

RAILROAD EMPLOYEES AND RATE LEGISLATION

The Commoner presents another interview with the gentleman who, having had wide experience in railroad affairs, has written for the benefit of Commoner readers several interesting replies to the points sought to be made by representatives of the railroads.

Asked by The Commoner to say something with respect to the delegation that waited upon the president November 16, this gentleman said:

The press dispatches of November 14 tell of a protest being filed with President Roosevelt against the proposed railroad rate legislation, by a delegation apparently representing the railroad employes. On November 16 it was discovered that not one of the twenty-three who called upon the president represented his organization in an official capacity, not one of them having been selected by the order or organization he claimed to represent. Not one of them, the dispatches say, represented anybody but himself. President Roosevelt, it is said, was greatly angered when he learned of the deception. This instance of misrepresentation and duplicity shows to what extent the railroad propaganda will go to accomplish its purpose. Notwithstanding the bogus character of this delegation, their arguments have gone before the public and should be analyzed. In presenting their objections they said:

Railroad rate legislation logically means the lowering of rates, which will be followed by a lessening of the earning power of railroads, and consequently the eventual reduction of the wages of railroad employes.

The same plea is made when tariff legislation is proposed. Corporate greed cannot be regulated without injuring the workingman, therefore the public must bear the burdens. The workingman is always held up between the people and justice. It is the "stand pat" and "let well enough alone" policy brought down to date.

The interstate commerce commission, in its seventh report, answered this plea as follows:

The only way in which the law directly operates to limit railway profits is by preventing the exaction of unjust charges and undue partiality in transportation facilities. This claim, then, must rest upon the proposition that the law, by prohibiting the infliction of wrongs, works injury to railway prosperity. Such a plea against the working of a statute is anomalous.

It must have been very embarrassing to the president to listen to such twaddle as their spokesman gave vent to, as it is a bore to any intelligent man to read it. Here is their statement:

Why have the railroad interests, in particular, been selected for this attack? Why is not the interstate commerce commission or some other commission, to be clothed with the same absolute authority to fix the maximum prices on beef, pork, oil, clothing, butter and eggs—in fact everything which one has to buy every day. It seems to us that such a step would be infinitely more reasonable than the proposed move on railroad rates.

As Mr. D. M. Parry used this same argument at Chicago in his speech against railroad rate regulation, we suspect it was not original with this delegation. What similarity can there be between commodity prices in the fixing of which world-wide competition is a most potent and controlling factor, and railroad rates in the fixing of which there is no competition whatever at but one station out of ten? One railroad station in ten in the United States has two or more competing lines, while the other nine are at the absolute mercy of the railroads. Were a town dependent upon one merchant who controlled absolutely the articles mentioned what would be the result? There would be no limit upon the extortion of that merchant. The residents of that town would without hesitation invoke the aid of the governmental authorities to place a limit upon the greed and power of that merchant, and the government would prove recreant in its duty did it not fix a reasonable limit upon him. Suppose again that this merchant would charge the rich man 15 cents a pound for beef and charge the poor man 25 cents a pound for the same quality and quantity of beef? That is the essential difference between railroad rates and commodity prices. The natural and necessary monopoly that railroads have taken them entirely out of a comparison with ordinary business ventures. All other public service corporations, such as street railways, gas and electric lighting companies, water companies, telephone and telegraph companies, are naturally and neces-

sarily monopolistic in their nature, and for that reason are and should be under public regulation.

Originally, railroads in England were required to admit to their lines the cars and locomotives of other carrying companies, and the tolls they were permitted to charge were prescribed by public authority, just as had been done with turnpikes, canals and other public highways. The introduction of steam as a motive power revolutionized conditions and compelled a change. It was readily recognized that a railroad must be, to some extent, a monopoly, because the highest degree of efficiency would be attained by committing the work of transportation to but one carrier. That was sixty-five years ago, and yet this delegation has not yet grasped the fact. The element of monopoly in railroad transportation was made the subject of inquiry by a parliamentary committee in 1840. The committee reported that "monopoly upon each line was inevitable; that a single management of each railway was expedient, and that these changed conditions made necessary the protection of the public interests." The railroads of England are under very close restrictions—more so than is proposed by the Esch-Townsend bill.

