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POSTAL RAILROAD RATES

The Average Amount for Which Each Passenger is Carried Is Sixty Cents.

SAME SYSTEM ON STREET CARS.

It Would Vastly Increase the Net Earnings of the Roads and Build Up the West.

The street car service of the city is the same in its nature as is the railway passenger service of the nation.

Had the railways of the United States been operated as one road (1902) as is the street car service of a city, and had the rate been 60 cents for each passenger, as is five cents for a street car regardless of distance, the roads would have received the same gross revenue they did get. This is provided, they carried no more nor less passengers than they did. But, the facts are that the passenger service, would, under the postal theory, increase ten-fold or more, over the individualized mileage theory. The average train carries but forty-five passengers (see page 67 interstate commerce statistical report 1902). The capacity of each coach is from fifty to sixty passengers. The writer has often ridden upon trains where the passenger traffic could easily have been carried in one coach. Why is that so? Because the per mile rate system restrains travel and is in restraint of business. Think for a moment what a per-block system of street car charge would result in, with a rate of half cent per block (which rate would be no higher for street car service than is three cents per mile for passenger service). It would shrink the value of the out-laying blocks, beyond, say ten blocks from the center of business, exactly as ton per mile rates of freight and mileage rates for passenger service does land values on railways. And it would also shrink the earning value of street car property to the point of confiscation. Such system of rate making for street cars would make it plain to anyone how urgent it is that a law be enacted that all roads should make enforcable contracts for division of traffic making all transportation national, and the rate a fixed one, absolute and based on the average rate shown during the life of the interstate commerce commission to have been received by the railways.

Put in the average passenger rate and the average number of passengers on a train, would be raised from 45 to 500; this, without materially increasing expense of conducting passenger traffic. The average gross income per train for its average distance of travel, from passenger service, would be raised from $27 to $300.

The railways take spurts giving excursion rates. The writer remembers a round trip rate of $3 made between Chicago, Ill., and St. Paul, Minn. The regular one way fare was $9.70 or $19.40 for the trip to St. Paul and back on the mileage basis. The rush of travel called for three or four sections for each train. They were loaded to their capacity and suppose the average to have been five coaches they got $900 per round trip train, which they count as costing for service about $1 per mile or $820 for that trip. They were only about $80 per train to the good on their passenger service or a little under 10 per cent profit.

It was claimed that this $3 excursion round trip service to St. Paul from Chicago was not profitable. No doubt. Let us examine the case from a postal basis which we claim is the true rate basis. The average distance per haul for each passenger on the business of the United States was 30 1-3 miles, the average rate of fare (the true rate) 60 cents. From Chicago to St. Paul is 410 miles, back to Chicago makes 820 miles. This is just twenty-four times the average haul. The $3 rate they made was just five times the average rate. Had they received for that individual rate the true rate based upon the average they would have charged 24 times 60 cents or $13.40 for each passenger. When you select someone haul out of the whole traffic of the country, you individualize that haul and destroy the relation and in the case above cited the rate was but five times the average received for each passenger while the distance of the haul was 24 times the average, and yet they lost no money on that business, which shows the wonderful margin of reductions that are possible to be made in passenger service under an enlightened management of that business.

Get this fact fixed in your mind, digest it as you would a meal and make it a part of yourself and you will begin to understand this question. An average embraces the longest haul and the shortest haul and every intermediate haul. It is the true basis from which to figure service to the public, by quasi-public corporations. The average rate embraces the largest amount paid for any ticket and the smallest amount and every intermediate rate is contained in that average rate. This is true of passenger service, this is true of freight service. You are entitled to a 60 cent passenger rate any distance, long or short. You should permit roads to pool and make enforcible contracts among themselves for divisions of revenue. And if they get into a fight on that division, let the courts settle at the expense of the roads proper adjustment of those divisions. You are entitled to a five cent freight rate, for that is the average rate on the postal basis for freight service. If you do not know enough to demand what is due you, you ought not to have it. If you have the capacity to think for yourself and the determination to force your public servants, the law makers, to put the result of your thinking into statute law, you will have the relations between all citizens made right. If we know no more than the horse, we should be hitched up to pull the load, as most of us are. You and I are treated as well as we deserve, because we deserve no more than as units of a community, we know how to administer for the community.

