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FOREWORD

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Early in 1939 the Committee on Debate Materials and Interstate Cooperation of the National University Extension Association announced that the following subject had been selected for debate in high school forensic leagues throughout the United States during the school year 1939-1940: "Resolved, That the Federal Government should own and operate the railroads."

Since this announcement was made, individual railroads and this Association have received numerous requests from debate coaches, teachers, students and librarians for data which would be helpful in debating the negative side of the subject.

In response to this demand, the material contained in this book, including many quotations from addresses and writings of public officials, editors, university professors, business leaders and transportation authorities, has been compiled to support the principle of private ownership and operation.

A brief reference list of books and articles on the subject, as well as sources of statistical information, is included for the convenience of debaters.

ASSOCIATION OF AMERICAN RAILROADS

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THE ISSUE

The subject for debate,

RESOLVED, THAT THE FEDERAL GOVERNMENT
SHOULD OWN AND OPERATE THE RAILROADS,

presents two questions:

What would government ownership and operation do to the railroads?

What would government ownership and operation of the railroads do to the government of the United States?

WOULD the Federal Government be able to run railroads better than they can be run by the railroads themselves? Would the service be improved — made faster, safer, more adequate or more dependable? Would efficiency be increased and costs be cut? Would wages and working conditions be more favorable? And what about the taxes which railroads pay for the support of schools, public institutions, and state and local governments generally?

There is nothing in the record of the numerous government-owned and operated railroads throughout the world to indicate that operation by the Federal Government would improve the American railroads in any of these essentials of railroading.

The second, and more fundamental, question goes to the effect of government operation of railroads upon government itself.

Purchase of the railroads would require an enormous increase in the present federal debt—as much as 50 per cent increase, and probably more.

Operation of the railroads would more than double the number of persons on the civil payroll of the Federal Government.

The Federal Government would become the direct competitor of all those engaged in the business of transportation by highway, by water and by air. It would be, too, the sole customer of the railway supply industry, which normally employs nearly as many men as the railroads themselves.

So tremendous an expansion of the business activities of the Federal Government, and of its control over economic life would profoundly change the very basis of government and the relations between government and its citizens.

For the government to take over the railroad business would be a fateful step back toward the form of absolute government which is now called the “totalitarian state.”

In the United States, ever since the American Revolution, there has been a separation of powers over the different activities in which the citizen engages. Church is separate from State. The actual conduct of business is separate from the political operations of government. In the totalitarian states, present and past, on the other hand, the political rulers not only run the government but also run business and economic life. There, the “State” is supreme and unchallenged in every field.

In America, things are different, but they could not long remain so if the government took over the ownership and operation of railroads.

The number of persons dependent upon government for their regular jobs would be more than doubled. The amount of government obligations held by banks, insurance companies, institutions and other investors would be increased by about 50 per cent. The dependence of communities and industries upon government for transportation facilities and service would be absolute. The effect of government competition would be felt by every other form of transportation, and the dominance of government in the transportation business on so huge a scale would extend to every industry which sells to the railroads and would affect every industry which uses the railroads.

Such a state of affairs would mark the beginning of the end of the salutary doctrine of separation of powers—economic, political and spiritual—under which the United States has so greatly progressed in the short space of a century and a half.

But, it is argued, government operation of the railroads is not different from the government's present participation in the transportation business through providing and maintaining highways, waterways and airways.

Such an argument overlooks the essential difference between transportation by rail and that by highway, waterway or airway. In the very first days of railroading, when toll pikes and toll canals were in common use, there was an idea that the road of rails was but another form of highway on which anyone might run his own vehicle, upon the payment of established tolls. But it was soon found that railroading was different, and that if there was to be safe and efficient operation, the same organization must control both the way over which the traffic moved and the vehicles in which it moved. There can be no such thing

as a railroad open to the use of every comer who might wish to run his own train upon it. Government operation of railroads, therefore, involves not merely building and maintaining ways for the use of the public, but also the actual conduct of the major transportation business of the nation.

Neither a "Remedy" nor "Inevitable"

Although the question for debate is that the Federal Government should own and operate the railroads, there are some who argue not that it *should* do so but that it may have to do so.

While such an argument is beside the precise point of the debate, it should be examined. It is based on the idea that the present financial condition and prospects of the industry are such that continued private operation of the railroads may become impossible. In that case, it is argued, the government might be compelled to take them over and run them, even at a loss, as an essential public service.

It is true that between the beginning of the depression in 1929 and the year 1938 there was a decline of 34 per cent in railroad traffic and a still greater decline, of 43 per cent, in railroad revenues. It is true that the railroads as a whole operated at a deficit during four of the past seven years and had a net deficit of over \$123,000,000 in 1938. It is true that more than 19,000 miles of railroad have been abandoned and torn up since the World War, and that nearly one-third of the present railroad mileage is in the hands of the bankruptcy courts.

It is true, in a word, that the privately-operated railroads as a whole have not been able to meet all their financial obligations during the depression years. But this failure to make ends meet fully has not been due to any inherent weakness of American railroads or failure in their operations.

During these same depression years the American railroads have brought their essential services to the highest standard ever

known, here or elsewhere. Their trains run faster than ever before, more safely than ever before, more dependably than ever before. While service and safety have improved, rates have been lowered. The average revenue received for hauling a ton of freight one mile has declined consistently since the period of the World War and now stands at less than one cent per ton-mile. The average revenue for carrying a passenger a mile is lower than ever before. Wages have gone up and working conditions have improved, while, through greatly increased efficiency, the actual operating cost of hauling a ton of freight a mile has gone down. America has better railroads today than ever before, and they are better run.

Nor are the present rail difficulties due to railroad capitalization. Careful investigation by the Interstate Commerce Commission, extended over twenty-five years, shows conclusively that railroads as a whole are not over-capitalized and that debt and fixed charges are not major elements in the present situation. The total of railroad stocks and bonds outstanding in the hands of the public is, in fact, less today in proportion to the amount invested in railroad property than it was thirty years ago. Railroad debts, as compared with investment, are approximately one-third lighter today than they were thirty years ago, when railroads were relatively prosperous.

The real roots of railroad difficulties are in the depression, which has cut down the volume of traffic to be moved by any means of transportation, and in a public policy which, by encouraging the diversion of freight to other means of transportation, operates to decrease railroad traffic and revenue.

Railroads must meet all their costs—not merely the cost of moving trains, but also the cost of providing and maintaining the ways on which those trains move. Upon both trains and ways, railroads pay taxes which are not spent to build or maintain

railroad tracks, but are spent for the support of government in general. The two together—the cost of providing and maintaining tracks, plus taxes—amount to approximately 35.7 cents out of each dollar the railroads take in.

Of no other form of general transportation is this true. Commercial highway carriers reporting to the Interstate Commerce Commission report the payment in taxes of less than 10 cents out of each dollar of their revenue. For this payment they receive all that any other taxpayer receives from government and, without any other payment whatsoever, they get the use of roadways built and kept up by public funds. Boat lines on improved inland waterways pay in taxes about 2 cents out of each dollar of their revenues and get the free use of channels which cost from \$100,000 to \$250,000 a mile to build.

The thing most needed to cure the present financial condition of the railroads is a chance to meet competition on equal terms—equal as to regulation, equal as to taxation, equal as to subsidy if government is to continue subsidies to any form of transportation.

Government ownership and operation of railroads is not needed to bring about such equality. And neither will government ownership and operation of railroads assist in bringing to an end the other major cause of railroad financial difficulties—the depression which reduced the total volume of business and traffic.

