

Low Canal Rates Hurt Mid-West

Coast Cities Profit From Cheap Transportation at Expense of Interior Region.

Carriers Fight Change

Industrial development in the middle west is vitally affected by low ocean rates and low rates through the Panama canal. These rates give a preference to industries located in coast and near-coast cities. Present high railroad rates are largely made necessary by the loss of revenue freight which now goes through the Panama canal. The coast interests are sending out propaganda of a subtle character for the purpose of diverting attention from the real issue.

ARTICLE I. By WILL M. MAUPIN.

Propaganda is beginning to appear, fathered by the great industrial interests of the Atlantic and Pacific seaboard and the coastwise shipping interests, the purpose of which is the perpetuation of the present toll and carriage rates through the Panama canal.

The interstate commerce commission, created in 1887, was given charge of the matter of regulation and rate making. This was before the Panama canal was more than the exploded dream of a Frenchman, and therefore before canal traffic was even considered more than a remote possibility.

Section IV of the interstate commerce act has long been the center of agitation and argument. This is popularly known as the "long and short haul" clause, the effect of which in general is to deny to the railroads the right to make a lower rate from coast to coast than the rate to intermediate points. But the act was so framed as to give the commission the right to make a lower rate for the long haul than the short haul upon a showing that the lower rate for a long haul was necessary in order to compete with a shorter haul between the same points. Under this ruling numerous permissions were secured by railroads to make lower rates between widely separated points than the total of two short hauls between the same points.

The present fight upon Section IV, construed as it has been by the interstate commerce commission, is not being made by the railroads. Senator Gooding of Idaho has introduced a bill, the purpose of which is to amend Section IV so as to prohibit the commission from exercising discretion and compelling a rigid enforcement of the section.

Conditions are changed. Present conditions are so radically different from old conditions under which abuses crept in under discriminations by long and short haul manipulation, that it is necessary to have a proper understanding thereof as a condition precedent to a proper understanding of the present controversy.

Panama canal rates are doing exactly the same thing today that the old long haul rates once did—they are building up the industries on the coasts at the expense of the industrial development of the interior. Incidentally the railroads, which are and always will be the backbone of interior transportation, are losing millions of dollars to this low water rate competition. This can be but one result to the interior sections, the Omaha territory for example. They face the possibility of further increase in freight rates if the Gooding amendment prevails and the railroads are thus deprived of the revenues they now get from the long haul rates permitted by the interstate commerce commission. Deprived of this long haul revenue the railroads must somehow make up the deficit, if they are to continue to function. With the long and short haul clause rigidly enforced, without flexibility, the waterway through the Panama canal, between the two oceans immediately will begin carrying practically all of the trans-continental freight. This will tend to undermine the industry in the interior sections and concentrate practically all of it upon the two coasts.

Campaign of Propaganda.

That a campaign of propaganda is under way to stir up prejudice against the railroads and at the same time to bolster up coast industries by making it appear that the railroads are making a concerted attack upon the Panama canal, is plain to even the superficial observer.

It is not true that the railroads are attacking the Panama canal. On the contrary the railroads are on the defensive. They are merely asking that Section IV be retained as it now stands, thus giving them a fair chance with the canal. They are resisting the Gooding amendment, for that amendment if enacted into law means the upbuilding of canal business and the destruction of trans-continental rail business. The program of propaganda is designed to convince the people that there is something sacred about the Panama canal; that it must not be considered in the same light as other avenues of commerce, and that by no means must it be compelled to work under laws and rules imposed upon other means of communication. Experience is beginning to convince thoughtful business men in the interior sections that there is something wrong about the Panama canal.

Monopoly is Defended.

Reliable information concerning the real situation might—and the middlewestern business man feels that it should—bring about a move-

ment in congress that would regulate Panama canal rates rather than disturb present adjustments. In an effort to defeat this outcome and to protect the coast to coast monopoly through low water borne rates, the propaganda of discrediting the railroads and holding up the Panama canal as sacred, has begun.

Because the railroads are asking for a chance to compete with the Panama canal route, and because they oppose Senator Gooding's amendment, they are charged with a conspiracy to close the canal to freight traffic and make of it "merely a part of the national defense." It is further charged that this is but following out the long-continued policy of the railroads to throttle water competition and prevent the development of interior waterways. This is a string that has been harped upon for years.

A writer of somewhat more than national repute is now putting forth a series of articles in which he seeks to show that the railroads of the United States have so conspired that the people are deprived of distribution facilities that have been highly developed in continental Europe. No one acquainted with the facts will deny that waterway transportation in Europe has been highly developed, nor that water transportation cuts a great figure over there in the matter of rates. But those who emphasize waterway development in Europe fail utterly to take into account—or at least to acknowledge—the tremendous difference between conditions there and conditions here. Wherever population is dense enough to make water transportation profitable in the United States, it exists. But as a general proposition rail transportation is so much cheaper and the service so much quicker and better, that water transportation has languished because unprofitable.

In considering the Panama canal it is only just and fair that a number of things be taken into consideration when comparing rates by rail and rates by canal. Of course, it is cheaper to carry freight in vessels from one coast to the other, via the canal, than it is to carry it by rail between the two coasts. There is no cost of maintenance for the waterway. The ocean is there, has always been there, and will always be there. It costs nothing to maintain the ocean. The only cost of maintenance on the entire route is along the few miles of the Panama canal. And it should be remembered that the government in addition to owning the canal also owns a railroad alongside to provide itself with quick service and communication. On the coast to coast waterway, including the Panama canal, the annual maintenance cost is less than the tie replacement cost of the transcontinental railroads. There are no immediate shops to maintain, no taxes to pay, no immediate territory to serve and develop, and no restrictions as are imposed by law upon the rail carriers. The waterway payroll is infinitesimal in proportion to tons carried, when compared with the rail carriers.

