

Growth of the Private Car Trust

The New York correspondent for the Chicago Record-Herald gives an interesting description of the growth of the private car trust and its power. This correspondent says:

Mr. Midgley's testimony before the interstate commerce commission in Chicago is a verification of a prediction made at least five years ago by one of the great railway managers of the United States. It was said then that sooner or later there would come convincing and official information showing how completely the packers of the west had the railways of the United States in their grip. Mr. Midgley's testimony, in addition to the aid which it has given to the interstate commerce commission in reaching conclusions upon the particular point at issue, is of broader significance, bringing to light the uses to which competition may be put by those who seek monopoly, and the evidence it furnishes that even the greatest of those directing the affairs of the railway world may commit grievous mistakes and costly blunders involving the most serious consequences.

But in order to understand fully the meaning of Mr. Midgley's testimony it is necessary to read more of the history of the creation and expansion of the refrigerator car business than Mr. Midgley is reported to have given. The refrigerator car trust, so-called, represents a gradual advance toward the complete mastery of one department of railroad transportation.

In 1875, or about that time, some unrecognized genius conceived the idea of taking butter, eggs and some of the finer grades of meat, like tenderloins, from Chicago for delivery at eastern points in perfect condition. He planned a new kind of car and called it a refrigerator car, and it was in that one idea, simple in its conception and narrow in its purpose, that private car trust had its origin.

The cars were first hauled over the Fort Wayne railroad from Chicago to Pittsburg, and thence by the Pennsylvania to eastern points. They speedily demonstrated that they were of great advantage in the shipment of perishable products. The owners of these cars did a considerable business and made a little money. When the manager died the cars were bought by the railroad company. This was the foundation of the semi-refrigerator cars used on the Pennsylvania Line organization.

Soon after that the Merchants' Dispatch company began the construction of refrigerator cars. They were operated with such success that the packers of the west speedily perceived that they might be utilized for the transportation of dressed beef to the east. In a short time the demand for refrigerator cars became far greater than the fast freight lines could meet.

Then came the first step in the perfection of the trust, so-called. The dressed beef shippers offered to build refrigerator cars if the railway companies would allow them the current rate of mileage. The railroad people looked upon this as a very reasonable proposition, arguing that they would

be paying for the use of private cars no more than they were paying the fast freight lines and other railroad companies for like service.

The dressed beef shippers began to construct great numbers of refrigerator cars and in a few years each shipper of this product owned enough cars to transport all his shipments to the east.

It was at this time that the great mistake of the railway managers was made. They did not realize as the beef packers did that as soon as the shippers owned all the cars necessary for their business they also would be in possession of the control of the route over which that beef was to be shipped. Instead of agreeing to the terms offered by the packers, the railway managers, had they been wise, would have refused to pay the mileage demanded or constructed their own cars. Then, having entered into an agreement one with another, they would have compelled the beef packers to ship their dressed beef east by these railroad-owned cars.

At last the packers by reason of the mileage they received, \$15 a car, found that they were making relatively far greater profits on the use of their cars than on the beef which these cars carried. The understanding in railway circles is that these cars earned from 25 to 28 per cent net upon the capital. It is reasonable to infer that if it were necessary the packers who own these cars could sell their beef at cost and yet make a reasonable profit.

After awhile the packers became so strong that they were able to go, as it is said they often did, to the manager of eastern trunk lines and demand a rebate or reduction of rates. The railroad companies were paying the packers not only \$7.50 for the use of each refrigerator car from Chicago to New York, but also \$7.50 mileage for hauling that empty back from New York to Chicago. That did not satisfy the packers and other demands were made. For instance, it is declared, some one of the great packers would call upon the manager of a trunk line over which the packer was shipping, say forty carloads of beef a day, and a conversation of this character took place:

"I think that you ought to allow me a rebate, say of 5 cents a hundred."

And the reply was almost stereotyped: "We can't do that. The rates are published by law and are fixed."

Then the packer would express his regret that they could not come to an understanding and would go away. A few days later the traffic manager would be informed by his subordinates that the packer had ceased to ship over that line and was sending his dressed beef to New York by another trunk road. There were no threats, nothing in the way of spoken intimidation, out the loss of \$2,000 a day, if maintained for many days, would trouble any railroad manager. At last the manager of this line from which this traffic was taken would call upon the packer and offer to take the business at a rebate of, say 5 cents a hundred, and the packer would reply, "Oh, that is no object to me." He did not say so, but the intimation was clear that he was getting, directly or indirectly, in some way which could not be traced easily, if at all, the rebate which he sought, and so the manager would say to him: "We will make you a rebate of 7 1/2 cents a hundred," and then that line would get the business again.

While it is not affirmed that precisely these words were ever used, yet the packers availed themselves of the competition or the competitive power that exists between various railways

to carry their point and to strengthen their monopoly. It would be impossible to find in the history of recent industrial growth a finer illustration of the power that there may be in the use of competition to perfect a monopoly.

If all the railroads would enter into agreement to reduce the mileage on the cars that would go far toward weakening the power of the packers. If they were to build refrigerating cars now that would not secure the dressed beef transportation unless they also owned the packing plants. It would seem that the great danger to the community which the private car trusts involve is that it enables the beef packers to gain a monopolistic control of the markets. Of course, if any railroad, after publishing its rates, gives a rebate it does that in violation of the law, but there are a thousand and one ways in which indirect rebates can be given which it would be almost impossible for the interstate commerce commission to trace. Mr. Midgley's solution of this condition is the adoption of a per diem system by which owners of refrigerator cars will be paid, say, 50 cents a day for the use of each car provided it has full weight.

Good News

John Sharp Williams, leader of the minority of the house, tells the following as illustrative of the humors of the spoils system in office, says

Harper's Weekly.

"Years ago, before the passage of the civil service act, when every congressman's life was made a burden by the importunities of constituents seeking office, a friend of mine, then representing an Alabama district in the house, was approached by an old acquaintance who desired a clerkship in the treasury department.

"The congressman informed the man that but a day or two before the head of that department had advised the statesman that there were no vacancies. Nevertheless the constituent of the Alabama representative persisted in his efforts to obtain the coveted clerkship and for weeks haunted the quarters of the congressman.

"One evening, just as the member was sitting down to dinner, he was a little vexed, to say the least, by the announcement of the servant that the persistent applicant for preferment at the hands of the treasury department desired to see him.

"On entering the drawing room the congressman said:

"Well, what's up now?"

"Good news, sir!" exclaimed the office-seeker, in great excitement; "I think you can get that place! A clerk in the treasury department died this afternoon."

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