The sounder approach to the problem is that outlined as follows in a radio address in April, 1939, by Senator Burton K. Wheeler, Chairman of the Interstate Commerce Committee of the United States Senate:

. . . It is true that the railroads are the most vital unit of our national transportation system. Notwithstanding their importance, the railroads are not entitled to any special privileges but neither should they be made to suffer any discriminations. . . . There is a demand for a national transportation policy, an evenhanded justice to all, regardless of whether they be small or great.

THE AMERICAN RAILROADS

THE development of the United States of America and of its vast agricultural, forest and mineral resources was made possible by the development of steam railway transportation. The "civilizing rails," as they have aptly been called by Mark Jefferson, noted professor of geography, were the trail-blazers, the builders of empire. Railroads represent a great victory in man's conquest of the forces of nature. On the American continent, with its great distances and climatic extremes, the railroad provides the only dependable and cheap means of land transportation for all distances, in all seasons and under all conditions of weather.

Where the railroads went, settlement and civilization went. Frontier communities which had been established in advance of railway building took on new life and new energy with the coming of steam transportation. Along the newly laid rails, villages by the thousands sprang up, and many of them grew into thriving towns and cities. Following the advancing rails came every sort of development—of farm, forest, mine and factory.

Rail transportation broke down the barriers of distance and gave farmers a nation-wide market for their products. It enabled those remote from consuming and distributing centers and seaports to supply markets from coast to coast and to produce for export trade. With greatly increased buying power, the farm population became in turn a vast market for the products of industry. The development of railway refrigeration further widened the farmer's opportunities and revolutionized the eating habits of the American people.

Throughout the whole web of American life runs the essential railroad.

State Governments Had Their Experience

In the early period of American railway expansion, when private capital was not readily available, the governments of some states which were eager to promote their development, to protect their commerce and to prevent the diversion of traffic to rival trade routes, undertook to build and operate railroads. Financial failure was the result in every instance where state opera-

tion was attempted, and the few state-owned lines which were completed were eventually sold or leased to private companies.

The Commonwealth of Pennsylvania undertook the construction of canals and railroads with a view to connecting Philadelphia and Pittsburgh by a continuous line of internal improvements. To this end, 117 miles of railroad and 285 miles of canal were built. Operation by the state was a failure, and in 1857 the properties were sold to the Pennsylvania Railroad Company for about one-half the original cost. Pennsylvania had enough; it never again entered the railroad business.

The State of Georgia built a railroad, 138 miles in length, from Atlanta to Chattanooga, opened for through traffic in 1850. In 1870 the road was leased to a private corporation, the Western and Atlantic Railroad Company, which operated it until 1890, when it was leased to the Nashville, Chattanooga and St. Louis Railway, and it has since been operated by that company. Georgia never again ventured into the railroad business.

In 1837 the State of Michigan purchased the franchise and property of the Detroit & St. Joseph Railroad Company, and during the next decade built the line between Detroit and Kalamazoo. The Michigan legislature in 1846 refused any further appropriations. The State sold the uncompleted railroad to the Michigan Central Railroad Company, a private corporation, which completed the line to Lake Michigan.

Michigan was through; it never went into the railroad business again.

The Commonwealth of Massachusetts financed the construction of the Troy & Greenfield Railroad, a 44-mile line between Greenfield and the Vermont State line, including the Hoosac Tunnel. Twenty years were required to complete the tunnel. The road was never operated by the State but was operated by private companies on a rental or tollage basis, and in 1887 the state sold out to the Fitchburg Railroad Company. Massachusetts never again ventured into the railroad business.

In 1837 the State of Illinois launched a great scheme of internal improvements, which contemplated the construction of a canal and more than 1,300 miles of railroads. The project, characterized as "Illinois' supreme folly," collapsed in 1840, leaving the state with a debt burden of \$14,000,000, about half of which had been spent on railway construction, with only twenty-four miles of railroad to show for its costly venture into the railroad business. After a few years of intermittent and unprofitable operation, this state-owned railroad, known as the Northern Cross, was sold on the auction block for \$21,400! Illinois never again ventured into the railroad business.

No state went into the railroad business on a more extensive scale than North Carolina. Prior to the War Between the States,

North Carolina built two railroads—the North Carolina Railroad, 223 miles in length, and the Atlantic and North Carolina Railroad, 95 miles in length, and after the War it built the Western North Carolina Railroad, 185 miles in length. After about twenty years of state operation, the North Carolina Railroad was leased to a private company, and it is now a part of the Southern Railway System. After operating the Western North Carolina Railroad for about five years, the state sold it to a private company, and it is now a part of the Southern Railway System. The Atlantic and North Carolina was operated by the State until 1904 when it was leased to a private company and later became a part of the Norfolk Southern Railroad. A short time ago the Atlantic and North Carolina was turned back to the state, which is now negotiating for its lease to a private company.

In his book "A State Movement in Railroad Development," published by the University of North Carolina Press, 1927, Professor Cecil K. Brown said:

From the first entrance of the state into the field of railroad building down to the present time, the problem of management has been intricately bound up with the perennial issue of politics. The history of the roads has been vexed by politics. . . . The state owned a controlling interest in each of the three companies, and appointed a majority of the directors of each. The appointment of the directors was a gift to be bestowed by the ruling political faction upon those of its favorites whom it chose to select. And efficiency is not the offspring of favoritism. From the standpoint of the original design to build an east to west state-controlled trunk line in North Carolina, the whole venture was a failure. From the financial standpoint it was likewise a failure.

In their eagerness to promote business development, a few state governments and some counties and cities subscribed to railway stocks and bonds. In so doing they, of course, took the same financial risks as other investors. In some instances their investments proved directly profitable; in other instances they did not, as far as immediate financial returns went. In every

The Railway Industry

The railroad industry has been one of our greatest institutions. Upon the transportation which it furnished, the nation has been built. Billions of dollars have gone into the industry, to a very great extent in the belief that it was a place where savings could safely be invested. Directly or indirectly, the larger part of our population has a financial interest in it. Eighteen years ago it gave employment to as many as two million persons. It has been one of the great consumers of both raw materials and manufactured products.—*Fifty-second Annual Report of the Interstate Commerce Commission, November 1, 1938.*

instance, however, they helped to secure the building of an economical, self-supporting, tax-paying way of transportation, which has contributed enormously to their growth and to their taxable wealth.

To enable its merchants and industries to share with Louisville in the trade of the Southeastern States, the City of Cincinnati financed the construction of a railroad between Cincinnati and Chattanooga. The road was opened to Chattanooga in 1880. Shortly thereafter it was leased to a private company and has been operated under this arrangement ever since then. For many years the road has been a part of the Southern Railway System.

In addition to these state and municipally owned railway projects, past and present, the Grand Trunk Western, the Duluth, Winnipeg & Pacific, and the Central Vermont railroads, embracing 1,325 miles of line in the United States, are owned and operated as parts of the Canadian National Railways of the Canadian Government.

The Federal Policy

The traditional policy of the Federal Government from the beginning of railway development in this country to the present day—a period of more than 110 years—has been to leave the ownership and operation of railroads in the United States proper to private enterprise.

During the Civil War period, military necessity required the Federal Government temporarily to take over the control of certain railroads in the zone of military operations.

