lack of training and was unwilling to undertake the responsibilities of the situation, so he resigned the presidency, leaving the problems that were too much for him to his vice-president, who has since been promoted to the presidency; another man who had risen by the same routine, with the same lack of education or knowledge of economics or anything else that is necessary to enable him to solve the present railroad problems.

In another case a man entered the railroad service as a stenographer, in which capacity he remained for twenty years, working first for a division superintendent, then the general passenger agent, and finally for the president of the road, where, by his familiarity with the routine of the president's office and the favor of his employer, he acquired the title of "Assistant to the President," being, in fact, merely the private secretary of the president.

At the age of 45 the death of his boss left him in possession of the knowledge of the negotiations being carried on by the late president, and by reason of a favorable impression made on the Board of Directors, who communicated through him to the late president, he was given a vice-presidency, and after five years' handling of the routine of this office, he rose, by a process of survival, to the presidency of the road.

Within a short time thereafter he was called to be president of one of the great railroad systems in the United States, then in need of a man possessed of high technical skill, sound judgment and quick decision. But how, let me ask you, could this man who during the twenty-five most important years of his life had been a mere stenographer and clerk, a funnel, if you please, through whom the ideas of others were poured and through whom the instructions of others were transmitted, how, let me ask you, could this man have hoped to meet the demands upon him?

Is it surprising that after a few years of his management he was turned out, discredited, the road a financial wreck, and his friends compelled to realize that though they thought him an executive, he had during the years of his presidency been nothing but a clerk for the banking interests that had manipulated the property?

How, let me ask you, can we expect anything else in the railroad world when the executives of our great railroad systems are men so lacking in education and knowledge of the history of transportation that when a railroad problem arises on their particular road they do not know that it has ever arisen anywhere else before; they do not know that any experiments have ever been tried looking to its solution, nor have they any knowledge of the success or failure that has attended the various efforts to solve the problems. So far as they know, the problem which is new to them is absolutely new to the world, and they do not imagine that anyone ever had to deal with the problems that now confronts them.

In the early days our railroad builders and operators were far-seeing men discounting the future years in advance, building up and operating their properties not for the result of today, but realizing that the best thing for their property was the development of the territory which it served.

But in these days of railway regulation when the operation and management of your property is constantly hampered and interfered with, when the future is entirely lost sight of, and rates and shipping are regulated by commissions irresponsible as to the outcome of operation, in response to the whines and complaints of shippers feeling the stress of competition, you cannot get such men as built our railroad system to accept the management of properties in the operation of which they are so regulated and hampered. It has been since this interference that we have developed a generation of railroad presidents and operators who are only clerks, and this is the reason that present railroad operators have been unable to solve the present inability of our railroad systems to handle the traffic offered.

The most foolish piece of legislation that has yet been passed in America on the subject of railway regulation is the so-called "Hepburn Bill." Heralded as a triumph of statesmanship, pretending at least to have for its object the lightening of the burdens of shippers, its chief features have been the abolition of rebates and the prohibition to railway companies of carrying their own business; the so-called "Commodity Clause."

At the time when the Hepburn Bill was proposed, before it was passed, I called attention, in an interview in one of our leading New York papers, to these facts and warned the country that the bill had been drawn by those who knew nothing of the history of rate making, and that the passage of a law prohibiting rebates would not only put an end to any further reduction in rates, but would automatically create conditions that would result in an increase of our freight rates for the first time in the history of the development of transportation.

Now, let us see what those who have had the closest contact with this law in its operation have to say for it. Within two years after the passage of the Hepburn Act, in 1906, Chairman Knapp, of the Interstate Commerce Commission, reported to Congress that freight rate increases, sweeping in their character and affecting every form of transportation, had resulted. The advances, he said, had been both by increasing the rate and by putting the product transported into higher classifications. The rate on coal had, he said, been advanced five cents per ton in practically every field. The rate on pig iron had advanced twenty-five cents per ton, while on steel and iron manufactured products enormous increases had resulted by the withdrawal of commodity rates and the application of higher classification rates.

Grain and grain products had advanced two cents per hundred pounds, or twenty per cent., from all Ohio and Mississippi River points to tidewater. Packing house products had advanced three cents per hundred pounds within the same district, while to Western and Southwestern points the advance had been from four to ten cents per hundred, amounting to advances of from ten to twenty-five per cent. Trans-continental rates, he declared, had advanced from five to sixty per cent.

