

# Some Mistakes as to Government Ownership

Commoner readers will remember a series of articles relating to railway regulation, printed in this paper and written by a gentleman who had made a special study of railroad questions. The same gentleman contributes for this issue an interesting article on government ownership. This article should be read carefully by every one into whose hands this copy of The Commoner may fall. It follows.

There seems to be a disposition on the part of many people to shirk the responsibilities which citizenship imposes. Governmental questions of great import are dismissed without any consideration whatever. A few made-to-order catch phrases are repeated and that settles the question. Thousands of successful business men, too busy making money to study the merits of the money question in 1896, rolled such phrases as "fifty-cent dollars" and "national honor" under their tongues and let it go at that. This same class of men want to settle the railroad ownership question the same way. President J. L. Hamilton of the American Bankers' association is a good example. Addressing the national meeting of that body at St. Louis recently, he said:

"There is considerable agitation for federal, state and municipal ownership of public utilities. Just what is meant by this or what institutions would come under this head, I have not yet seen clearly defined. I am opposed to all such political buncombe, no matter where it may originate, and favor only such laws as will give to every man a right to successful competition, at the same time preventing the creation of a monopoly in any business or profession."

Such crass ignorance as Mr. Hamilton displays is not unusual. He favors competition and is against monopoly, yet he dismisses the question of public ownership of railroads as "political buncombe." Let us see what men say who have investigated these questions and see how impossible it is to have competition in transportation by railroads owned and operated by private corporations. In 1885 the United States senate appointed a select committee on interstate commerce, and this committee made its report to the senate January 18, 1886. Senator S. M. Cullom of Illinois was chairman of the committee, and the other members of the committee were Warner Miller of New York (rep.), O. H. Platt of Connecticut (rep.), Isham G. Harris of Tennessee, (dem.), and A. P. Gorman of Maryland (dem.), three republicans and two democrats. After a most exhaustive investigation of the railroad question, both at home and abroad, they made their report from which the following is taken:

"When railroad construction began in England that country already had quite a complete system of canals, with which the new methods of transportation came immediately into active competition. By the charters first granted the railroads were required to admit to their lines the cars and locomotives of other companies and individuals, and the acts usually prescribed the maximum tolls to be charged for such service. These were regulations which it had been found necessary to apply to the canals, in the management of which abuses had been complained of somewhat similar to those that afterwards characterized the management of railways. Competition between the different carriers who were expected to use the route was relied on to secure to the public needful facilities and fair rates under these provisions. But this was not the result, and within ten years after the opening of the first railway it was generally recognized that a railroad must be to some extent a monopoly, because the service to be performed was of such a nature that the highest degree of efficiency would be attained and the convenience of the public would be best subserved by committing the work to but one carrier."

Over sixty years ago it was generally recognized that a railroad must be to some extent a monopoly, but Mr. Hamilton evidently has not heard of it. The report continues:

"The new questions raised by this discovery of the element of monopoly in railroad transportation were considered by a parliamentary committee, of which Sir Robert Peel was a member, and which reported in 1840 that the method of competition which has been described was impracticable; 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. \* \* \* It was supposed that the principles of free trade would apply in the construction and operation of railroads, and it was quite naturally expected that this business would be subject to the same natural laws of competition that governed and regulated other commercial enterprises and operations. While these theories held sway parallel lines were looked to as an effective means of regulation. Parliament encouraged the building of competing lines, and this policy brought on a period of great activity in railroad construction and speculation. But the effects of competition between different lines were not what had been anticipated, and attracted so much attention that in 1844 another committee, headed by Mr. Gladstone, was appointed, which took under consideration the question of competition and management, and submitted in all five reports."

Among other recommendations made by the Gladstone committee was the purchase of all the railroads by the government in twenty-five years. When the time came to buy the railroads nothing was done except to appoint another committee, of which action the select senate committee refers to in its report, as follows:

"Finally, in 1872, a joint select committee was appointed and made a most thorough investigation of the railroad question. The report of this committee passed in review the history of England's legislation during its experience of forty years. It was shown that little had been accomplished, although thirty-three hundred acts had been passed and an expenditure of some 80,000,000 pounds (about \$388,800,000) had been imposed upon the companies. It was also shown that the process of amalgamation had gone on with little regard to the recommendations of committees, commissions, and government departments, and the result was that 'while committees and commissions carefully chosen, for the last thirty years, clung to one form of competition after another, it has, nevertheless, become more and more evident that competition must fail to do for railways what it does for ordinary trade.'"