During the World War similar considerations led to federal control and operation for a period of two years and two months—from January 1, 1918, to February 29, 1920—although many transportation authorities did not deem the step necessary. As the time approached for the return of the railroads to their owners, there was an effort to induce Congress to extend the period of

government control, but a storm of protest arose from coast to coast. The overwhelming sentiment of the American people, after more than two years of government operation, was for the return of the properties to private operation without further delay. This government venture into the railroad business cost the taxpayers of the United States an average of \$2,000,000 for each day they were operated by the government, or a total of \$1,616,000,000.

During the war period the Federal Government commandeered a large number of vessels and barges operating on the Mississippi and Warrior rivers. After the war the operation of these vessels was continued by the War Department in competition with the railroads and privately owned barge operators. In 1924 the Inland Waterways Corporation was created by an act of Congress, with government backing, to take over the operation of the Federal Barge Lines. Millions of dollars of public funds were invested in new equipment. The northern terminus of the Barge Line on the Warrior River System was at Birmingham, Alabama, several miles west of the Bir-

Private Enterprise

In all the history of railway development, it has been the private companies that have led the way; the State systems that have brought up the rear. It would be difficult to point to a single important invention or improvement the introduction of which the world owes to a State railway. England shares with America the credit of having invented the locomotive. England first rolled steel rails, but America was not long behind. England first introduced the block system of signalling; while to America is mainly due the later development of automatic appliances. There are two types of power brakes on the world's railways. The Westinghouse brake was invented in America, the vacuum brake in England. The automatic coupler is wholly American. So are the sleeping car and the dining car. Shunting by gravity, which accounts for a saving of millions of pounds a year, was invented in England, but has been mainly developed in America.—*W. M. Acworth, British Economist.*

mingham industrial district. In order to extend its operations into Birmingham, the Corporation purchased in 1926 a switching facility now known as the Warrior River Terminal Company, consisting of about twenty-seven miles of railway trackage. This small switching line, owning two locomotives and operated as an auxiliary of the Federal Barge Lines, is the nearest approach to a federal-owned railroad in the United States proper.

The Federal Government owns two railroads outside of the United States proper, the Panama Railroad and the Alaska Railroad. The Panama Railroad, in the Canal Zone, was acquired and is operated as an adjunct to the Panama Canal. The Federal Government has a transportation monopoly in the Canal Zone. The Panama Railroad is not regulated by the Interstate Commerce Commission. It is not subject to the provisions of the Railroad Labor Act in the settlement of wage disputes. It does not pay the pay roll taxes required by the provisions of the Railroad Retirement Act. In fact, it pays no taxes at all. Notwithstanding these and other cost-reducing factors, the government-owned Panama Railroad collects an average freight charge of 8.2 cents a ton-mile, compared with an average charge of less than 1 cent a ton-mile on the railroads of the United States.

The Alaska Railroad is owned by the Federal Government and operated by the Alaska Engineering Commission of the Department of the Interior. Although it pays no taxes or interest on its investment and enjoys many other exemptions, its operating deficit for the 15 years 1923-1937 averaged \$722,552 a year. However, the Alaska Railroad is no more typical of the railroads of the United States than the Panama Railroad or the Warrior River Terminal are typical of them. It traverses a sparsely-settled, largely undeveloped region where construction was costly and operations are difficult. It was foredoomed to be a drain upon the federal treasury, and

it will probably continue to be for many years to come.

Federal Land Grants

Following its earlier practice of granting lands to aid highway and canal construction and the improvement of river navigation, the Federal Government, in the period 1850-1871, made grants of land amounting in all to some 130,000,000 acres to a few states and railway companies to promote the construction of pioneer railroads through sparsely-settled or unsettled areas of the public domain. This method proved highly successful to both the Federal and the State governments. It created a market for hundreds of millions of acres of public lands which previously could not be sold at any price because of lack of transportation; it created billions of dollars of new wealth; it enhanced the value of both publicly and privately-owned lands; it converted non-taxable areas into taxable property; it accelerated agricultural and industrial development; and, by promoting the extension of rail transportation to the Pacific Coast, it bound the nation together as nothing else could.

Contrary to widespread popular impression, the land-grant lands were not given to the railroads. In return for grants of land from the Federal Government, the land-grant railroads (1) transport government troops at one-half of standard fares, (2) transport government property at one-half of standard rates, and (3) transport United States mails for 20 per cent less than standard mail rates. In order to share in government traffic, competing railway lines which did not receive land grants also handle government troops and property at land-grant rates.

The railroads which received federal land grants are, for the most part, in the West. They comprise less than 10 per cent of the total railway mileage of the country. From the time they were opened for traffic down to the present day, these pioneer railroads,

and competing railway lines, have been repaying the Federal Government for the land grants in the form of reduced rates and fares, and it is estimated that this repayment is now averaging about \$10,000,000 a year. The value of the land-grant lands at the time they were transferred to the railroads amounted, on the average, to less than \$1.00 an acre, or a total of less than \$125,000,000. Therefore, at the present rate of repayment, the railroads are returning to the government an amount equal to the value of the lands every twelve and one-half years.

The Federal Government benefitted from the land grants not only through the sale of its adjacent lands at much higher prices than it had formerly obtained, but also through reduced freight, passenger and mail rates. The states and their political subdivisions have also been greatly benefited, because the land-grant railroads contributed materially to their development and have been for many years among their principal taxpayers.

For instance, the Illinois Central, the original land-grant railroad, received 2,595,133 acres of land to aid in the construction of 705½ miles of railroad in Illinois. At that time, in 1850, the Federal Government owned more than 11,000,000 acres of wild lands in Illinois which had been on the market for years without takers at \$1.25 an acre. In return for this land for which the government had asked \$3,243,916, the Illinois Central up to December 31, 1937, had paid the Federal Government \$10,882,356 in land-grant rate reductions on federal

property, troops and mails, not to mention large sums which the government had saved through similar rate-reductions on government traffic moving over competing railroads.

In the same period and on the same 705½ miles of railroad, the Illinois Central Railroad Company paid taxes totaling \$92,702,138 to the State of Illinois and other millions of dollars in income taxes to the Federal Government.

Federal Loans to Railroads

In addition to land-grant aid, the Federal Government made loans totaling \$64,623,512 in bonds to six pioneer Western railroads to hasten their construction. The loans bore interest at the rate of 6 per cent per annum. These railroads were developed through virgin territory, much of it arid and mountainous, and, as was to be expected, there followed a period of extremely light traffic and great financial difficulties, during which net earnings were not sufficient to pay off the loans. Finally, however, three of the six railroads repaid principal and interest in full. Two others repaid principal in full and a very substantial part of their interest. One railroad failed to repay a loan of \$1,600,000 and it was necessary for the government to collect through deductions from transportation bills. On these transactions as a whole the railroads received \$64,623,512 in government bonds and paid back \$63,023,512 of the principal and \$106,175,657 in interest, or a total of \$169,209,169. Commenting on these loans in 1899, Professor Hugo R. Meyer, of the University of Chicago, said:

For the government, the whole outcome has been financially not less than brilliant.

When the railroads were returned from federal control after the World War in 1920, many of them were urgently in need of funds with which to rehabilitate their properties, purchase new equipment and expand their facilities to meet the needs of

Keep America a Land of Opportunity

I favor the American system of individual enterprise, and I am opposed to any general extension of government ownership and control. . . . This country would not be a land of opportunity, America would not be America, if the people were shackled with government monopolies.—*Calvin Coolidge.*

the future. At that time the Federal Government loaned them \$1,080,575,000, at 6 per cent interest. On June 30, 1938, the Secretary of the Treasury reported that all but \$30,230,000 of the principal has been repaid, and that the government had collected a total of \$217,840,000 in interest. The amount of principal repaid plus interest, therefore, exceeded the total amount of the loans by \$187,610,000. Much of the remaining unpaid principal, owed for the most part by railroads now in receivership, will be collected in time, plus interest, but even if the unpaid principal were never collected, the government would still show a very substantial profit on its post-war loans, because the interest rate at which the loans were made was nearly double the interest rate paid by the government on borrowed money.