Senator La Follette declared that the act had in no single case established reasonable rates. It has, he says, tended somewhat toward the equalization of rates and the elimination of rebates, but the general result has been a sharp upward tendency of rates generally. How could this be so when the declared purpose of Congress in passing the act was to reduce rates?

President Mather, of the Chicago and Rock Island, speaking in Pittsburgh three years after the Hepburn Bill was passed, stated that "the path of righteousness marked out for the railroads by the Hepburn Act had increased, rather than diminished, the railroad revenues." "The abolition of the pass privilege," he said, "has clearly swollen our traffic, and the enforcement of the prohibition of rebates has turned our traffic men and the traffic men of the shippers from a life of daily crime, BUT MOST OF ALL, IT HAS POURED THE MONEY INTO OUR TREASURIES." How? Certainly not by reducing rates!

Last year the Atchison, Topeka and Santa Fe Railroad reported that its average freight rate per ton mile in 1911 had advanced to 1.28 cents over .95, which it was in 1907, the year after the Hepburn Bill was passed, an increase of over thirty per cent.

The experience of the Atchison is practically the same as that of every other railroad in the United States, the percentages of increase varying with the territory and the character of traffic peculiar to each road. The public apparently is under the delusion that there has been no increase in American freight rates. It has, therefore, complacently ignored the conspiracy between the railways and their employees to secure additional increases by, and with the permission of, the Interstate Commerce Commission at the expense of all the rest of us, doubtless hoping by the approval of these increases to secure a virtual approval of the automatic increases that have occurred during the past six or seven years by the abolition of rebates.

Another illustration of the folly and economic unsoundness of the Hepburn Law is the operation of its so-called "Commodity Clause," aimed particularly at preventing the railroad companies from hauling the coal from their own mines under the pretence that they were enabled, by reason of their ownership both of the railroad and of the coal mines, to compete unfairly with the private owners of coal mines. Now, it is well known that railroads cannot be operated without coal. They are the largest consumers of coal in the world today. They were the largest purchasers of coal from private coal mines or operators, and coal operators naturally had their eyes open for every chance to hold up the railroads in the matter of prices.

Strikes in the mines of privately owned properties made irregular the coal supplies of the railroads, particularly as all sales by coal companies were made subject to strikes. It became imperative, therefore, for the railroad companies to have certain and regular supplies of coal for the operation of their trains. Wherever possible, they bought their own coal lands, opened up their own coal mines and got out the coal at cost. Being such large consumers of coal, and operating their coal mines with the same efficiency that characterized their operation of their railroads, the railroad companies almost everywhere produced coal at a less cost than private operators had been able to produce it with their haphazard methods. This cut into the sales of the private coal operators and not only curtailed their profits on so much of their coal as had been bought by the railroads before, but when the railroads began to offer their surplus coal in the open market it produced fierce competition, in which the advantage was altogether on the side of the railroad companies, first because they were able to produce the coal cheaper than the private operators could produce it, and second, because it was possible for them, by giving strict attention to their own coal business, to expedite shipment of company coal to the apparent disadvantage of the private operators, who immediately raised the cry of unfair discrimination, as they always do to cover or hide their own incompetence or inability to compete with the railroad companies on an economic basis.

In one instance that came under my own attention, a railroad company without mines, compelled to buy all its coal from private operators and transport it a hundred miles over another railroad before it reached the lines of the railroad company in question, found that it was so held up, both by the private coal operators and by the intervening railroad, that it was compelled to buy its own coal mines and build a hundred mile line of its own to reach its mines. The difference between the cost of buying the coal and producing it and between the expense of handling the coal itself and what it formerly paid the other railroad company for handling it, was three times the interest on the cost of the coal mines it had bought and the 100 miles of railroad it had built to reach them.

In other words, the economy of this railroad in the mere saving in the expense of transporting the coal that it consumed over 100 miles was sufficient to pay for the construction of 100 miles of its own railroad and the cost of purchasing its own coal property and mines, inside of six years; while the economy in the matter of coal production itself, a salvage that it made for the whole system, amounted to just about one-third the cost of the coal that it had previously bought from private operators. Yet under the Hepburn Bill the railroads were compelled to give up their mines and they were forbidden to further benefit by these economies. Such economies were declared to be criminal and the Lackawanna Railroad was, on December 1st, sentenced to pay a fine of $2,000 for the awful crime of carrying on its own railroad *the hay to feed its own mules in its own mines.*

But the strangest result of all from this piece of legislation has been the frequent indictment and conviction of shippers for violations of its provisions. Ostensibly, the Hepburn Bill was aimed at punishing the railways' crimes, but the fines collected from the railways are a trifle compared with the increase of their receipts from the abolition of the practice of which the public were the chief beneficiaries. To have rates put up by the very law that was intended to reduce them is bad enough, but to have the shippers punished for the crimes alleged against the railways is nearly intolerable.

