

itself it would not have to consult anybody. In that way it could more quickly meet its needs and provide for the wants of its people.

The Chairman. Outside of the trunk lines that the federal government would take over under your plan the states would take over the lines?

Mr. Bryan. Yes.

The Chairman. I have just been casting up in my mind just what that might involve in a state like Wisconsin. The average capitalization of the railroads of the United States, compiled by the Interstate Commerce Commission just before the war, was \$66,000 per mile. There are in my state possibly 6,000 miles of line. That would involve \$396,000,000, and if the state took that over the state would lose the taxes, and one-third of our taxes prior to the war were raised from our public utilities, mostly railroads. Question: Could a state stand such a tremendous burden, notwithstanding your suggestion that it might take time to buy, and what is true of my state would, of course, be correspondingly true of other states, although it is easy to conceive of some state with a large mileage and thin population?

Mr. Bryan. You had several questions in one?

The Chairman. Yes.

CAPITALIZATION AND TAXES

Mr. Bryan. In the first place, as to the capitalization, I am not prepared to say whether the capitalization of the railroads in your state averages as high as the average in the Nation, because the total capitalization, you know, includes the cost of the land, the right of way, and the terminals which in the cities become very important items. It is possible that, if you take all the big cities and the cost of building railroads through them, and spread that cost over the entire nation, it may make the average cost per mile higher than it would if you consider your own state alone.

The Chairman. That is true. In some states the capitalization might be as low as \$30,000.

Mr. Bryan. The second thing is the tax. If the state receives one-third of its taxes from the railroads, your people, of course, know that the railroads collect the tax from the people before they give it to the state. The roads have no other fund from which to draw.

The Chairman. We tax them as we tax the other properties in our state.

Mr. Bryan. I know; but they collect it from the people.

The Chairman. It is probably reflected in the fare.

Mr. Bryan. Of course. It could not be otherwise.

The Chairman. It is an operating charge.

Mr. Bryan. Therefore, if you take your taxes off, you can make that up to the people in fares. If you collect an equal amount by some other form of taxes, you have not lost anything. But you have in it your power to collect, in addition to the rates necessary to cover other costs, the amount paid in taxes. You need not lose it; it is in your own hands.

The Chairman. It would be if our state were isolated and not related to other states in the matter of interstate commerce, and the decision of the supreme court in the Shreveport case is to the effect that no state can fix intrastate rates that will become an undue burden upon interstate rates.

Mr. Bryan. Of course, Mr. Chairman, I would not think of entering into a controversy with you on the details of the interstate commerce law, because you have made it your business, while I have been doing other things; but it occurs to me that, if the federal government has a trunk line running into your state, the federal government will fix its own rates on all produce coming into your state over that trunk line or going out, but the federal government would not be as much interested as it is now in the rate you fixed on the lines that distributed your purchases after they entered the state, or collected your produce before it went out of the state.

I cannot see that that question would be anything like as important as it is now, because, with the federal government owning the trunk line and fixing the traffic rate, it would be a matter of local importance what you would charge before your stuff got to the boundary of the state, or after it came in.

Under the present law, of course, it is a very serious thing, because it makes a great deal of difference how the joint rate is distributed, and much of the controversy, as I understand it, is over the distribution of this joint rate.

I remember that when I brought some curios from Japan, I paid just about half as much for

getting them from Omaha to Lincoln, as I paid for getting them from Yokohama to Omaha, although the long haul covered an ocean and about 1,500 miles of America, with two mountain ranges to cross, while the short haul was on level ground, and less than 75 miles.

Now, the distribution of the long and short haul, the interstate and the state rate, is a very important matter when private individuals do it, but I do not think it would be so important when the government owns the trunk line.

May I ask you, Mr. Chairman, how much your state contributed in bonds to the \$20,000,000,000 indebtedness?

The Chairman. That would be difficult for me to state, because in the early days quite a number of the municipalities and the counties bought the bonds.

Mr. Bryan. Oh, no. I mean the war loans, the Liberty bonds.

The Chairman. I was going to say \$360,000,000. I would not be sure. We went over the top.

Mr. Bryan. You think it was about the same that the capitalization would be at the average rate?

The Chairman. It would be somewhat less, but but it was over \$300,000,000, in the five loans.

Mr. Bryan. Your people had no difficulty in raising in a year and a half's time enough money to buy government bonds sufficient to capitalize their railroads; it is likely that, if the people wanted to do it, they could capitalize their own railroads by furnishing the money with which to buy them.

The Chairman. Yes. We were assured of 4% interest when we bought the bonds. We are not sure of that percentage in the state buying the roads.

Mr. Bryan. The first issue, I think, was 3½ and not 4%.