Since the beginning of the recent depression the Reconstruction Finance Corporation and other federal agencies have loaned the railroads a total of \$851,078,000. Of this amount \$267,212,000 had been repaid to the government by the railroads on July 31, 1939. Railroad obligations amounting to \$125,272,000 had been sold by the government to private investors, leaving the railroads still owing the government \$458,594,000.

Since the railroads pay the Federal Government 4 to 5 per cent interest on the money which they borrow from the Reconstruction Finance Corporation and other government lending agencies, while the average interest rate paid by the government on its borrowed money is slightly under 3 per cent, the government is making a substantial profit on its railway loans.

The foregoing facts clearly show that the Federal Government has profited from both land-grant and financial aid to railroads, and that, contrary to a more or less general impression, neither federal land grants nor federal loans to railroads were in any sense gifts. They were business transactions, with the railroads paying for value received.

Who Owns the Railroads?

Directly and indirectly, the American railroads are owned by many millions of American citizens. These investors are divided into two groups—stockholders and bondholders.

At the beginning of 1938 the total par value of railway stocks, bonds and other securities in the hands of the public was \$18,943,000,000, of which \$7,154,000,000 represented stock and \$11,789,000,000 represented bonds and other funded securities.

The recorded investment in the railroads as a whole at the beginning of 1938 was \$26,598,000,000. This was approximately \$7,655,000,000 greater than the aggregate par value of all stocks, bonds and other securities outstanding in the hands of the public.

At the beginning of 1939 there were 887,492 railway stockholders in the United States, scattered throughout the country.

The statement repeatedly made that the American railroads are owned by "a few rich people" or by "Wall Street" is untrue. Ownership in railway securities is far more widespread today than it was a generation ago.

The extent to which ownership by the public at large has increased since around the turn of the century is shown by the following table:

Railroad	NUMBER OF STOCKHOLDERS		
	1904	1918	1938
Baltimore & Ohio	7,132	32,066	41,317
Boston & Maine	7,402	7,155	13,739
Chesapeake & Ohio	1,478	7,220	59,874
Chicago & N. West.	4,109	13,677	17,148
C. M, St. P. & P.	5,832	20,922	19,022
Great Northern	383	30,468	31,855
Illinois Central	9,123	11,324	19,657
Louisville & Nashville	1,672	5,154	7,186
New Haven	10,842	25,048	27,312
New York Central	11,781	31,767	64,695
Norfolk & Western	2,911	9,847	13,324
Northern Pacific	368	27,338	30,816
Pennsylvania	44,175	110,765	214,532
Santa Fe	17,823	49,796	55,711
Southern Pacific	2,424	38,502	45,899
Union Pacific	14,256	36,953	50,022
Total, 16 railroads	141,711	458,002	712,109

Railway Bonds Widely Held

In addition to numerous individual railway bondholders throughout the country, railway bonds are widely held by insurance companies, savings banks, colleges and universities, hospitals and other institutions. Railway bonds held by life insurance companies alone totaled \$3,267,000,000 at the beginning of 1937, while aggregate railway security holdings of life insurance companies, banks, educational and charitable institutions and foundations on the same date amounted to \$6,617,000,000, or approximately 56 per cent of the total net railway funded debt.

Virtually every life insurance policy holder and every savings bank depositor is indirectly an investor in the American railroads. Thus, the ownership of railway securities, directly and indirectly, reaches into nearly every home and institution in America.

Speaking before the Harrisburg (Pa.) Chamber of Commerce not long ago,

Martin W. Clement, President of the Pennsylvania Railroad, said:

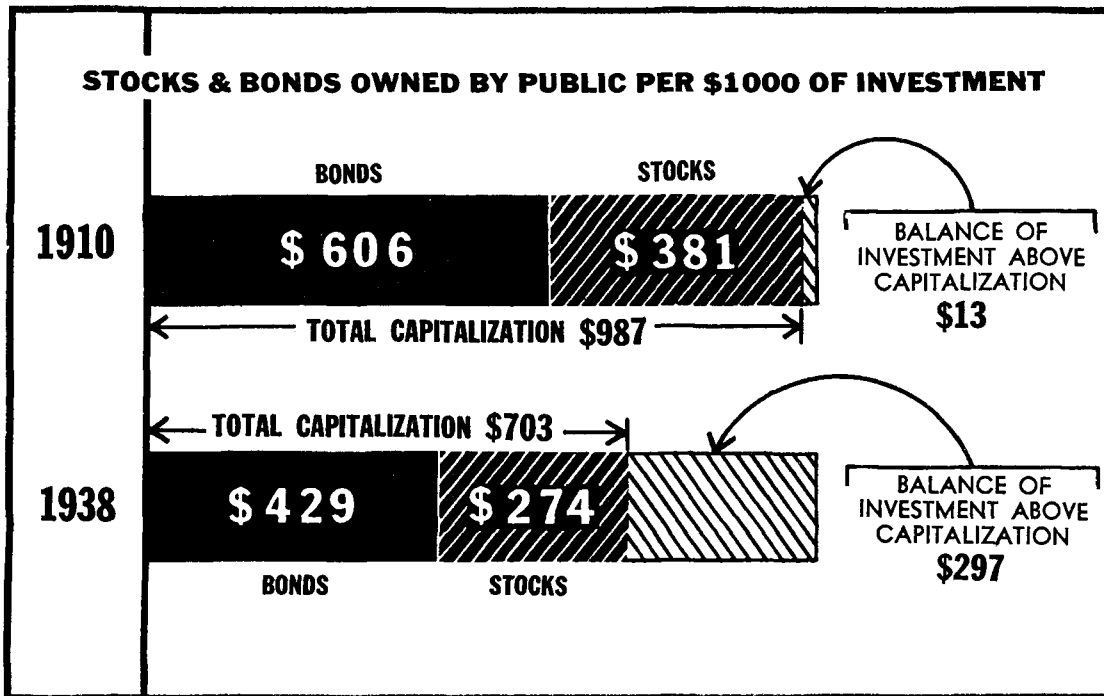
The railroads are privately owned by the public at large, when you consider the fact that in addition to their million stockholders, there are also a very great number of bondholders. They are privately owned by the public at large when you consider the fact that the life insurance companies of this country have 63,000,000 policy holders, and are all large investors in railway securities.

They are privately owned by the public at large when you consider the holdings by the savings banks and other banks, educational institutions and fire insurance companies, which are dependent to a considerable extent on their railroad investments. They are privately owned by the public at large when you consider the enormous amount of taxation that these railroads pay to the various governmental divisions. They are privately owned by the public at large when you think of the million employes and their families who are dependent on them for support, and of the number of citizens dependent upon those employes through the income which they give to the communities in which they live.

The railroads, therefore, as an institution, are privately owned by the public at large, and the

Ratio of Capitalization to Investment

All Steam Railways in the United States, Except Switching and Terminal Companies



whole community is interested in their prosperity because of the hundreds of millions they spend every year for materials and supplies, new equipment and facilities which provide employment and wages for hundreds of thousands on the farms, and in the factories, industries and ports of the nation. They are owned by the citizens themselves and not by any political body.

