Washington Letter

Washington, D. C., May 27.—One would think that enough had happened in Mr. E. H. Harriman's life recently to prompt him not to test the public patience too far. His revelations before the interstate commerce commission justified the denunciations that followed his testimony. Now he adds insult to injury. He is about to issue $281,000,000 in stock and bonds; specifically $36,000,000 in Southern Pacific preferred, $75,000,000 in Union Pacific convertible four per cent bonds, $100,000,000 in Union Pacific common stock, and $70,000,000 in first mortgage bonds on 1,628 miles of unmortgaged Union Pacific property.

What is the avowed purpose of this tremendous increase in the capital of these roads? It was issued to "care for floating indebtedness incurred in new construction and in the acquisition of new property, including a portion of the stocks in other railroads purchased last fall." This last phrase is signficant.

Mr. Harriman is still up to his old tricks. The castigations of the interstate commerce commission have taught him nothing. The public's indignation against the Alton deal is unheeded. So much so in fact that the Alton deal is to be repeated. The Union Pacific and Southern Pacific are to be used to get control of other roads, just as the Illinois Central was used to get the Alton.

It is an easy system Mr. Harriman works. He grossly over-capitalized the railroads he controls, selling the new issue of stocks and bonds of these roads to the lambs in Wall Street. By running the bonded roads on a parsimonious policy he is able to keep up with the interest on the stocks and bonds thus issued. This parsimonious policy results in great danger, and continual inconvenience to the public. But why consider the public? With the money he can get from innocent speculators, Mr. Harriman buys a new road which he promptly bonds up to its interest paying capacity and starts in quest of some new railroad property to buy. In this way he is building up a tremendous monopoly of over-capitalized roads. When the bubble of over-capitalization bursts thousands of speculators, "widows and orphans," will be left without a penny. In the meantime real improvements of railroad properties are indefinitely delayed because of the parsimonious policy the roads are forced to pursue in order to pay interest on watered stock. New inventions that lessen the dangers of railroad travel are not installed. The interest on the watered stock is paid, but railway disasters steadily increase.

When will this gross over-capitalization of American railroad properties of financiers, of whom Harriman is but a type, be stopped by federal statute? In the last congress Senator LaFollette introduced an amendment to the railroad rate bill which was the initial step against the over-capitalization evil. His amendment called for a physical valuation of our railroads. This real valuation, if allowed, would have shown the gross watered stock conditions in our railroads. Legislation must have followed on the heels of an aroused public opinion. The railroad kings knew this. The LaFollette amendment was defeated by practically a straight republican vote in the senate, the democrats supporting the measure. And Harriman is now repeating the Alton deal.

The Chicago, Milwaukee & St. Paul railroad is the latest corporation to pay a fine for rebating. The case is an old one, but after some sparring in the courts the railroad company pleaded guilty and was fined $20,000. It is estimated by competent students of the railroad problem that this penalty brings the total of fines imposed upon rebating corporations up to $416,000. The Standard Oil company, which differs from the railroads only in its characteristics as a mercantile monopoly has just been found guilty in the federal court in Chicago on enough counts to warrant fines, if the law should be fully enforced, aggregating over $29,000,000. Of course the law will not be fully enforced. Among the railroads still awaiting trial are the the Northern Pacific, the Rock Island, the New York, Ontario and Western.

There are two matters of interest with respect to these railroad cases. None has been brought under the much advertised rate regulation law of the Fifty-ninth—or Roosevelt—congress. All have been brought under legislation which was in effect before that law was enacted. Indeed the law officers of the administration that has boasted so strenuously of forcing this bill through congress hesitates to take action under the power it confers. That, however, is a matter of comparatively little importance. If a remedy can be found and substantial justice done it is immaterial whether the remedy is produced by this or that public man, or this or that political party. But is the remedy here?

The Chicago, Milwaukee & St. Paul railroad has been fined $20,000 for violation of the law. Other railroads have been fined, roughly speaking, $300,000. Who paid the fines? Immediately they were paid by checks drawn by their officials, but ultimately they are paid, of course, by the people doing business with the roads. They are paid by the merchant east or west who has freight bills to meet; by the western wheat or corn grower who must ship his product to the east; by the passenger who must travel, and who must pay the price fixed by the railroad, a price which is always "what the traffic will bear."

Fines levied upon public service corporations are absolutely useless as correctives. They are simply assessed upon the public. They are lumped in with other operating expenses and help to make stronger the corporation's argument against the reduction of either freight or passenger rates.

Within the last eighteen months many states of this union have, through legislation, attempted to control the power of the railroads to tax the people. For the unrestricted power of the railroads to charge what they will for carrying food and furnishings, household goods, agricultural machinery, all the necessaries of life, including the persons to whom they are necessary, is nothing whatsoever but a taxing power almost as complete as that of the government itself. It falls short of the government only as the government itself intervenes to protect the people against the railroads. In a recent magazine Prof. William H. Glasson, of Trinity College, North Carolina, summarized the legislation begun, or completed, for this purpose in various states of the union. His summary is here printed, but it should be borne in mind that after the railroad lobby has been defeated in a state legislature, the railroad lawyers must be beaten in every state court and finally in the supreme court of the United States. And it must furthermore be remembered that the greatest arguments made by the railroads against two-cent fares is that they can not afford to conduct the roads at that price. Wherefore it seems unwise to increase the expenses of the the railroads by fining them heavily for offenses; it might be more effective and also more logical to send a few of their traffic managers or directors to jail.