After thoroughly investigating England's experience of attempting to regulate railroads, the committee referred to the fact that practically all railroads in Europe were owned by the governments, and added:

"Regulation through state ownership has been practically unknown in the United States. It is of foreign origin, and is foreign to the character of our institutions. The time may come when the people of the United States will be forced to consider the advisability of placing the railroads of the country completely under the control of the general government, as the postal service is, and as many believe the telegraph service should be. This would seem to be the surest method of securing the highest perfection and greatest efficiency of the railroad system in its entirety, and the best method of making a harmonious whole in its operations, and of bringing about that uniformity and stability of rates, which is the greatest need of trade and commerce."

This committee of three republicans and two democrats, with Senator Cullom at its head, reported unanimously in 1886 that government ownership of railroads "seemed to be the surest method of securing the highest perfection and the greatest efficiency" and "of bringing about that uniformity and stability of rates, which is the greatest need of trade and commerce," and in 1906 the president of the American Bankers' association, admitting that he knew nothing about the question, says that he is opposed to all such political buncombe. No man of common sense can read that report and arrive at the conclusion that we can have competition in rail transportation that will give to every man equal opportunities. Rates can be regulated to some extent but competition can not be maintained while combinations are possible. Not considering the railroad influence in politics, which is, perhaps, the worst feature of private ownership, the fact that there is an element of monopoly inseparably connected with transportation by rail, ought to make every democrat, and every other citizen who is opposed to private monopoly of any kind, an

ardent champion of public ownership. The plea that it will concentrate the powers of government at Washington can not be brought against Mr. Bryan's plan, because each state would control more miles of railway within its borders than the national government would control. Much is said of the tremendous power public ownership would give to public officials, but because the power is great is one of the best reasons why it should be placed in the hands of officials elected by the people rather than to leave it in the hands of private corporations which acknowledge no responsibility to the people. It is better to concentrate power within the government than to permit it to concentrate outside the government, because if the power is so great that it will control the government in any event, it is the better policy to give the people an opportunity to elect the governing officials than to permit selfish interests to select them. Private monopoly was held to be indefensible and intolerable in the democratic platform of 1900, and if that platform was democratic the public ownership of railroads is democratic. Private ownership of railroads is private monopoly in its worst form because there is only one cure for it and that is public ownership. Every natural monopoly must eventually be owned by the public or the public will be owned by the monopoly.

In his Harrisburg speech President Roosevelt unwittingly showed that public ownership was necessary, although he intended to make a point against that policy. Still clinging to the hope that railroads can be regulated and the abuses of private ownership abolished he said:

"To exercise a constantly increasing and constantly more effective supervision over the great common carriers prevents all necessity for seriously considering such a project as the government ownership of railroads."

Here is an open acknowledgment by President Roosevelt himself that the new rate regulation law will not afford relief, otherwise he would not refer to the necessity for "a constantly increasing and constantly more effective supervision." What hope have we for "a constantly increasing and constantly more effective supervision," when the new law is the best that could be secured under most favorable conditions? With an overwhelming majority in both houses of congress, and with the democratic minority supporting him with more unanimity and zeal than his own party, President Roosevelt was unable to secure more for the people than the new rate law represents. And now he virtually acknowledges that the law will have to be constantly strengthened to be effective. The transportation of passengers and freight is of vital importance to every man, woman and child in the United States, and for that reason is primarily a governmental function.

But grant it that the railroad interests will permit the passage of laws which will make supervision constantly more effective. What will be the inevitable result? The answer is to be found in the experience of European countries, as related by Prof. Frank Parsons, in the April, 1906, number of the Arena, as follows:

"England, with her rigid control, has not been able to stamp out abuses, and the lesson of English railroad regulation is that the subjecting of private railways to a public control strong enough to accomplish any substantial elimination of discrimination and extortion takes the life out of private railway enterprise along with its evils. Even Germany with all the power its great government was able to exert, could not eliminate unjust discrimination until it nationalized the railways, and so destroyed the root of the evil. \* \* \* In this country, where the railroads exert much more control over the government than the government exercises over the railroads, there is not much hope of eradicating fundamental evils with the toy-whip of the regulative measures now pending and likely to be enacted by congress."

Some people are frightened by the cry of "socialism" into opposing government ownership of railroads, but it is not socialism. Socialism has to do with the production of wealth and the public or common ownership of the tools of production, not with the transportation of passengers and commodities. Socialism would eliminate competition in the production of wealth. Public ownership of public utilities, which are natural

(Continued on Page 6)