Facts About Capitalization and Fixed Charges

No aspect of transportation has probably been more widely misunderstood than railway capitalization. The old cry is that the railroads are overcapitalized, that they are burdened with "watered stock" and excessive fixed charges.

Fortunately, the facts are available for those who seek them. The Interstate Commerce Commission spent twenty-five years and many millions of dollars to find the value of the railroads. The railroads do not agree that the valuation found by the Commission represents full value; nevertheless, the Commission's investigation proved beyond the shadow of doubt that the railroads as a whole are conservatively capitalized.

The Commission's latest investment, valuation and capitalization figures are as follows:

Investment in road and equipment, Jan. 1, 1938.....	\$26,598,000,000
Cost of reproduction less depreciation, plus lands and rights, Jan. 1, 1937	21,456,000,000
Final value, with due allowance for depreciation and other factors, Jan. 1, 1938.....	20,988,000,000
Aggregate par value of stocks, bonds and other securities in hands of public, Jan. 1, 1938...	18,943,000,000

Thus, the Commission found that the cost of reproduction less depreciation, plus value of lands and rights, exceeded the aggregate par value of all railway securities in the hands of the public by \$2,513,000,000, or 13.3 per cent.

The Commission's "final value" exceeded total railway securities in the hands of the public by \$2,045,000,000, or 10.8 per cent.

This 10.8 per cent represents the zone of safety and conservatism — the extent to which the Commission's final value exceeds the par value of stocks and bonds in the hands of the public.

The recorded investment, representing capital actually invested in existing facilities and equipment, exceeded the total par value of stocks, bonds and other railway securities in the hands of the public by \$7,655,000,000, or 40.4 per cent.

Not only are the railroads as a whole conservatively capitalized, but their fixed charges do not constitute an unreasonable burden. Discussing the fixed charges of the railroads, a special committee of three Interstate Commerce Commissioners — Messrs. Splawn, Eastman and Mahaffie—reported to President Roosevelt in April, 1938, that "these charges constitute a comparatively modest return on only a part of the legitimate investment in railroad property," and added that "there is nothing unjust about this return."

The report of the Interstate Commerce Commission in the Fifteen Per Cent Rate Case, Ex Parte 123, March 1938, said:

This evidence tends strongly to show that the major cause of the unsatisfactory financial condition of the applicants as a whole is not to be found in excessive fixed charges.

Addressing the American Life Convention in Chicago, October 10, 1934, Hon. Joseph B. Eastman, then Federal Coordinator of Transportation, now Chairman of the Interstate Commerce Commission, said:

Nor is the interest rate high on the railroad debt. I have seen an analysis of railroad bonds still paying interest and having a par value of \$8,263,160,686. This shows that 43 per cent of the total pays 4 per cent or less and 89 per cent pays 5 per cent or less. The average interest rate is about 4½ per cent. Only a few railroads are paying dividends, more than a billion and a half of bonds are in default, and the interest which

is still being paid is at a relatively low average rate. It is impossible to support a claim that an extortionate return, or anything approaching such a return, is now being exacted on the money which has gone into the railroads.

"America's Twenty Per Cent Industry"

The railroads have aptly been called "America's Twenty Per Cent Industry" by reason of the fact that the par value of their stocks and bonds and other securities constitute 20 per cent of the par value of all corporate securities listed on the exchanges, and also by reason of the fact that the railroads normally purchase more than 20 per cent of the nation's coal, about 20 per cent of the nation's forest products, nearly 20 per cent of the output of steel and rolling mills, and more than 20 per cent of the output of foundries. Moreover, except for equipment exported, they take the entire output of the great locomotive and car manufacturing plants.

The railroads of the United States embrace some 240,000 miles of road and 423,000 miles of railway trackage. Their properties include many thousands of freight and passenger stations, several thousand bridges, hundreds of tunnels, and numerous repair plants and enginehouses, storehouses, coaling stations, section houses, wharves, docks and other terminal facilities. They own and operate around 47,000 steam and electric locomotives, 41,000 passenger, baggage, mail and express cars, 1,800,000 freight cars of all kinds, and several thousand units of work and floating equipment.

The operating revenues and expenses of the railroads fluctuate with general business and competitive conditions. Revenues

reached their peak in 1926, when receipts totaled \$6,383,000,000, and dropped to their lowest depression level in 1933, when they totaled only \$3,095,000,000. Operating expenses (not including taxes, rentals and fixed charges) also reached their peak in 1926, when they totaled \$4,669,000,000. They were reduced to \$2,249,000,000 in 1933. In 1938 revenues totaled \$3,565,000,000 and expenses totaled \$2,722,000,000.

Railway employment extends into every state and every city and into nearly every town and county in the United States. Each month the railroads distribute around 2,000,000 pay checks, spreading the benefits of railway employment into every part of the country.

Normally, more than 1,400,000 persons are employed in railway operations in the United States, and railway pay rolls range in the aggregate from around \$1,500,000,000 to more than \$2,500,000,000 annually, depending upon conditions in the industry. In 1938, a year of sub-normal railway activity, the railroads employed an average of 939,171 workers and paid out \$1,746,000,000 in wages.

Purchases by the railroads of fuel, materials and supplies fluctuate even more widely than pay rolls. For instance, in 1929 the railroads' net operating income (what is left after operating expenses, taxes and equipment rents are paid) was equivalent to a return of 4.81 per cent on their investment. In that year they spent \$1,330,000,000 for fuel, materials and supplies. But in the depression year 1932, when their net operating income equaled only 1.24 per cent of their property investment, they spent about one-third as much, or \$445,000,000, for fuel, materials and supplies.

In the same two years their expenditures for additions and improvements in plant and equipment amounted to \$854,000,000 and \$167,000,000, respectively.

In 1938, the railroads earned 1.43 per cent on their property investment and they spent \$583,000,000 for fuel, materials and supplies and \$227,000,000 for additions and improvements.

Arteries of the Nation

It must not be forgotten that our railways are the arteries through which the commercial lifeblood of this nation flows. Nothing could be more foolish than the enactment of legislation which would unnecessarily interfere with the development and operation of these commercial agencies.—*Theodore Roosevelt.*

In thousands of communities throughout the United States, railway taxes are relied upon to help support the public schools, to help maintain the highways and to defray the costs of local government. They also contribute extensively to the support of federal and state governments.

Total railway taxes vary from year to year owing to variations in income taxes, sales taxes, social security taxes and other factors, but they are much more rigid than either railway purchases or railway pay rolls. In 1929, when many railroads were paying large income taxes, railway taxes (Federal and state) totaled \$397,000,000 and took 6.3 per cent of railway operating revenues. In 1935 tax payments totaled \$237,000,000. However, due to much smaller railway earnings, this reduced tax bill took 6.9 per cent of total railway revenues, or slightly more than in 1929. Since then, owing largely to the operation of the social security laws but partly to other factors, railway taxes have steadily increased and amounted to \$341,000,000 in 1938. This took 9.5 per cent of gross operating revenues—the largest slice in railway history.

The foregoing facts give some idea of the economic importance of our railroads, not to mention the indispensable service they perform, day in and day out, month after month, year after year, as the only agencies that provide complete, nation-wide, common-carrier transportation of passengers, freight, perishables, express and mails.

The railroads perform the mass transportation service of the nation. Notwithstanding the extensive development of commercial transportation on highways, waterways, airways and pipelines, and despite the fact that these new forms of commercial transportation (except pipelines) are not required to provide and maintain their own roadways, and are less rigidly regulated than railway transportation, the railroads continue to perform the great bulk of the common-carrier freight, passenger, express

and mail transportation service of the nation. Today, as in the past, railroads are the backbone of the American transportation system.