Professor Glasson's summary of legislation follows:

In 1896 Ohio enacted a law now in force nine months fixing the maximum railroad passenger fare at from two to three cents per mile. In the same year Virginia authorized her state corporation commission to take evidence on the advisability of enacting a two-cent passenger fare law, and its report is nearly completed.

Maryland passed a law compelling her railroads to sell mileage books at two cents per mile.

Since the beginning of the present year the legislative record is even more pronounced.

Alabama has adopted a two and one-half cent fare per mile.

Arkansas sent a two-cent bill to its governor for signature.

Arizona passed a three-cent bill in the house, which was defeated in the council. A four-cent bill is now before both bodies.

Georgia asked her state railroad commission to order a two-cent passenger fare per mile.

Illinois passed a two-cent fare bill in the house. The senate seems to favor the measure, with a schedule allowing a higher rate to roads of small earning capacity.

Indiana passed a two-cent fare bill and greatly increased the powers of her state railroad commission.

Iowa passed a two-cent fare law applicable to roads earning $4,000 a year gross per mile, and a two and one-half cent and three cent bills for roads with smaller earnings.

Kansas has passed a two-cent passenger fare law.

Maine is considering a two-cent fare bill which probably will not pass.

Minnesota passed a two-cent fare bill in the house which will probably be passed by the senate.

In Mississippi the railroad commission ordered two-cent fare books on the interchangeable mileage basis; a two-cent fare bill is before the legislature.

Missouri passed a two-cent fare law.

Nebraska passed a two-cent fare law which the railroads are fighting by retaliatory measures.

Nevada created a state railroad commission and the house passed a five-cent fare bill.

In New Jersey two-cent fare and drastic railroad commission bills are pending.

New Mexico passed a three-cent fare bill.

New York has 110 railroad bills before the legislature. Half a dozen of these are two-cent fare bills.

North Carolina passed a two and one-quarter cent fare law, exempting roads of sixty miles or less in length. Freight rates were lowered, and interchangeable mileage tickets ordered.

North Dakota passed a two and one-half cent fare law and ordered one thousand mile books to be sold for $20.

Oklahoma drafted the two-cent fare law in its constitution.

Oregon passed a sweeping railroad commission act giving the commission the right to regulate rates.

Pennsylvania passed a two-cent fare bill in the house, jeering President Baer's protest against it.

In South Carolina a two and one-half cent fare bill that passed the house was defeated in the senate, 25 to 14.

South Dakota authorized its state railroad commission to make a passenger rate schedule not to exceed two and one-half cents per mile.

Tennessee has a legislative investigation committee at work and reductions of fares per mile to two and one-half cents is rumored.

Texas has eighty-three railroad measures pending, including a two-cent fare law.

Wisconsin ordered several roads to reduce rates from three to two and one-half cents per mile.

Elihu Root is delivering a course of lectures at Yale University on "The Responsibilities of Citizenship." The most significant part of his address was some remarks on campaign contributions. Stripping his statement of the verbosity of the trained diplomat, he holds that campaign expenditures are in the main the most useful from a public point of view of any in which our nation induiges itself. He speaks with great show of pride of the 15,000,000 voters educated every election by these contributions, at a cost of about three and a half cents per capita to all the people of the United States. This is certainly a charming display of innocence, but it would come with better grace from somebody else than Elihu Root.

I would like to preface a few straight questions which Mr. Elihu Root, or anyone else can answer, with a few general remarks on campaign contributions. There are two distinct abuses connected with campaign contributions. First, in the way they are raised; second, in the manner in which they are applied. Campaign funds used to circulate truthful arguments or to pay honest speakers are all right. But how much of the enormous contributions of the last dozen years does Mr. Root imagine was used in that way. How much of the $16,000,000 raised from national banks, insurance, public service and other corporations in 1896 to defeat Bryan was so used? Isn't it something of a disgrace to the republican party that has had absolute control of our national government for over ten years, that there is no national publicity law which would cause these facts to be known? How much of this money was paid to the ward heeler to buy up the votes of unfortunates? How much of these contributions was used to corrupt the count? Does Mr. Root know? If not, why not?

Because a republican congress has consistently refused to pass a national publicity bill by which such facts might be known.

Bad as campaign funds may be in their application, they are even worse in their inception. Does Mr. Root think the great insurance companies contributed the funds they held in trust for widows and orphans because they wanted the public educated on political questions? Does he think Mr. Harriman gave $250,000 to the republican campaign fund in 1904 for the same reason? What does Mr. Root think Mr. Harriman meant when he said, "Where do I stand?" How much of that $16,000,000 raised to defeat Bryan in 1896 does Mr. Root think was raised by an assessment of three and a half cents per capita? How many of our 80,000,000 people does he think were responsible for that enormous corruption fund? Mr. Root with all his show of innocence knows that a comparatively few special privileged corporations gave the great bulk of it, and that these corporations expected a return in preferential legislation for what they contributed to the party in which he is such a luminary. Otherwise, with Mr. Harriman, they would have wanted to know where they stood.

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