

been excluded unless they had been fortunate enough to marry a bug-eater."

One may imagine the hearty mirth that greeted each repetition of this pleasing epithet in the professor's humorous speech, but it appears that there were some present who did not enjoy it. In the course of a meeting of Old Settlers that followed "W. F. Davis wanted to enter a protest against the name 'bug-eaters' as applied to Nebraskans. Mr. Durham wanted the sons and daughters to make a move for a more euphonious title. Further consideration was postponed until the next meeting."

Aye, and they meant the word. Somebody made it his business to keep the thing in mind for three years. At the meeting in January, 1895, "on motion of J. A. MacMurphy, the society approved the change proposed by the Old Settlers' Association, that the *totem* for Nebraskans be changed from "Bug Eaters" to "Tree Planters." It was also moved and carried that the title "Tree Planters" be put on the stationery of the Historical Society, and that the society do all it can to forward the proposed change." And so some badges bearing the legend "Bug Eaters" in Librarian Barrett's show cases are all that now remain of that happy inspiration.

Of which, not the least of our causes for thanksgiving, it would be fitting that all our governors should make special mention in their annual proclamations to the end of the series.

A. T. RICHARDSON.

**OBSERVATIONS CONCERNING THEORY OF RAILWAY CHARGES.**

It is not at all likely that the student who interests himself in the economic aspects of railway transportation will ever have at his disposal more accurate or complete information concerning the history of railway charges in the United States, during the most notable period of the development of American railways than that which is now available.

An examination of the data that have been rendered available by recent investigations concerning the history of railway charges in this country will show that the following facts have been completely established by abundant evidence:

First—Since 1870 there has been a fairly regular and practically uninterrupted decline in railway rates which has extended throughout the entire continental territory of the United States and has affected all classes of traffic.

Second—Although there have been notable reductions in the prices of railway supplies and important economies in operation have been introduced, the decline in rates has more than offset the amounts thus saved and there has been a material decrease in the rate of return to capital invested in railway enterprises.

Charges Tend to Decrease.

The study of railway history had so

far impressed the facts which are thus made the premises of this paper upon the writer that he felt justified, as early as the year 1895, in formulating his conclusions in a generalization, which, with an unimportant modification, was subsequently expressed as follows:

" \* \* \* railway charges tend unceasingly toward the lowest rates that will produce a revenue sufficient in the aggregate to meet operating expenses, including necessary repairs and renewals, and, in addition, return to capital the lowest recompense for which it can be secured."

It is not contended that the foregoing generalization must, of necessity, be accepted by all who recognize that the facts are as previously stated, but it will undoubtedly be evident to everyone that, if the latter have been correctly summarized, the theoretical interpretation of the conditions of the business of railway transportation has not kept pace with the determination of the practical results of those conditions.

No satisfactory answer has ever been given to the question:

How has a large portion of the revenue that with the maintenance of former rates of interest and of dividends would have accrued to the owners of railway securities been diverted to the travelling and shipping public in the form of reduced charges?

Omitting, for the present, any reference to the other reasons for rejecting the crude, though frequently urged, explanation that the competition of rival lines offering to carry between identical points has caused the decline, it is sufficient to direct attention to the inadequacy of that explanation. The decline has affected traffic for which there is no such competition (*i. e.* local business) in quite as notable a manner as it has that for which two or more routes are available. The explanation is therefore much narrower than the facts to which it is addressed. This inadequacy has by no means escaped the attention of students and publicists, although occasional expressions, which, on account of the seriously erroneous principles of regulation which they foster are regarded as especially unfortunate, indicate that the more superficial opinion has not entirely disappeared.

The existence of a wider and more potent form of competition that is not limited to traffic carried between junction points has frequently been alleged by students of transportation, by whom it has been variously denominated the competition of "producers and consumers" of "markets" of "connecting lines" of "railways for traffic," etc., etc.

Competition of Remote Lines.

The best statement of the nature of this wider competition known to the writer is found in a paper contributed

to the Annals of American Academy of Political and Social Science, by Dr. Walter E. Weyl. In this article Dr. Weyl said:

"Freight rates have been lowered through the competition of railroads, or other transportation agents, situated hundreds of miles from each other. It is regrettable that the problem of railway competition has been studied too locally, and with insufficient emphasis upon its national and international bearings. Strictly speaking, permanent competition can exist, not between railways struggling for the same traffic, but solely between those railways which have no territory in common. Given two railways which tap a given circumscribed wheat area in Dakota, and however bitter and fierce the struggle for patronage may temporarily be, the inevitable result is the adoption of a *modus vivendi*, which places rates upon a permanent basis. But Dakota wheat enjoys no monopoly, and the freight rates on these roads must be low enough to allow the Dakota farmer to compete with the farmers of Nebraska or Kansas. In consequence the freight charges on Kansas and Nebraska roads will determine a maximum above which the Dakota railroads cannot permanently charge. The same fact is true of foreign competition. Our wheat roads must compete not only with those of Canada, but with Indian, Russian and Argentinian railways, as well as with numerous maritime agencies all over the world.

\* \* \* This competition \* \* \* will at all events keep down freight rates and induce the railroads to make, if necessary, repeated concessions to the needs of their patrons. \* \* \* This competition \* \* \* is practically non-existent in the transportation of passengers."

In common with all other statements in regard to this form of competition there is, however, a total absence of any explanation of the manner in which it operates. The necessity of such an explanation is beyond question, for the most superficial examination will show that the competition indicated is not within the terms of any of the customary definitions of that economic process. These definitions all contemplate a rivalry for the privilege of supplying or obtaining similar commodities or services and certainly do not refer to a rivalry between agencies which offer such widely different services as those involved in transporting wheat, respectively, from Dakota and from Argentina to their common European markets. Closer examination of the conditions of which the quotation constitutes but a sketch in outline will show that the distinction is only superficial and that by remembering that transportation is really a part of the process of production and then resorting to the simple and scientifically correct expedient of considering the producers of utilities of place as coöperating with the producers of utilities of form in a joint productive process and as joint competitors with