

# Dual Ownership of Railroads

## Mr. Bryan Outlines Plan

The railroad problem is by far the largest of the reconstruction problems now confronting the nation. It represents an enormous capitalization; it reaches into every part of the country; the number of its employees amounts to nearly one-tenth of the male voting population of the country.

It is interwoven with banking and other industries; the men who are in control of the railroads are influential in business and often active in politics; directly or indirectly, it brings pressure to bear upon a large number of persons who are actually on its pay roll.

To understand the subject it is necessary to know not only the railroads as they are, but also the railroads as they are planned. The more important roads were taken over by the government as a war measure, but the act which authorized this limited the control to a period of twenty-one months after the conclusion of peace, so that affirmative action is necessary in order to continue government operation. Director-General McAdoo has suggested that the period of control be extended until the first of January, 1924, in order that government operation may be tested more fully and under normal conditions. But this proposition, as might have been expected, has aroused a prompt protest from those who represent the controlling railroad interests.

I need not discuss Mr. McAdoo's proposal therefore, because it is not likely to be acceptable to either side.

The railroad magnates, knowing the pecuniary value of private ownership to those in control, will not consent to delay, and the friends of government ownership will see little advantage in a test made under the direction of those who personally favor private ownership. If government ownership is to have a fair test, the test must be made by those who believe in it and want it to succeed; and even then it would have to meet an opposition from railroad interests which will disappear after government ownership becomes the settled policy of the country.

The situation divides itself into four propositions.

### I.

A return to private ownership as it was before the government assumed control. This is improbable. The railroads are opposed to it, the President has announced his opposition to it, and the advocates of government ownership are, of course, opposed to it. It may therefore be dismissed for the present. Its consideration is only possible as a compromise in case no other plan can secure the support of a majority. Weak as it is, it has the strength inherent in an existing system before any proposed change secures the support of a majority.

### II.

#### WHAT RAILROAD DIRECTORS WANT

The plan supported by the railroads contemplates a return to private ownership under a so-called unified system of control, with the federal government exercising exclusive supervision over all railroad traffic, intra-state as well as inter-state. The railroads have for years had this change in view. In 1916 they secured the incorporation in the republican national platform of the following plank:

"Inter-state and intra-state transportation has become so interwoven that the attempt to apply two, and often several, sets of laws to its regulation has produced conflicts of authority, embarrassment in operation and inconvenience and expense to the public. The entire transportation system of the country has become essentially national. We therefore favor such action by legislation or, if necessary, through an amendment to the constitution of the United States as will result in placing it under federal control."

The democratic party was silent upon the subject, and the national committee did not emphasize this issue in the campaign. After the election the railroads immediately proceeded to lay their plans for securing this centralization of control. Hearings were begun before a joint committee at Washington, and the railroad lawyers who looked after railroad interests at the capitol presented elaborate arguments in support of the federal control plan. Our nation entered the war before the hearings were completed, and the activities of the railroads in this direction

were suspended, but the demand now made by the railroads for return to private ownership includes this change.

The situation was bad enough when supervision was divided between the federal government and the several states; it was hard enough to secure effective regulation or fairness in rates when the people spoke through representatives who lived near them and assembled at the several state capitals.

No one acquainted with politics during the last twenty-five years can have forgotten the reign of corruption. The free railroad pass was one of the means employed until it was eliminated by both state and national legislation. Investigations have shown upon what a gigantic scale corruption was organized. Newspapers owned by the railroads were conducted by individuals who represented themselves as the real proprietors.

Political economists holding positions as instructors in universities were on the payroll of the railroads and were used to deceive the public, and politicians were controlled through secret retainers. The railroad influence was rampant at Washington and completely dominated many states.

If it was a scandal under the old system, what may we expect if all authority is centralized at Washington and the railroads are given so large a stake in the election of a president, senators and congressmen?

The President appoints the inter-state commerce commission; it would mean hundreds of millions a year to the railroad managers to have the commission filled with their friends. They have sometimes attempted to name these appointees, even when the federal government controlled only inter-state rates. How much more arrogant they will be if all power is exercised by the federal government. Senatorial contests will become much more exciting when the railroads pit their candidates, secretly controlled, against a candidate whom they cannot bribe.

And what will be the fate of the man who sues the railroad? His lot is hard enough now. It will be worse then, when to the delays which are now excessive is added the distance, which will amount to denial of rights.