There is a strange inconsistency in the action of populations without railroads and those that have them. The populations without the means of transportation, beg for them, offer free rights of way and even pay money in subsidies to secure them, but after they have once secured them, and their lands which were formerly valueless become worth hundreds or thousands of dollars per acre, and their crops, which were formerly fed to stock, or burned, are marketed at handsome profits and the proceeds spent in building luxurious homes and in the purchase of automobiles, they turn upon the creators of their wealth and prosperity and denounce them as monopolies and oppressors of the poor.

Our people have been deceived! The railroads have been charged with charging all that the traffic can bear, but when you study the question of rate making, you will soon come to the conclusion that the only correct method of rate making is that which considers truly what the traffic can bear; the word "traffic" being used in its broadest sense. Rates should be so placed as to induce the largest amount of local consumption and to make possible the largest amount of local exportation.

The average cost of transporting a barrel of flour from St. Louis to New York is thirty-five cents, and this divided into two hundred and fifty loaves of bread made therefrom amounts to less than one and one-half mills per loaf. Do you think for a moment that if the freight rate on flour was even doubled that it would materially impair the profits of the baker or that it would be sufficient excuse for raising the price per loaf from five to six cents?

The rate on hams from Chicago to New York is seventeen cents a hundred pounds, or say, two and one-half cents per ham. If you pay three dollars for a fifteen-pound ham, do you think that the freight charge of two and one-half cents has materially affected the profits, either of the packer, who shipped the ham, or of the retailer who sold it to you?

The retail profit on ten pairs of shoes will pay the freight charges on a carload of shoes from Massachusetts to Chicago or St. Louis. The retail profit that you pay to your grocer on a single pound of tea will pay the railroad freight charges on a hundred pounds from New York to Indianapolis. And the freight charges on dry goods and clothing are about one-four hundredths the retail profits of the dry goods and clothing merchants thereon.

This railroad discussion is going to result in an investigation by our people that will place the cost of living where it really belongs, to-wit: on the *expensive methods of collecting traffic at one end of the railroad and the equally expensive methods of distribution at the other.* Both of these are, I believe, in process of solution by the *development of the automobile truck for farm use and city delivery.*

The Lehigh Valley Railroad made an exhaustive investigation to discover just what part of the cost of food products carried over its road was due to transportation charges, and it was discovered that the cost to the consumer on account of the railroad charge for transportation was less than one-twentieth of the price paid by the cosumer, that about fifty-five per cent. was paid to the original producer and forty-five per cent. was made up of the charges of the commission man, the local dealer and the cost of delivery by them.

The reason why attention has not been directed to this before has been that the rapid development of railroads has so enormously reduced the general cost of transportation and distribution, as to prevent any close investigation of the component parts making up this general cost.

But now since railroad rates have begun to rise, the people are beginning to take notice. It can, therefore, be truly stated that the real cause, not of the cost of living, but of the increase in the cost of living has been due to the increase in the cost of railroad transportation, and that this increase has been brought about solely by the interference through fool legislation with the transportation business of the country. It has been brought about by the burdens imposed upon our transportation companies in response to the cry of those who have found themselves unable to compete with high efficiency by reason of their own incompetence and low efficiency. Without any knowledge of the science of transportation and distribution, they are making you all pay for their inefficiency and for your own.

What the railroads need is not an increase in rates, but relief from regulation by the ignorant and the incompetent.

Ten years ago the great railroad companies were able to raise the capital necessary for extensions, betterments and additional equipment for three and one-half or four per cent. To-day the same companies find it almost impossible to float a six per cent. bond except at a heavy discount, and many smaller railroad companies are actually paying eight, nine and ten per cent. for the capital that they find it absolutely necessary to raise under present conditions. I have, myself, had offered to me within the past two months an issue of two-year eight per cent. bonds of a small, but perfectly sound railway company at a discount of four per cent. below par, so that the net cost to the railway company would be over ten per cent. a year for the two-year period that the notes had to run, and yet, notwithstanding, the high interest offered, the company found it impossible to raise new capital.

All of these burdens, particularly that which has increased to such an extraordinary degree the cost of raising new capital, have been and are being added to the cost of transportation, until the people are just beginning to learn that by their interference with and impositions upon the railway companies they have simply been taxing themselves.

