

"RAILWAY ECONOMICS."

(Written for THE CONSERVATIVE by James Denton Hancock, of Franklin, Pennsylvania).

I have read and re-read with the greatest pleasure and profit "Railway Economics." I regard it as the most concise, clear and comprehensive exposition of the problems involved in the management of railroads which I have ever heard or seen. It rightly rises to the dignity of a work upon economics, which should not only be in the hands of every railway officer and employee, but it should be read and taught by every newspaper—especially country newspapers—and by every teacher and clergyman in the United States. A chief object of instruction in a country like ours, the government of which is based on general suffrage, should be to teach the teachers. For this work "Railway Economics" is peculiarly adapted; and surely a system of transportation in which is invested capital to the amount of \$11,000,000,000, which has brought every person and every commodity in our vast continent into close connection with each other, which has doubled the productive power of labor, and cheapened the necessaries and luxuries of life to all consumers, is a worthy subject of study by intelligent and patriotic citizens of the country.

Competition.

Even a careless reader of the book must perceive that the most serious problems of railway operation grow out of competition. It is the old, old struggle for existence and the survival of the fittest, which commenced and will only end with time.

This struggle has a double aspect. On the one hand it has been the incentive and excuse for the exercise of the direst passions of man, has overwhelmed all obstacles in its ruthless career, and by the destruction of the monuments and instrumentalities of civilization has often set back progress for ages. On the other, when controlled by justice, and inspired by the reciprocal regard for the rights of our fellows enjoined by the Prince of Peace, it has proved the greatest element of individual and national advancement. In either case "from the ashes of our dead ambitions a loftier manhood has been evolved."

Individual Battles.

Before society was organized the normal condition of men was that of private war. When society was established private wars ceased, and the necessity for the reign of justice was recognized. With the advent of Christianity, came the highest principle of civilization, the binding obligation to pay due regard to the rights of others. Justice was enforced in two ways; by prevention through injunctions and police regulation, and by recompense for and punishment of wrongs inflicted. Through the

enforcement of these principles, peace has been proved to be consistent with competition; while competition exists, peace has become the normal condition, and competition has been largely stripped of its destructive character.

The author of "Railway Economics" seems to have been inspired by this thought. He has shown that unnecessary competition creates waste and eventually adds to the burdens of the public; that discrimination is not necessarily unjust, but is an essential element of success in the railroad business, as it is in every other line of business; that intense competition between individuals, places and commodities is the most potent cause of unjust discrimination, by controlling rates of transportation and by forcing unreasonably low rates at competing points, etc., at the expense of unreasonably high rates at non-competing points, etc.; that competition among the public, had in many cases subjected railroad companies to unjust taxation which had either to be charged back to the public in higher rates, or by which were prevented extensions and improvements necessary to public accommodation and development of the country.

An Example.

In my own experience I know a good illustration of the effect of this competition forced upon railroads. Three railroads centered in a city in which existed a plant limited to one line of manufacture. The owners of this plant owned a number of other plants located in different competing cities. Here were several railroads competing for the same business. If one refused the rates offered, another was ready to take it. If they all refused, the owners of the plant could remove the business to other places and the city in question be left to moulder with the dry rot. Of course the railroads took the business at the rates offered, and the loss was in part made up by unjust charges to other persons and commodities.

Under any well-regulated government, such conditions are intolerable. They build up the few at the expense of the many; they make legitimate business impossible. That receptacle of wisdom, the common law, has provided that upon public instrumentalities like railroads, rates should be reasonable and that there should be no unjust discrimination; but the limitations of the constitution prevented the enforcement of this rule as to interstate commerce without statutory authority, and it was in interstate commerce that the evil most prevailed, and through it, under the complications of business, it was impracticable to enforce it in those states where the common law did prevail. Out of this condition grew the interstate commerce law.

In recognition of the extreme complexity of the transportation business in

its economic relations, the law in its original conception was intended principally to prevent unjust discrimination and unreasonable rates. It has been somewhat the fashion to deride the value of this law. I think that those who thus deride have no proper conception of the great work it has accomplished under unfavorable conditions. It has required a publication of rates, and has thus given the shipper a knowledge of his rights. It has secured frequent statements by transportation companies of the condition of their property and business, and has thus given stockholders a knowledge of their investments. It has led to scientific classifications of commodities in reference to rates. In many cases it has prevented unreasonable rates and unjust discriminations, and has been a standing menace to dishonest shippers and railway officers. From a medley of rates, conditions and rules in which confusion was unbounded and darkness was impenetrable, it has done much to transform transportation into a scientific system of business.

Finally through the decisions of the commission, more than all other instrumentalities combined, it has educated both railway employees and the public upon the intricate problems in which transportation is involved; and I doubt whether, without it, we would have had this valuable volume of Professor Newcomb.

Non-Pooling Provisions.

The unfavorable conditions above mentioned are the outgrowth of a clause forced into the interstate commerce law forbidding railway pools, either of business or profits, followed by the anti-trust law forbidding all combinations and agreements between corporations relating to the joint handling of their business. The effect of these laws has been practically to invalidate all arrangements between railroad companies by which it was possible to alleviate the barbarous conditions resulting from the extreme exercise of economic laws; and we are in the anomalous situation in which the transporting companies are forbidden the use of unreasonable rates and unjust discrimination, while by the same laws they are deprived of the power to prevent such rates and discriminations by the use of the only means possible for that purpose, to-wit: compromise and agreement. Contrary to the whole trend of civilization, contrary to our highest ideals of ultimate social order, these laws have decreed perpetual war among railroad companies. Inevitably economic laws prevail over statutory enactment. In places served by many railroads and as to commodities produced in many places, where competition is intense, the laws against discrimination and unreasonable rates are evaded; the railroad lines instead of aiding, are thus forced into an attitude hostile to the commission, and to a con-