When the prices of commodities depend upon the whim of monopoly, such as is now the case with certain trust controlled products, either public regulation of prices or the dissolution of the monopoly, will become necessary. Were these railroad men employed by the trust that controls the necessities of life they would cry out against public regulation for the same reason that they now object to the regulation of the railroad monopolies. Were they otherwise employed they would line up with the suffering public, just as they would now do were the circumstances of employment changed. But there is one very great evil in railroad rate discrimination that will never appear in a monopoly of the necessities of life, and that is the practice of making low rates to the rich and powerful and at the same time charging high rates to the poor and weak. This policy is indefensible and intolerable—it is simply atrocious. Railroad competition is rapidly being eliminated by consolidations, mergers and other illegal methods. What competition there has been in the past tended to press down and down the rates at competing points, while at non-competing points the depression was upon business instead of rates. The inevitable result was that the strong were unjustly and illegally strengthened at the expense of the weak. It made the rich richer and the poor poorer. We need not go further than the admissions of railroad managers themselves to show that the transportation business of this country is honeycombed with unjust and criminal discriminations.

Formerly it was thought that competition in railroad transportation would operate precisely as it does in other lines of business. Experience has shown that this idea of railroad competition was erroneous; that it cannot be compared with competition in the channels of commerce in general; that there are no such tests of the value of railroad service as can fix the limit down to which rates may go without inevitable loss to the carrier in the aggregate; that it may carry some classes of business at losing rates, yet make profits upon its whole operations. There is and can be no rule of rate-making. A merchant knows precisely what an article can be sold for to yield a profit, but no railroad manager or railroad expert can or ever will be able to determine when a certain rate passes below the exact cost of carrying an article.

On January 1, 1900, the railroads in what is known as official classification territory, which roughly described embraces that part of the United States lying east of a line drawn from Chicago to St. Louis, thence to Cairo, Ill., and north of the Ohio and Potomac rivers, promulgated a new classification of articles which made 824 changes, out of which 818 were advances which averaged 35.5 per cent, and the remaining six were reductions. In referring to this wholesale advance in rates the interstate commerce commission, in its fourteenth report said:

The chairman of the classification committee testified, in substance, that the railroads for which the committee stood, determined that they must increase their revenues and instructed the classification committee to make changes in the classification for that purpose. Acting upon these instructions, those articles which it was thought could best bear the increase were arbitrarily selected and advanced into higher classes.

There was little or no consideration as to whether they ought to be advanced or reduced in comparison with other articles of the same class. The only question was whether they could stand the advance. The railway witnesses all agreed in this, that the moving and only purpose in the greater part of these changes was to obtain more revenue by advancing rates. * * * It was not claimed that these carriers were in any unusual need of revenue. Indeed, not for years had traffic been so heavy or gross receipts as large as then.

Confounding the regulation of railroad rates with the regulation of commodity prices by this delegation displays a woeful lack of knowledge as to the functions of a railroad and its relations to the public. In 1885 a select committee on interstate commerce was appointed by the United States senate to investigate and report upon the railroad question, and upon the investigation and report of this committee the act to regulate commerce was based. In their report the committee said:

As a common carrier and as the privileged manager of the business of transportation upon a public highway, the relations and obligations of the railroad to the community and to the governmental authority are essentially different from those of the ordinary corporation which does not enjoy similar exclusive privileges or perform a public function. * * * The only reason for the existence of railroad corporations is that they might undertake a duty which the state was unable or unwilling to perform. In the performance of this duty, private capital was invested, for the use of which it was proper that due return should be made. It was also necessary to provide in some way for the expenses of maintenance and operation. As the most convenient and equitable method of raising whatever amount should be needed for these purposes, such corporations have been authorized to collect these amounts from the persons making use of the facilities for transportation afforded by the railroad; or, in other words, to place this burden, which must in some way be borne by the people, upon passengers and freight transported instead of upon the property of the entire community, as other taxes are commonly levied. By granting railroad corporations authority to thus levy a tax upon commerce, even with the express or implied reservation that their charges should be reasonable, they were necessarily given a monopoly of this right, at least so far as their own highways were concerned, and the fact that such a corporation is in the nature of a monopoly is a stronger and broader reason why it should be subject to the control and regulation of the state, and widely extends the jurisdiction of the state in that respect. * * * And as the agents of the state in supplying the community with facilities for transportation, the railroad corporation necessarily rests under the same obligation to deal fairly and equitably with all its citizens, without favoritism or discrimination, as the state itself.

In its sixth report the interstate commerce commission said:

The railroad exists by virtue of authority proceeding from the state, and thus differs in its essential nature from every other form of private enterprise. The carrier is invested with extraordinary powers which are delegated by the sovereign, and thereby performs a governmental function. * * * So far from being a private possession, it differs from every species of property and is in no sense a commodity. The railroad, therefore, can rightfully do nothing which the state itself might not do if it performed this public service through its own agents instead of delegating it to corporations it has created.

Again in its twelfth report the commission said:

While railway transportation in this country is carried on by private capital, it is essentially a governmental function. This appears from the necessary conditions of railroad construction. It is a universal maxim that private property can not be taken for private uses, but only for public use. Yet no railroad can be built without the appropriation of private property.