Nor has the writer now charging the railroads with conspiracy to close the canal taken into account the discrimination in favor of the coastwise and coast-to-coast water traffic and against the business houses and industries in the interior whose traffic is carried by the railroads. The law makes coastwise traffic a monopoly by refusing to allow vessels other than those of American registry to engage in coastwise traffic. At the same time the Panama canal is closed to railroad steamship lines, even though they are American railroads using American-built vessels and carrying American crews. Illustrative of this is the Southern Pacific. In an effort to compete with the canal, it has equipped steamships to carry freight cargoes from New York to New Orleans and Houston, there transshipping to their rails and thence on to the Pacific coast. Similar shipments are made by rail from the Pacific coast to Houston and New Orleans, and then by boat to New York. This useless transshipment is compulsory because the Southern Pacific is not allowed to send its freight vessels to carry freight through the canal and make rates, without any supervision or regulation whatsoever. The rates which these shipping interests charge would ruin the railroads if they were compelled to make rates to meet them, and at the same time had to charge proportionate rates for the haul at intermediate points.

Water rates from the Pacific to the Atlantic coast, and vice versa, are made lower by the fact that there is no necessity for breaking bulk, no necessity for stops at scores of intermediate points, no necessity for the maintenance of expensive repair shops, no arbitrary oversight by government commissions, and no taxes to pay such as the rail carriers must pay to every state, county, municipality and school district they touch. Ocean traffic need not take into account the needs of interior points, while carriers must constantly keep in mind the needs and requirements of thousands of communities, each with a different environment.

The question boiled down, is, How may water rates and rail rates be so adjusted that one may not prosper at the expense of the other; so that one section of the country may not prosper at the expense of other sections, and a proper balance be maintained so that the whole country may be benefited at the least possible expense to any particular section?

It is in this light that it is proposed to discuss the problem in a short series of articles dealing at greater or less length with several of the main factors entering therein.

The next article of the series will discuss the possible effects upon midwestern sections if Senator Gooding's amendment prevails and the railroads are no longer permitted to appeal to the Interstate Commerce commission for permission to make long haul rates that will enable them to retain a portion of the transcontinental freight traffic.

Snow Benefits Farmers.

The next article will deal with the matter of European water ways and the unrestricted rate making powers of the water lines that use the Panama canal.

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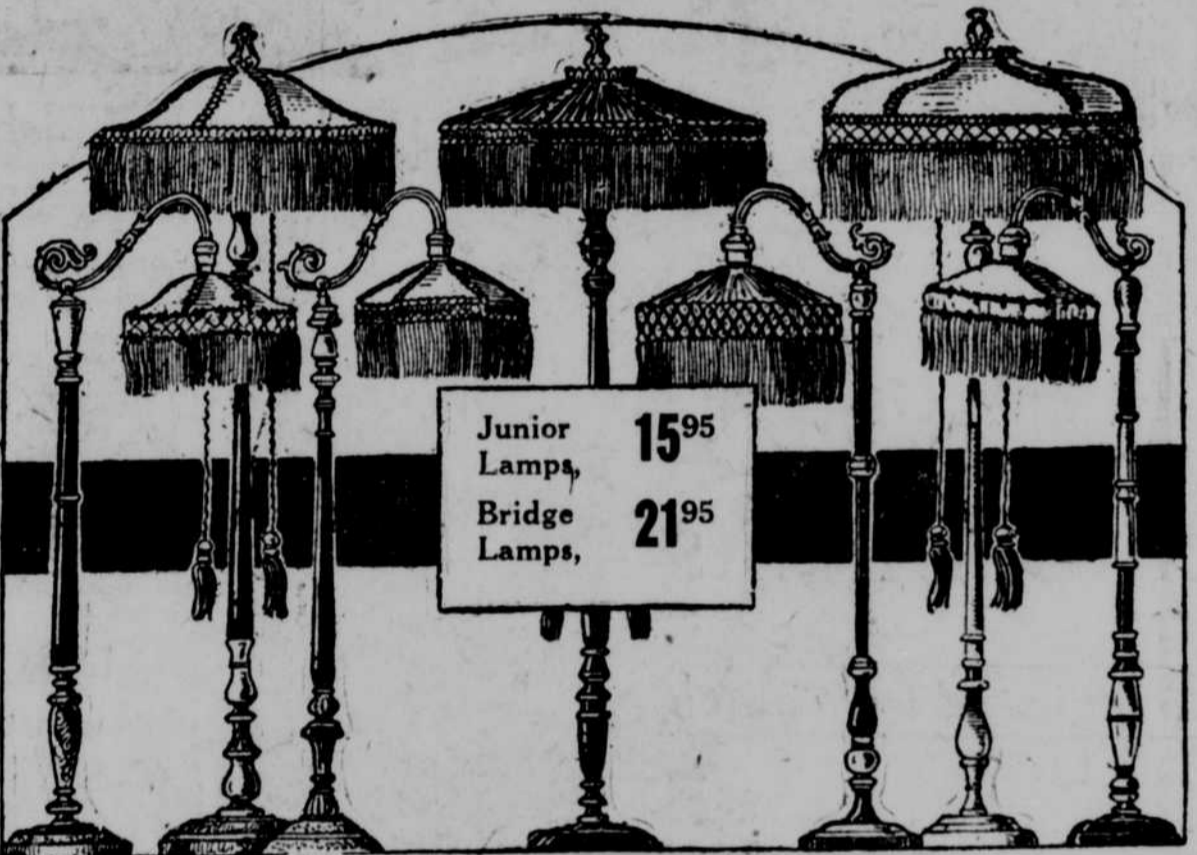
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