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Economist Newcomb Supplies Arguments for Use of Corporation Senators

H. T. Newcomb, who is described as "a lawyer, economist and statistician at Washington, D. C.," has formulated a report containing his views concerning government regulation of railways in foreign countries. This report was forthcoming at the request of Senator Foraker, who is a member of the senate's committee on interstate commerce.

Many of the statements made by this "economist" reveal the special pleader straining his mentality to discover arguments that will please his powerful patron. For example, he declares that "where private management prevails decreases in rates go hand in hand with greater financial success." It is plain that Economist Newcomb would learn something that would deeply disappoint him if he consulted Nebraska shippers on this point. With greater financial success comes another issue of preferred stock and high freight and passenger rates are retained to pay dividends.

"Stringent control tends to prevent reduction in rates," says Economist Newcomb. "Without the ability to raise rates to their former level, experiments in lowering rates in order to build up traffic are not likely to be freely made." That sounds logical, and therefore the people of this country must give a government commission the power to fix rates. If the private owners refuse to lower rates the commission will gladly take the sorrowful task off their hands.

Economist Newcomb also found that freight rates are higher in European countries than in the United States. In European countries the distances are short. The long haul is practically unknown. Therefore the European rates are more like the American local rates than like the rates for long hauls. But even this comparison is misleading, for in this country the average railroad extends through four or five states, whereas in Europe the roads do not extend beyond the borders of their respective countries. The result is that in the United States the average railroad derives a vast income from local rates in four or five states.

The people should be on their guard against deceptive statistics prepared by capitalistic economists at the request of capitalistic patrons. No comparisons that are at all just can be instituted between American freight rates and European freight rates. If, therefore, the advocate of government control should retort that passenger rates are lower in European countries he might be instituting a comparison equally as delusive as the comparisons of the capitalistic special pleaders.

But the most remarkable passage in Economist Newcomb's plea remains to be quoted. He writes:

> Fifth—The greatest danger perhaps, from state participation in rate-making is the substitution of political for economic considerations in the determination of charges. Low freight charges on international traffic under all forms of management are frequently guaranteed by competition between rival routes. But when the national desire to foster export trades is added the incentive to increase shipments abroad becomes too strong, and, frequently, results in the establishment of unremunerative rates that constitute a burden on internal traffic. Under general state ownership, competition as a means of determining rates is abrogated. With the withdrawal of competition as a force in determining rates, political pressure on the part of certain classes becomes too strong an influence. In Germany, this danger is especially conspicuous.
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> High rates, without general favorable financial results; more costly management; the delegation of rate control to persons more amenable to political influence than to business necessity—these are the most conspicuous results of European governmental railway policy.

To a great extent competition among the railways has ceased, and, therefore, low rates are very infrequently guaranteed. What does the sly economist mean by the "national desire to foster export trade"? Simply this: In order to permit American goods, grain for instance, to compete in foreign countries with the goods of those countries or goods from adjacent countries, it is essential that transportation charges from interior points of the United States to the seaboard should be as low as possible. Economist Newcomb thinks this would constitute a great danger. If the government insisted on the required low rates, he argues, there would be no profit for the owners. It is at this point that the economist betrays the fact that he is employing the oldest of railway arguments. The railway managers have long insisted that the rates should be as high as the traffic will bear. They thus declare for a policy which favors a limited amount of freight at high rates rather than a much larger amount at low rates. The only question, therefore, so far as the railroads are concerned, is whether it is better to make a large profit from each pound or ton of freight by carrying the limited amount, or to make a smaller profit from each pound or ton by carrying a larger amount.

But the public has the greater interest in this question. As common carriers the railways are servants of the people. They should be forced to adopt the policy of "the low rate on the greater amount of traffic" because it would increase our foreign trade and the whole people would reap the benefit.

The final argument is directed against state ownership. The perplexed economist points out that in Germany the danger from political pressure is especially conspicuous. And yet in Germany state ownership is a triumphant success. In another passage Economist Newcomb refers to the unfortunate experience of Italy, and quotes President Hadley of Yale on this point. When the various little states of Italy united, the government found itself confronted by a peculiar phase of public ownership and decided to sell the railways to private corporations as a temporary expedient. That this was merely a temporary expedient is sufficiently illustrated by the fact that within the last year Italy has purchased its railways.

Monetary League Protests Against a Financial Plot

We publish in this issue on another page a protest to congress against the destruction of the silver dollar and the greenback; also an article from the pen of Hon. Thos. E. Watson upon this subject, taken from a recent issue of Tom Watson's Magazine. We publish his article in full because it goes right to the point.

At this time, when there are so many abuses to attract our attention, we are likely to forget the great importance of the money question. Just as soon as the people will permit it, congress will strike down the greenback and the silver dollar. In all probability this will be undertaken at the next sitting of congress. It is the purpose of the United States Monetary League to file a vigorous protest from the people with every member of congress when that body convenes next fall.

The Independent is glad to help make this protest as strong as possible. We therefore ask every reader of The Independnt who is in sympathy with the protest contained in this issue, to write The Independent about it. We will forward all such letters to the League or file them with the members of congress from this state. The people must make their influence felt upon congress or else the greenback and the silver dollar will soon be things of the past.