The man who is bribed by a pass gets sixty cents of value for his perfidy, each ride he takes on the railroad. To the railways the pass holders ride looks like 60 cents, but he looks to the writer like thirty cents. Study the passenger service table under the group map of the United States (published on page 2 of the Feb.9 issue) you sists of Nebraska, Colorado, north of an east and west line through Denver, Wyoming, Montana and the Dakotas west of the Missouri river. That is a big country, with no large cities commanding interurban traffic to lower the average rate. For that reason our group stands at the head of the average in long haul and large cutlay per individual. The iron hand of railway discrimination has been laid on every mile to an extent which would have depopulated it as a Sahara, had it not been for a natural fertility, boundless mineral resources and work of the hardy pioneers who make up the population. We often hear the question asked, what would we do without the railroads? It could as well be asked what could the roads do without the people to prove that railways can not be mismanaged.

The fact that the public donated money and lands sufficient to build all the roads in Group VII, might be an argument for more reasonable rates. But we discuss this subject only on its merits, without prejudice to legitimate railroading or to the public.

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No Rich People in New York

In spite of Thomas E. Watson, the rich are certainly growing poorer and the poor are growing richer. There are now only 20 thrifty souls in all New York who have managed to accumulate $500,000 or more in personal property. Of these, only eight have $1,000,000 or upward. One of them is Mr. Carnegie, who has managed to save $5,000,000 out of the $260,000,000 for which he sold his steel properties, and who also owns a modest cottage on Fifth avenue, so that he is not obliged to pay rent. Mr Rockefeller is only half as rich as Mr. Carnegie, and is more frugal, too.

It is an inspiring showing of middle-class comfort that is revealed by the personal property list made public by the tax board. All the tinsel is stripped from New York's pretentions to plutocracy. The real money is somewhere else.—New York World.

FUNDS FOR PROMOTING TRUSTS

How They Are Accumulated In New York.

The editor of The Independent got a personal letter from a banker last week in which he said: "You take it for granted that the people know more of political economy and the details of banking than they really do. In consequence of that, your many allusions to reserves, reserve cities, and a great many other things are totally lost when presented to the ordinary man. You have many times alluded to the accumulation of vast amounts of money in Wall street banks and their use in floating immense promotion schemes. You have denounced in a general way, the law concerning the transference of reserves from one bank to another to the reserve cities, and have said that the banks really have no reserves, but you have never explained to your readers just how that thing was done. I suggest that you write such an article as it would be of permanent value."

The work of preparing such an article as that would be very great, and as the editor, since De France went to New York, had no assistant, he dreaded the undertaking. However he went to the libraries, got the comptroller's reports and the facts necessary for its preparation, when he struck a run of luck, such as seldom happens. He found in Pearson's Magazine of November, an article of that very kind, his attention having been called to it by the librarian, a lady who knew her business and what she was drawing her salary for.

This article was written by Mr. O. H. Schreiner, a banker of many years' experience. He was president of the New York Seventh National bank in the days of its prosperity. Some of the figures he gives were verified, and without doubt they are all absolutely accurate. It is a kind of reading that can not be run over as one reads a novel. It will require some thinking. There was never a more damnable conspiracy among bankers, and there have been many of them, than that by which they secured the amendments to the original banking act. That act did provide for reserves, and it prevented the congestion of money in New York, while the west and the south were skinned clean of all currency. The editor of The Independent fully agrees with Mr. Schreiner when he says that our financial laws are "the nourishing mother of trusts."

A national election is approaching, and one of the principal bones of contention is again to be the tariff, which democrats denounce as father of the trusts. If the tariff law is father of the trusts, national law which effects unnatural and lopsided distribution of money is their nourishing mother.

Money in circulation was below $14 per head of 35,000,000 population at the close of the civil war in 1865, but is now over $30 per head of 80,000,000 population. The natural flow of so great an increase should have furnished the only source of surplus supply to the money market.

In whatever form, money can be created only by or under national law. Money is the only life blood of all undertakings, and the measure of all values. Labor, industry, and property are all gauged thereby. It should therefore circulate without favor or impediment of law, guided only by natural demand and supply.