### III.

#### NOT PREPARED FOR FEDERAL OWNERSHIP

The third proposition is the nationalization of all railroads. If the people must choose between private ownership, on the one hand, with all the evils inherent in the private monopoly and all the dangers involved in a system of corruption nation-wide and the injustice which would be involved in private ownership under federal, not state, supervision, and on the other hand direct government ownership, they will, when informed, choose the federal ownership.

But I think that they are hardly prepared to make that choice now. In the first place, they will be appalled by the new indebtedness which would have to be incurred. With a bonded debt of sixteen billions and a half, which, we are informed, may rise to twenty-five billions before the armies are demobilized and the war bills have been paid, the people will hardly be willing to add twenty billions more in order to pay for the railroads.

Then, too, they will be frightened by the magnitude of the bureau necessary for federal operation — a bureau with a corps of employees almost as numerous as those now necessary for the management of the business of the federal government.

They will be alarmed, also, by the possibility of a partisan use being made of such a large force of government employees.

All of these objections could, in time, be answered. For instance, the interest upon the debt contracted to buy the railroads would not be as heavy a fixed charge as the interest and dividends now paid on railroad capitalization, and it must be remembered that present capitalization represents considerable more than actual value.

Second, the employees needed for government operation would not be as numerous as those now necessary for private operation, because consolidation would eliminate much duplication in this force.

Third, the government could not control officials to the same extent that the railroads have

been able to coerce their employees, because the government would have to act openly, while the railroads have been able to act secretly.

Then, too, the government's power to use employees is offset by the activity of those who fail to secure appointment — no mean factor in the problem — and it is possible, by means of improvements in the civil service, to reduce to a minimum the partisan use that can be made of employees engaged in the public service.

But, while the arguments against the nationalization of the railroads can be answered in time, it is not likely that the voters can properly inform themselves and reach settled conclusions before federal operation of the railroads expires by limitations in the law.

The men interested in the return of the railroads to private ownership are organized and on the alert; they are largely in control of the avenues of information, and at the first onslaught will probably be able to overwhelm the advocates of nationalization.

### IV.

#### A NEW PLAN SUGGESTED

The fourth plan is, to my mind, the one most easily presented and defended, namely, a dual plan in which the federal government will own and operate, not the entire railroad system of the country, but only a trunk line system sufficient to give every state an outlet for its products and an inlet for its purchases.

Such a system would effectively regulate interstate commerce, and yet would cost but a small sum compared with the nationalization of all railroads.

Such a system would also meet the objections made to the establishment of a gigantic bureau at Washington, and the objections based upon the fear of centralization — a real fear — in support of which many illustrations can be drawn from history. The government can easily enter upon this partial nationalization by the appointment of a committee to investigate the advisability and cost of such a system, and the report can be made after investigation and acted upon before the time set for the return of the railroads to private ownership.

The dual plan contemplates not only a trunk line system owned and operated by the federal government but the ownership and operation of the local network of roads by the several states.

The government could, for instance, take over one first-class trunk line between the Atlantic seaboard and the Great Lakes at Chicago; another to the Mississippi Valley at St. Louis; another to the Middle West, and lines to the North, South and Central Pacific coast; also North and South lines, and so on.

This nationalized system engaged in interstate commerce would traverse all the states.

It would compete with privately or state owned railroads in service and in economy of operation, not in rates, because the government would fix all interstate rates, as it does at present.

This would give an opportunity to test the relative merits of private vs. public ownership. The government owned system would have lower fixed charges because its bonds would be issued at lower interest rates. The resulting profits could be used either to extend the system or pay off the debt. The taking over of a trunk line would not embarrass the owners of branch lines (whether owned by a corporation or a state), because the trunk line would be open to all on fair and impartial terms.

In other words, while it is government ownership, the larger part of the problem is distributed among forty-eight states and can be extended over a number of years.

#### WOULD HARMONIZE WITH GOVERNMENT

If the dual plan is adopted the government can, in a short time, put into operation a trunk line system which will make each state independent in regard to railroads within its borders, because whether these railroad lines be long or short they can find an outlet over the national system, and the states can put the system of government ownership into operation as rapidly as public sentiment is ready, exercising in the meantime a complete control over intrastate traffic.

The dual plan harmonizes with our form of government in that it provides for national ownership and operation of a system of national lines, and state ownership and operation of local lines.

Where connecting local lines extend through several states joint traffic arrangements can be made without difficulty, first, because the adjoining states will be equally interested in