Mr. Sims. You spoke of a trunk line to go through a state, and then for all portions of that state not in the trunk line to be served by shorter or branch lines. It will be a problem almost staggering to ask the states to purchase all the railroads operating within their borders, except a trunk line or two, but why would not this solve the problem and practically attain all that you want to attain, to have the United States government buy all of these lines everywhere, in the state and between the states, and issue its bonds in payment for the same? It could get money lower than a state could, and then let the government lease to the states such of these lines as the states are willing to take charge of and operate, paying the government just what the government paid for them? In other words, paying the interest on the bonds to the extent of the purchase that the government would have to pay, and then have absolute complete state control of the roads so owned by the state, and in case the government did not buy them and the government wanted to lease them to private companies making arrangements with the paramount owner of the property and require by arrangement in the contract for the same identical service. What I have thought about for a good many years is this, that the government will have to acquire the property of the railroads, because the unearned increment keeps piling up, whether we take over the equipment or not. It seems to me the sooner this is done the better, because we are constantly increasing the security liabilities of the railroads and not amortizing any. Could not your plan of theory be so modified as to reach the ends and objects that you have in mind without forcing the states or without having to wait for the states themselves to determine on doing so, and then let the states take such parts of the roads as they wish to pay for.

Mr. Bryan. I think the plan that you suggest, Mr. Sims, would be a very great improvement over the nationalization plan.

Mr. Sims. The single federal control?

Mr. Bryan. Yes. That is, if you provide in your law that any state may at any time purchase or operate any part of the general system that is in the state, excepting this trunk-line system, it would to a certain extent protect against the centralizing dangers that I have suggested, because it would provide in the law a means of meeting that danger as the people recognize it or desired to meet it. It would be a great improvement over the nationalization plan if it had an amendment that would make it possible for the states to take possession of local lines when they wanted to.

But let me answer you further. I think it would have the objection of presenting an enorm-

ous problem at the beginning, which might be so big as to prevent the adoption of nationalization. That is, I think if the government had to put up the money to buy \$20,000,000,000 worth of roads, it would not be so apt to enter upon it as if it would only have to put four or five billion. If you can raise the money for nationalization your amendment would go a long way toward reducing the danger that is involved in centralization, because it would give the remedy in the law and the states, as they liked, could take the railroads or not.

Mr. Sims. It is my observation that when a railroad comes to receivership and the mortgage is foreclosed and the property is sold out, that some other railroad buys it, and there is practically not a dollar of money passes. The government would not have to collect all of this volume of money, as a matter of course a great deal of it would be an exchange of government bonds for railroad bonds at what they are worth. It would almost ruin the commerce to lock up funds in that way. So that the hugeness of the undertaking itself would not be so appalling, because of the fact that you are only swapping your securities for those that the railroads themselves own, and I believe that in the state of Wisconsin, the state that the chairman mentioned, the people would be very glad indeed to get the government bonds, especially if they are free from taxation.

Mr. Bryan. To the extent I have said, I think it would be an improvement to the nationalization plan, and relieve it to some extent of the danger of centralization, which to my mind is the greatest danger.

Mr. Sims. No plan that has been presented contemplates the amortization of railroad securities and indebtedness, and I have not looked upon government ownership from the standpoint of theory or desire, but as an absolute necessity. That is the way it strikes me, that we have got to come to it, and your plan may be best, I only suggest these matters.

Mr. Bryan. My plan is only presented for consideration, that it may be kept in mind when the people decide these questions.

Mr. Sims. That is all I want to ask.

Mr. Winslow. You made a comprehensive statement and touched a good many high spots in regard to the railroad proposition, and many of them new. On the other, you have brought forward the opportunity for questions in the way of comparison between your views and the other views we have heard expressed. There are a number of questions here that I would like to ask that do not require long answers, but I would like to have the questions considered.

Mr. Bryan. I shall be pleased to answer any questions, so far as I can.

Mr. Winslow. I would like to ask you in what respect you feel that the management under federal direction has been improved, as contrasted with the management under private direction.

Mr. Bryan. In the first place, I said that we were under such restrictions and limitations that we were not at liberty to introduce improvements and economies as we would be if it were a settled policy and the roads permanently in the hands of the government, but I think there is no question that some have already been introduced.

For instance, the joint use of the ticket offices. I have heard a great many people speak of that as being a great improvement, and one that would be likely to remain, even if the roads went back into private hands.

Mr. Winslow. That is, there are small economies of that kind.

Mr. Bryan. Yes; and the fact that we can now buy a ticket that is good over every line in the country. I have been buying railroad tickets for a good while and sometimes we could buy a mileage book good in a certain section, say on lines west of Chicago, or on lines east of Chicago, or on certain southern lines, but now I think they sell a book that is good everywhere.

Mr. Winslow. Could not most of those improvements be carried out under private ownership as well as government ownership?

Mr. Bryan. They could be, but my observation is that if you have private ownership it is because you have in office people who believe in it, and it is very difficult for the people who believe in private ownership to agree to anything that the railroads do not want, and they do not want everything that is good.

Mr. Winslow. That is getting back to the legislative point, is it not?

Mr. Bryan. Well, I do not think you can ignore the fact that a gigantic power like the