This is a frequent amusement on the part of the unthinking masses, who fancy that by so doing they are getting even with somebody of whose prosperity they are envious and whose success they insist upon attributing to anything else except industry and efficiency.

In spite of all the previous legislation on the subject of railroads in England, and in spite of the warnings of students and investigators, Parliament has passed special legislation within the last year that has caused a new increase in railroad rates, amounting to four per cent. within the past six months.

In France, recent regulative legislation affecting railroads, during a period in which additional capital of four hundred million dollars was invested, and in which the gross earnings of the railways have increased seventy million dollars, has resulted in a decrease in the net earnings to the French Railroads to the amount of twenty-six million dollars. This means a loss to the national wealth of France of over a half billion dollars.

Wall showed that in the year 1900 the mere increase in the cost of coal consumed by English railroads in that year produced a depreciation in the value of English railroads amounting to two hundred and fifty million dollars. Legislation in other continental countries has caused similar increases in freight rates ranging from three per cent. in Italy to twelve per cent. in Switzerland. In our own country, the cost of such regulative legislation can be illustrated by a few brief figures:

The Extra Crew Law in Pennsylvania cost the Pennsylvania Railroad alone in that state five hundred and sixty thousand dollars a year, and the Semi-Monthly Pay Bill increased the mere cost of disbursing wages two hundred and seventy-five thousand dollars a year.

In New Jersey, the Extra Crew Law cost the Pennsylvania Railroad two hundred and twenty thousand dollars—the Semi-Monthly Pay Bill cost it thirty thousand dollars—and the Drinking Water Bill cost it eighteen thousand dollars. While the Extra Crew Law in New York State cost a single small railroad over one hundred thousand dollars the first year. At a recent hearing in Chicago the fact was brought out that in four years there had been three thousand five hundred laws, regulations and rules, regulating Western Roads alone, passed by legislatures and Railroad Commissions. It would be impossible to estimate in money the cost of these regulations to the railroads.

I cannot overlook the opportunity of calling your attention to the State of Iowa, which has been one of the severest regulators of railroads. Iowa is the only state in the Union where the railroads are absolutely prohibited from meeting the rates of shorter lines in the long haul business. The result is that the longer haul business through the State goes entirely to the shorter roads, while the longer roads between the same points, being dependent upon local traffic, alone, get less business and give less service, and consequently every shipper along those lines get a poorer service than he otherwise would but for this foolish protest against one of the most obvious principles in the transportation of freight. The towns on the longer roads are gradually dying through poor service and not only has railroad construction come to a standstill within its borders, but it is the one state in the Union that showed a loss of population at the last census.

The whole course of recent railroad legislation has been unsound and uneconomic and unless a halt is called in the present proposed legislation we are unquestionably headed along the course that has been pursued so disastrously by English railways.

To attempt to base railroad rates on the cost or value of railroads is unsound and uneconomic, you might as well try to base the price of wheat or hogs on the original cost of the farm. But, says the Railroad Regulator, think of the wrong of charging rates to pay dividends on all the watered stock of the railroad! My answer is that for every pint of water in railroad stocks there is a barrel of water in farms.

Farms are the worst watered investments in the world. Millions and millions of acres of them have been given away. Millions of acres more have been sold by your Uncle Sam for a dollar or a dollar and a quarter an acre. Why? Because they were remote and inaccessible, or at least difficult of access. But after a while some men came along and built railroads out through these inaccessible lands and made them accessible.

I am not an old man, yet in my life I have seen Kansas farms bought at $1.50 an acre and sold for $150 an acre. Now, if farm acreage has a right to leap so in value why not the acreage of the railroad right-of-way with the improvements thereon? And, if the farmer is entitled to sell the products of his farm or to rent it on a valuation basis which the farm owes entirely to the presence of the railroad, why is the railroad not entitled to an income from its property that will yield an equivalent or proportionate return upon a valuation no higher proportionately to its original cost than is the present value of the farm above its original cost?

Oh, says the Railroad Regulator, but the railroad company must not get the benefit of the "unearned increment!" Why, let me ask you, should the farmer get the benefit of the "unearned increment" and not the man who built the railroad that furnished the "unearned increment" to the farm? How much money do you think has ever been invested in farms on the basis of six per cent? Absolutely none.

