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LOUISIANA STATE UNIVERSITY STUDIES

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**THIS BOOK IS AFFECTIONATELY DEDICATED
TO
MY FATHER**

PREFACE

Jealousy among the several states without common authority was the principal cause of the disintegration of the original confederation. Commercial greed was its basis. The comparative absence of transportation and communication made commercial expansion largely ocean-going. However, there was much bitterness and retaliation employed in limited areas adjoining and adjacent to state lines. The draftsmen of the Constitution were familiar with this condition and with great wisdom created Federal power to control interstate commerce. Modern facilities of communication and transportation have destroyed distance—New York and San Francisco are now closer than were Camden and New York in 1789. Interstate commerce now constitutes the body of internal industrial enterprise. Our economic structure is dependent thereon. The railroads are its arteries and its pulse can be felt through them.

Section 15a of the Interstate Commerce Act, enacted as part of the Transportation Act of 1920, has been vigorously attacked and supported. The problems, difficult enough in themselves, have been unnecessarily confused and complicated. The object of this monograph is to simplify the issues and serve as a basis for departure. Through section 15a Congress comprehensively provided a prophylactic for the disease from which the carriers are now suffering.¹ Unreasonable returns were made available to the needs of the transportation system as a reserve fund in times of business depression. A reserve fund was provided for the use of the earning carrier, to be availed of should its earnings fall short of its needs. The section has never been fully enforced and the funds are not available. Undermaintenance programs and inability to meet fixed charges and pay dividends follow. Normal maintenance programs during temporary periods of depression

¹"Government ownership would solve the problem * * *," Senate Report No. 304, 66th Congress, 1st Session. Nov. 10, 1919. Senate Reports, Vol. I.

PREFACE

would tend to stabilize industry and employment. The Act contemplates the simplification of the railroad transportation system through consolidation.² When this policy is effected the utility of the reserve funds will be enhanced.¹

Section 15a should be amended and the recapture period fixed at not less than two years. The railroads should be placed on equality with competing systems of interstate transportation.

JAMES BARCLAY SMITH.

December 7, 1931.

¹"There is but one other solution. It is consolidation * * *." Ibid.

²Cf. Ibid., Part 2.

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