The railroads of the United States—privately owned and privately operated—were created and developed by the spirit of individual enterprise. They have played a tremendously important part in the making of this great nation. Their day by day contribution to the economic life of this country as agencies of transportation, as employers of labor, and as purchasers of the products of industry cannot be estimated. They are among the country's largest—in many instances, the largest—contributors to the support of schools and state and local governments. In communities throughout the United States their taxes have the effect of lessening the tax burden of all other property owners.

In the following pages are set forth many reasons why, in the public interest, this great system of railroads should be continued under private ownership and operation.

Coordination

We have in the United States literally hundreds of railway companies, each separately owned and each operating its own lines, but in the performance of the great transportation services—the carriage of passengers, freight, perishables, express and mails—these railway companies coordinate their efforts and operations to provide the service which best meets the needs of the public. Gauges of track have been made uniform, equipment has been standardized, and systems have been worked out and agreements have been made whereby freight cars of one railroad are moved freely to or from any part of the United States. Frequently a single passenger train is operated over several railroads, and one may travel and ship goods from any point in the country to any other point as easily and speedily as if all railroads were under the same management. It is due in part to this cooperative effort that American railway service is as efficient as it is today.

Public Opinion Is Strongly Opposed to Government Ownership and Operation of Railroads.

IN a democracy, public opinion is the final arbiter. Political parties rise and fall; administrations come and go; questions and issues, great and small, are settled as public opinion dictates. The question of government ownership and operation of railroads has been advanced time and again over a long period of years and for sundry reasons. It was made an issue in political campaigns. Bills providing for government ownership and operation of railroads have been introduced repeatedly in Congress. Government ownership has been one of the planks in the platform of the Socialist Party for many years. In every instance, that all powerful force in American life—public opinion—has rejected it.

There is no popular demand for government ownership and operation of railroads. On the contrary, public sentiment is overwhelmingly opposed to it. Proof of this is to be found in the Gallup Poll and Fortune Poll, as well as in surveys conducted by the National Industrial Conference Board, the Transportation Conference and in the action taken by national and state farm organizations, details of which are given below.

It is significant that some of the former advocates of government ownership and operation have, as a result of mature study and consideration, changed their minds and have gone on record as favoring a continuance of private ownership and operation.

(a) President Roosevelt Is Against Government Ownership

Most of us have definite objection to Government subsidies to the railroads to enable them to meet the interest on their outstanding bonds or for any other purpose, and most of us also oppose Government ownership and operation of the railroads. I do.—*Franklin D. Roosevelt, President of the United States, in message to Congress, April 11, 1938.*

(b) Senator Wheeler Now Opposes Government Ownership

What is to be done about the railroads and for the railroads? I will give my opinions as we explore the industry's problems in detail; but I want to say at the outset that government ownership is *not* the solution. Once upon a time I thought it was. I was candidate for Vice-President in 1924 on the Progressive ticket headed by the late Senator Robert M. La Follette, and government ownership of railroads was a major plank in our platform. I have changed my mind. We have had examples in plenty during the past few years of the pressure that can be put on Congress to raid the Treasury for all sorts of schemes. If the government ran the railroads, every Chamber of Commerce, every community in the United States would be hollering for a new railroad station or more train service in one breath and

demanding a balanced budget with the next. New railroad stations would be pork-barrel items like new post offices or creek bridges have been, and are now. Conductors would be put in charge of trains according to their ability to get out the vote. The 900,000 railroad employees would not be human if they did not seek to use their political strength to get advantages from the owner-government. . . . I repeat that I am against government ownership because it will prostitute an essential service to politics.—*Senator Burton K. Wheeler, Chairman of the Committee on Interstate Commerce of the United States Senate, quoted in an article by Walter Karig in Liberty, May 6, 1939.*

* * * *

On "America's Town Meeting of the Air" program, presented over the National Broadcasting Company Network, April 13, 1939, Senator Wheeler was asked the following question:

Since one finds the government-owned railroads of Sweden and Switzerland and so forth both efficient and reasonable, and the Consul General of Sweden says that all their main lines are government-owned and electrified, why couldn't our government, which has already lent the railroads so much—so many millions, through the RFC—take them over gradually on the installment plan, and run them as a coordinated system for public service and not for profit?

To this question Senator Wheeler replied:

Well, they could take them over, and the question would be whether or not you would get better service. I must confess that there was a time when I thought that undoubtedly they could be run as well by the government as they would otherwise; but if you had been down in Washington as long as I have been and seen some of the departments operate some of these things, you would begin to question whether any government operation was successful.—From "Town Meeting," bulletin of America's Town Meeting of the Air, Volume IV, Number 23, published by Columbia University Press, 2960 Broadway, New York. Other speakers: John J. Pelley and Joseph B. Eastman.

(c) Chairman Lea States His Views

We have those who suggest government ownership as the legitimate solution of our carrier problem. I cannot regard government ownership as a solution of the problem. At best, it would be only changing from one situation of difficulty to another of greater difficulty. We can scarcely resort to government ownership with a reasonable expectation that we will reduce the cost of our transportation system. If it were humanly possible to have government ownership and effective business management, that proposal might be worthy of consideration. Government ownership means political control. The tendency of government operation towards the creation of needless jobs and unnecessary expense, makes it impossible to take over a nation-wide business operation with one or two million employes with any practical hope of making a success of the effort. One feature about government ownership has strongly impressed me because of my experience in public life and that is the political deterioration that would follow government ownership. Probably a million and a half men would become government employees. They would become primarily interested in political affairs of the country from the standpoint of their own compensation and conditions of employment. Every other consideration as citizens of the republic would be subordinated to their own interest. That is an inevitable result of large group employment by the government. We see enough of that already in the government organizations at Washington. The difficulty would be greatly multiplied by government ownership. It would be a matter of no small concern if a body of one or two million men with their relatives and friends become primarily interested in their own conditions to the neglect of the more pressing and great problems of the country.—Honorable Clarence F. Lea, Member of Congress from California, Chairman of the House Committee on Interstate and Foreign

Commerce, in address before Western Railway Club, Chicago, May 16, 1938.

(d) Commissioner Eastman Does not Favor Government Ownership

Hon. Joseph B. Eastman, Chairman of the Interstate Commerce Commission, and Federal Coordinator of Transportation in 1933-1935, was formerly one of the most prominent and best-known proponents of government ownership of railroads. His recent views on the subject, quoted below, are from BARRON'S for October 3, 1938:

In answer to the question: "What is your view on government ownership of railroads and the prospects of its invocation in the future?" Mr. Eastman said:

Long practical experience in public regulation of railroads led me some years ago to entertain with considerable favor the thought of public ownership and operation . . . Three things have deterred me of late from advocating public ownership and operation of the railroads:

1. It would require the government to assume a very large additional financial responsibility at a time when it is already sufficiently laden with financial burdens. Unfortunately, also, the extent of the obligation which government acquisition of the railroads would impose cannot be predicted with anything like accuracy, because of the probability of court litigation. The real value of the railroads at the present time is very difficult to determine. The courts would probably resolve doubts in favor of private owners.
2. The railroads have now ceased to hold the predominant position in transportation which they once had, and a very large part of the service is now provided by other agencies. If the railroads alone were acquired, we would have a public system of transportation competing with private enterprise. I can foresee much difficulty in such a situation.
3. Any industry, if it is to be successfully managed, must be under a single and concentrated authority. It cannot thrive under a multitude of bosses. Public ownership and operation of railroads will not work, in my judgment, unless the country is willing to entrust a very few men with authority and protect them against interference. In these times of stress and distress, and in view of the special interests of suffering employes and shippers, I much doubt whether this would be done. If it were not done, the operation of the railroads would probably impose heavy burdens on the taxpayers.