One of the richest farmers that I know made his money by keeping just ahead of the railroad. As a young man he had developed a pioneer farm about forty miles beyond the end of the then existing railroad. Within five years the railroad had reached and passed his farm, a town grew up nearby, and he was offered more than ten times for his farm what it had cost him five years before. He sold out, bought a larger amount of cheap land beyond the railroad and began again. He followed this course for thirty-five years. It took him on an average, five years to buy a new farm, develop it, let the railroads reach it and sell out again. But you cannot make him believe that his profits represent any unearned increment, in fact, he has always insisted that his profits represented the hardest kind of earned increment, and anyone who knows the vicissitudes that have followed railroad construction knows that the man who has made any money out of railroad building has made only the hardest earned kind of an increment.

The economic folly and injustice of attempting to deny to money invested in developing a country a return equal to that to be gained in other investments could only have resulted, as it has resulted, in the refusal of investors to put their money into railroad development where when invested it is not only denied reasonable profits, but is harassed and persecuted by those who owe their prosperity to the very presence of the railroad. It is this economic folly which has brought railroad construction to a standstill and is impeding the progress and prosperity of the country.

The physical valuation of railways which is now being attempted and the effort to regulate railroad rates on a basis of value, or cost, or capitalization, will force our American railways into the same course pursued by the English railways. Maintenance of the property will be abandoned—all improvements and betterments; the replacement of obsolete or destroyed property, all charges for up-keep, will be charged to capital. The public is even now clamoring for increased railroad facilities and more equipment and demanding to know why they are not furnished. The railroads reply that they are unable to furnish them because of their inability to raise capital.

Public Service Commissions may, as one in New York has recently, order a railroad to double its service, but they cannot compel the investment of a single dollar to purchase the equipment necessary to furnish the service when ordered. The railroads will simply do nothing until the necessities of the people force them to appear before the Interstate Commerce Commission to plead that the railroad companies be given permission to capitalize all of these costs and raise the rates to cover interest charges thereon.

American railway capitalization will mount upward toward the figures now shown by the English roads and the railroad companies relieved from the stress of competition will clamor for higher rates with which to raise more money with which to satisfy the call for more service, and as our rates mount up our traffic will fall off in proportion. Our markets will contract, and American labor, shut out of the world's markets, will be forced, like that of Europe, and the Orient, to compete with itself. Wages will fall and the standard of living here approximate that of the working classes of Europe.

The foolish and uneconomic Hepburn Bill should be repealed. It has without question been the most demoralizing piece of legislation ever passed in the United States; failing to recognize that all rate reduction had been through rebates, it has by the abolition of rebates paralyzed the resourcefulness and inventive genius of American shippers and traffic men and has created the present conditions requiring an embargo on traffic. The railroad companies knowing that no rival traffic agent could give any rebates to any shippers, even though substantial salvages should be devised by them, have been relieved of the necessity of devising any economies for themselves.

But most serious of all, the result of the Hepburn Bill has been that being denied the benefit of efficiency and economy, both shippers and traffic managers have fallen into habits of carelessness, extravagances and waste, and this, as much as anything else, is the cause of the increased cost of railway management in the seven years since the Hepburn Bill went into effect. It is wrong, not only economically wrong, but morally wrong, to prohibit rebates!

If I can ship cheaper, if I can devise ways and means of reaching a market quicker and more economically than another, I am entitled to the value of my device, to the value of my ingenuity, or the benefit of my industry, and my customers are entitled to the benefits of my device, my economy and my ability! In fact, it is because they desire to avail themselves thereof that they trade with me in preference to my competitors, and the law that attempts to deprive, not only me, but my customers, the people who consume the products of my factory, of the benefits of the improvements and economies that I am able to secure for them, *is immoral, uneconomic and cannot last!*

It is essential for economic transportation that perfect co-ordination exists in forwarding and expediting traffic. What economic excuse can there be for compelling the railroads to give up their lake boats when it can only result in increasing the time and cost of cargoes in transit (since this was written the Interstate Commerce Commission has granted to the Grand Trunk Railroad permission to retain its lake boats, but has denied the right of the Lehigh Valley Railroad to retain its boats): Listen to J. H. Hale, Public Utility Commissioner of Connecticut, "I would be remiss in my duty at this time," said Commissioner Hale only last month, "if I failed to call your attention to a calamity that now confronts the railroad interests serving this New England agricultural territory, crushed between professional agitators, financial pirates, labor unions and threatened prosecutions by the Government at Washington—these noble truck horses of ours—with greater burdens to carry than ever before, are to be separated in their work and allowed no extra feed in the way of increased rates to make up for the extra strain of increased expenses. Their side line feeders, the electric railways, that are just beginning to serve us so cheaply and well, are to be cut off, and all for what? Who is to be benefited? Certainly not the stockholders nor the train employees, nor the traveling public, nor the receiver or shipper of freight; no one is to be benefited that I can discover, except possibly the vultures that pick the remains! Possibly the mergers and consolidations of the past were technically wrong, possibly too high a price has been paid for some of the purchases, but those who have paid or must pay these prices, must also pay the penalty, and yet, in spite of all this, the total result has been to give all New England better and increased service at no increase of cost, and I am clearly of the opinion that a separation of all these interests and a going back to the old separate ways, as is now demanded, means the turning back of the clock of New England's prosperity twenty-five years."