A proposal to favor by law a few banks in large cities with use of money denied to thousands of other banks throughout the country would quickly meet with public ridicule and condemnation. Yet by deposits from bank reserves, such legal favoritism is actually accomplished, continues, and grows with the growth of the national banking system.

The law fixing and regulating reserves by national banks is found in section 5191 U. S. Revised Statutes, modified by portions of sections 5192 and 5195; and since modified by acts of June 20, 1874; March 3, 1887, and March 3, 1903.

Section 5191 provides as follows "Every national banking association in either of the following cities: Albany, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburg, St. Louis, San Francisco and Washington, shall at all times have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of the aggregate amount of its notes in circulation and its deposits; and every other association shall at all times have on hand, in lawful money of the United States, an amount equal to at least fifteen per centum of the aggregate amount of its notes in circulation, and of its deposits." And it forbids banks to make loans or discounts whenever their "lawful money" falls below such required reserves.

This is mandatory, requiring 25 per cent in lawful money to be kept on hand by banks in designated large cities, and 15 per cent in lawful money by all others.

Had reserves been regulated solely thereby, the existing monetary discrimination could never have grown.

Section 5192 provides that "Three-fifths of the reserve of fifteen per centum required by the preceding section to be kept, may consist of balances due to an association, available for the redemption of its circulating notes, from associations approved by the comptroller of the currency, organized under the act of June 3, 1864, or under this title, and doing business in the cities of Albany, Baltimore, Boston, Charleston, Chicago, Cincinnati, Cleveland, Detroit, Louisville Milwaukee, New Orleans, New York, Philadelphia, Pittsburg, Richmond, St. Louis, San Francisco, and Washington."

This permits three-fifths of all 15 per cent reserves to be kept as deposits or "balances" in national banks, in designated or approved reserve cities, which now number thirty-eight, as follows: New York, Chicago, St. Louis, Boston, Albany, *Brooklyn, Philadelphia, Pittsburg, Baltimore, Washington, D. C., *Savannah, New Orleans, Louisville, *Houston, Cincinnati, Cleveland, *Columbus, *Indianapolis, Detroit, Milwaukee, *Des Moines, *St. Paul, *Minneapolis, *Kansas City, Kan., *Kansas City, Mo., *St. Joseph, *Lincoln, *Omaha, *Denver, San Francisco, *Los Angeles, *Portland, Ore., *Dallas, *Ft. Worth, *Cedar Rapids, *Dubuque, *Wichita, and *Salt Lake City.

Those marked with an asterisk were designated under act of March 3, 1887, or March 3, 1903.

Section 5195 provides as follows: "Each association organized in any of the cities named in section fifty-one hundred and ninety-one may keep one-half of its lawful money reserve in cash deposits in the city of New York."

This now permits one-half of all 25 per cent reserves of banks in the last thirty-five mentioned cities to be kept as deposits in national banks in the first three mentioned, namely: New York, Chicago or St. Louis, instead of New York only.

By act of June 20, 1874, banks are not now required to keep 15 per cent and 25 per cent reserves against their respective circulations, but, instead, must at all times keep 5 per cent of amount of same on deposit in the United States treasury, as a redemption fund, "which sum shall be counted as part of their lawful reserves" against deposits.

The total of such redemption funds was on March 28, 1904, $19,073,100.

By act, March 3, 1887, amended by act, March 3, 1903, whenever three-fourths of the banks located therein shall make application, any city of 25,000 population may be designated a reserve city; and any city of 200,000 population may be designated a central reserve city, "like the city of New York;" and thereafter banks in all such cities must "have on hand in lawful money" 25 per cent of their deposits. Only Chicago and St. Louis banks have availed to become central reserve cities.

From the above summary the following considerations are apparent:

First: The mandatory requirement of section 5191, renewed in acts, March 3, 1887, and March 3, 1903, that reserves of 25 per cent and 15 per cent shall consist of lawful money on hand, is in practice nullified by the permissions of sections 5192 and 5195, reducing the required amount of lawful money on hand by banks in thirty-five designated cities from 25 per cent to $12\frac{1}{2}$ per cent, and by other banks from 15 per cent to 6 per cent; and permit-