Incidentally, those who view railroad "fixed charges" with alarm, should bear in mind that under public ownership all, or a very large part, of the return on investment would be a "fixed charge" on the government.

Nevertheless, it is within the possibilities, certainly, that public ownership and operation of railroads may become a necessity. That is dependent on whether the railroads can be brought back to a condition where they will attract the investment of private capital.

(e) Shippers Oppose Government Ownership

The National Industrial Traffic League, composed of manufacturers and other large shippers throughout the United States, went on record as far back as 1918 as strongly opposed to government ownership of railroads. Since then the League has consistently and aggressively championed the principle of private ownership and operation. In a resolution approved February 23, 1939, the League stated its position as follows:

Congress should declare that the national transportation policy is to preserve and promote private ownership and operation of all forms of transportation; to preserve the inherent advantages of each; to promote safe, economical and efficient service; to encourage competition and the establishment and maintenance of reasonable charges for transportation services, without unjust discriminations, undue preferences or advantages, or unfair competitive practices, all to the end of insuring the development and preservation of national transportation service adequate at all times to meet economically and efficiently the full needs of the commerce of the United States.

(f) Agriculture Opposes Government Ownership and Operation

We recognize that American railroads constitute an essential transportation agency and believe their continued operation under private ownership will best assure the highest degree of efficient and improved service to the public.—*From Resolutions, American Farm Bureau Federation, New Orleans, Louisiana, December 15, 1938.*

We favor continued private ownership and operation of the railroads, and we advocate the taking of proper steps by Congress for the rehabilitation of the roads.—*From Resolutions, National Grange, Portland, Oregon, Nov. 16-24, 1938.*

We think that the railroads should be permitted to remain under private ownership and continue to pay taxes so necessary for the maintenance of our state and local governments and our public

schools.—*From Resolutions, Arkansas Farm Bureau Federation, Little Rock, Arkansas, November 17-18, 1938.*

We believe the best interests of agriculture will be served by a continuation of private ownership and operation of our railroads.—*Report of Resolutions Committee, Indiana State Grange, Goshen, Indiana, October 20, 1938.*

The time is here for organized agriculture to take a stand for farmers and demand just treatment of the government toward all agencies of transportation so that agriculture and industry may be well and efficiently served and real progress made toward a more sound and a better transportation policy. Such a policy should include: . . . Continuation of railroads as privately owned and operated enterprises.—*From Report of Legislative Committee, Iowa State Grange, Newton, Iowa, October, 1938.*

We believe the best interests of agriculture will be served by a continuation of private ownership and operation of our railroads.—*Resolution of Kansas Farm Bureau, October 13, 1938.*

In determining a national transportation policy, provision should be made for a continuance of railroads under private ownership and operation.—*From Resolutions adopted by Montana State Farm Bureau and Associated Women of the Farm Bureau, November 15, 1938.*

We recognize that an adequate, efficient, and dependable system of railway transportation is vitally necessary to Nebraska agriculture. We believe that in formulating laws to relieve the present distressed situation of no small part of the railways of the country the following principles should be recognized by the railways, the employees, the public and the government: (a) That the private ownership and operation of railways is better than government ownership and operation; (b) that the railways must make some return to their stockholders if abandonment or public ownership is to be avoided.—*From Resolutions, Nebraska State Grange, Broken Bow, Nebraska, October 13, 1938.*

Railroads should continue in private ownership and operation.—*From Resolutions, Nevada State Farm Bureau, Reno, Nevada, February 3, 1939.*

Like agriculture, we believe that the railroads should remain under private ownership and operation.—*From Resolutions, New York State Farm Bureau Federation, Buffalo, N. Y., Nov. 18, 1938.*

Recognizing that an economical and a speedy interchange of commodities between farm and market is necessary to agricultural prosperity, we believe that an adequate and efficient system of

railway transportation, privately owned and operated under reasonable regulations, is essential.—*From Resolutions passed by Ohio Farm Bureau Federation, Columbus, Ohio, November 17-18, 1938.*

We believe that under present conditions the best interest of Agriculture and Nation at large will be served by a continuation of private ownership and operation of our railroads.—*Report of Transportation Committee, Virginia State Grange, Marion, Virginia, October 26-28, 1938.*

Resolved, that we favor continued private ownership and operation of the railroads.—*From Resolutions, Wisconsin State Grange, Oshkosh, Wisconsin, December 8, 1938.*

(g) Views of Labor Leaders

There is a tendency on the part of some organizations connected with the railroad industry to advocate government ownership of railroads, and recently there appeared in the public newspapers an article leaving the impression that all of the standard railroad labor organizations advocated government ownership of railroads. The Brotherhood of Locomotive Engineers is not one of these organizations. The policy of this Brotherhood for many years has been against government ownership of railroads, and this policy will continue unless changed by convention action.—*A. Johnston, Grand Chief Engineer, Brotherhood of Locomotive Engineers, in the Locomotive Engineers Journal, July, 1935.*

(h) I have not found an increasing sentiment amongst railroad labor which would favor government ownership of railroads. . . . Under government ownership and operation, we may be faced with, at least, the same uncertainties as to employment; the status of our organizations; and the equality of our bargaining power. The very suggestion of a single system of transportation would be disturbing. There would be difficulty of employment, since railroads do not enjoy a monopoly of transportation. . . . Hence, there seems every reason to believe that labor would favor a continuance of private ownership and operation, and would seek to cooperate with management in making it possible, since this is in line with the best interests of labor, industry and the public. . . . We are jealous of the evolution of the methods which have been established between us under private ownership and control. Our greatest progress with legislation has been with legislative acts upon which management and labor have agreed. Hence, there seems every reason to believe that labor would favor a continuance of private ownership and operation, and would seek to cooperate with management in making it possible,

since this is in line with the best interests of labor, industry and the public. I recognize, of course, that such a belief is futile unless we can constructively continue to settle disputes and differences, which otherwise we may reasonably expect will lead to some form of government ownership and operation.—*David B. Robertson, President, Brotherhood of Locomotive Firemen and Enginemen, in address before Railway Business Association, Chicago, Illinois, November 18, 1937.*

(i) Editorial Opinions

Theoretically the government ownership of railroads is a beautiful dream, "an iridescent dream." The writer of these lines cherished it for years. But the last five years bringing their widening duties and powers of government have been revealing, indeed appalling! Now it is evident that this "iridescent dream" is a mirage. For practically, with political intelligence and political energy as they are now manifested under the American government, the government ownership of railroads, instead of being a great boon, might easily become one of the binding chains of our thralldom. It might strangle liberty on this planet. We might inadvertently turn the land of the free and the home of the brave into a cruel, bureaucratic tyranny in which labor would be oppressed, the taxpayer would be overburdened, and our citizens have no appeal from the inexorable grinding of the machine of the gods.—*From editorial in Emporia (Kansas) Gazette (William Allen White, Editor), February 16, 1938.*

The government is not economical as a business enterprise. It cannot run the railroads except at excessive cost and if the service during the war is a criterion, we would, under government management, have poor service.—*Manufacturers Record, March, 1938.*

(j) Fortune Magazine Poll

Do you think the government should take over the railroads?