What we need in the United States is the abolition of the Interstate Commerce Commission, and an immediate repeal of all uneconomic restrictive legislation. We should recognize the way in which railroad rates were established, and particularly should recognize the process through which railroad rates had been reduced. Instead of abolishing rebates, let us organize a *Rebate Court* to whom may come any and every shipper who thinks that he has been able to devise a more economic way of handling freight and let him prove how much his plan, scheme, device, method or form of business can save, and that Rebate Court should then grant to that shipper such a rebate as he has been able to show his saving is worth.

This will restore to the American freight business the old ingenuity, the inventive genius and persistence, that made our freight traffic the wonder of the world, with the difference only that whereas, before the shipper applied for the discount or rebate to an officer of a railroad, who might or might not grant the rebate, as he thought it was expedient, or inexpedient, so to do, the rebate will now be granted openly upon a showing that will benefit every shipper who is able to meet the conditions.

Such a plan would restore not only the competitive system in freight business, but what to us is the most important of all—restore the competitive system in a line in which our American genius has shown a most peculiar aptitude, and will start us again upon a career of reduction in the cost of moving freights even more marvelous than we have accomplished in the past.

In 1902, when the Northern Securities Case was under consideration, I wrote a pamphlet, entitled, "Railroads and Wages," in which I showed the inseparable connection between the wages of labor and the cost of transporting the products of labor to market. I wrote the pamphlet to prevent, if possible, the embarkation of the American people on a course that I felt would be fraught with disastrous consequences. But years of Legislative History have been recorded since then—the Hepburn Bill had not even been conceived of at that time—and the only remedy that our legislators seem to be able to think of is to follow the English lead and pile legislation on top of legislation. Bills intended to promote competition have eliminated competition; bills intended to reduce rates, have raised rates; bills intended to help shippers, have so involved and hampered shipping as to leave the commerce of the country in despair; bills intended to raise wages have resulted in only raising the cost of living.

Buckle, in his History of Civilization, notes that the best of men have, in their religions behalf, been most cruel and he ranks religious persecution as the greatest among human curses. He did not live to see religious persecution succeeded by economic persecution or to see the makers of modern civilization pilloried and plundered. Future generations who will understand economic freedom as we understand religious freedom, will look back upon our treatment of railroads with as much horror and wonder as we look back upon the religious persecutions of previous ages.

I regret that I have not time to discuss these questions more in detail, but I have shown you enough to show how simple these questions are when taken up on a purely economic basis, and I am sure that you can see how much the present chaos in the railway world is due to ignorance on the part of the present generation of railway operators of the simplest economic principles involved, and the contradictory and conflicting character of their orders and decisions seems to prove that this general ignorance extends to public service commissioners and commerce commissioners as well.

I appeal from the cult of incompetence that has given us a Tariff Bill drawn up by men who never exported or imported a dollar's worth of any commodity; a Currency Bill prepared by men to whom the ordinary terms of banking are Greek; an Income Tax drawn up by men who never saved a dollar and who never owned a bond or clipped a coupon and Railroad Rates made by Commissioners who never created a pound of traffic in their lives.

I appeal from the cult of incompetence to the genius of America, to the spirit that regards waste of energy as an economic crime, to that spirit which, if permitted, will solve not only our present railroad problems, but those other questions, many and complex, that press themselves upon our attention, by seeking fearlessly that which is economically and ethically sound.

Let us repeal all the foolish, uneconomic and inequitable laws that hamper and interfere with our transportation facilities and that act as a ball and chain on the progress of civilization.

As we have used our gigantic railroad system in attaining our present position as the leaders of civilization, so should we by removing all obstacles from their way not only insure the progress and prosperity of our own country, but make it possible for us by their use to continue as the leaders of civilization through the years to come.