With the percentage of railroad mileage operated by receivers skyrocketing, *Fortune* first asked this question two and one-half years ago. It was then a timely question because on every hand there were advocates of government ownership. It is even more timely now, because with declining revenues the plight of the railroads has become progressively even worse, and the sentiment for nationalization has spread to railway bondholders. Only last April the President told Congress that "the troubles of the railroads . . . have been getting steadily more difficult . . ." and that it is "important for all of us to cooperate in preventing serious bankruptcies . . ." among them. Thirty

months ago the public was firmly opposed to government ownership. Today, with the situation considerably worse, the public is no less opposed:

	January, 1936.	July, 1938.
Yes (the government should take over).....	26.7%	25.7%
No	51.8	52.8
Don't know	21.5	21.5

—From *Fortune Quarterly Survey XIII*, (containing the results of a poll of readers) *Fortune Magazine*, July, 1938.

(Editor's note: Of those who had opinions in the July, 1938, *Fortune* poll, 67.3 per cent were against the government taking over the railroads and 32.7 per cent were for it.)

(k) The Gallup Poll

To determine how much sentiment already exists for nationalizing the rails, the American Institute of Public Opinion has conducted a study covering three aspects of the issue. The results show that a sizable majority of the voting public still favors continuation of private ownership. Less than one-third want the Government to take over the carriers. One question put to a cross-section of voters throughout the nation was: "Do you believe the Government should buy, own and operate the railroads?" The vote is:

Yes	30%
No	70%

—Dr. George Gallup, Director, *American Institute of Public Opinion*, February 25, 1938.

(l) Industrial Conference Poll

The National Industrial Conference Board, Inc., polled newspaper editors in the first quarter of 1936, on the question "Does the public opinion in your community favor government ownership of railroads?" Of 3,596 replies received, 3,148, or 87.5 per cent were unfavorable; 395, or 11.0 per cent were favorable, and 53, or 1.5 per cent were doubtful.—*Data from National Industrial Conference Board Study No. 222, Table 37, page 40, April, 1936.*

(m) Transportation Conference Poll

The Transportation Conference of 1933-5, a delegate deliberative agency, composed of national groups using and supplying transportation, unanimously voted that the weight of argument upon the basis of all available facts here and abroad, favors continued private ownership and operation of the railroads of the United States. It found, however, that formal declarations of this subject

were few in number. It therefore set out to secure declarations and resolutions on the subject of government ownership and operation of railways from local, state, regional and national organizations throughout the United States, being careful not to influence or suggest in any way the character of the answer to its inquiry. As a result, declarations were secured from 666 organizations representing every state in the Union. Of this number 633 definitely favored the continuation of private ownership and stated their reasons; only one organization definitely favored government ownership—and even this organization has since withdrawn from its position. The balance of 32 were noncommittal.—*Booklet issued by Railway Business Association, distributed at Convention of Railway Supply Manufacturers Association, Atlantic City, New Jersey, June 16-23, 1937.*

(n) Poll of Candidates for Congress

Having secured the cooperation of organizations in every state, we proceeded in conjunction with the American Federation of Investors and with our affiliated associations, to canvass the candidates who were seeking election to the Senate and House. There were 1,135 such candidates of all parties and you are probably saying to yourselves "that was a fruitless undertaking." Not so. We hold declarations from 448, or 40 per cent of all the candidates. Of these, 14 favor government ownership unqualifiedly; 12 lean toward it, but hold some reservations; 405 declare against government ownership unqualifiedly, and 17 declare against government ownership with some reservations.—*Harry A. Wheeler, President, Railway Business Association, in address before the Association, New York City, November 5, 1936.*

No Popular Demand

There is no popular demand for government ownership and operation of railroads in the United States. Public opinion in this country is conservative, as is to be expected in a country where under normal conditions there are many opportunities for individual achievement and advancement, and there is no general desire for the government to assume economic functions which hitherto have belonged solely to private agencies. If government ownership comes, it will be because private ownership finds it impossible to exist under a system of government regulation.—*T. W. Van Metre, Professor of Transportation, School of Business, Columbia University, in "Transportation in the United States," published by Foundation Press, Inc., Chicago, 1939, p. 392.*

Private Ownership and Operation of Railroads Is a Long Established National Policy. Government Ownership and Operation Would Represent a Reversal of This Policy.

THOSE who advocate government ownership and operation of railroads are advocating a fundamental change in the American system. The question is of basic political, social and economic significance to the future of this nation. It is a question of whether we as a nation are going to continue along the way we have traveled since the republic was founded, the way that has made America great, or whether we are going to turn from that course and go down the road that leads inevitably in the direction of the totalitarian state—whether it be labelled socialism, communism, fascism or some other “ism.” The burden of proof that the proposed change would be beneficial to the American people, that it would be a wise move, that it would result in a definite improvement over private ownership and operation, rests with its advocates.

(a) The Government, as it now exists, was conceived and organized for political and social control and activity. It was not vested with any economic functions beyond those essential to the proper exercise of its own functions in coining money, collecting and disbursing revenue, emitting credit, operating post offices and carrying mails, and in developing and maintaining military establishments for the protection of the lives and property of its citizens. It was primarily designed “to promote the general welfare, and to conserve to its citizens the rights of ‘life, liberty, and the pursuit of happiness.’” The entrance of the Government into commercial and industrial undertakings, backed by public credit and resources and its military and civilian personnel, for the purpose of competing with the business establishments and the opportunities of livelihood of its citizens, is, therefore, in general, repugnant to our fundamental democratic institutions and aspirations.—*From Report of Special Congressional Committee (known as the Shannon Committee) Appointed to Investigate Government Competition with Private Enterprise, February 8, 1933, House Report 1985, 72nd Congress.*

(b) The burden of proof would seem to be on those who propose to change the system, and that burden should be discharged only by a showing that government operation might reasonably be expected to produce better transportation at less cost. Even if that should be made to appear as likely, the burden of proof should then be on the proponents to show that this presumptive gain in transportation efficiency would be sufficient to outweigh the dangers to the body politic inherent in turning over an industry such as the railroads to political management.—*J. J. Pelley, President, Association of American Railroads, in*

Annals of American Academy of Political and Social Science, September, 1936, p. 120.

(c) The senator [La Follette, Sr.,] emphasizes this: “I am for government ownership of railroads and every other public utility—every one.” This means all railways, power, light, telephone and telegraph. Either we are to remain on the road of individual initiative, enterprise and opportunity, regulated by law, on which American institutions have so far progressed, or we are to turn down the road which leads though nationalization of utilities to the ultimate absorption into government of all industry and labor. What the senator proposes is far more than a transitory experiment of government in business; it is a change in our social, economic, and political principles that will react to revolutionize our government itself.—*Herbert Hoover, Secretary of Commerce, in radio address, September 29, 1924.*

(d) Our government gives and insures absolute freedom and equality. Shall we supplant that form of government by any other?—particularly one which would reverse the order of things and make the government supreme instead of the governed? If we choose federalization of utilities or industries, it means a reversal of our form of government. Therefore, I cannot believe the employees of public utilities, or any other class of our citizenship, will, in any numbers, support a plan which will bring, instead of progress to our nation, chaos and destruction.—*From address by W. N. Doak, Vice President, Brotherhood of Railroad Trainmen, Washington, D. C., October 17, 1924.*

(e) The American system of government differs in large degree from governments of the world generally. The theory of most governments other

A Dilemma

Government ownership . . . would be the worst dilemma we could lead this country into at this time.—*Hon. John Taber, Member of Congress from New York, in U. S. House of Representatives, July 26, 1939.*

than our own is that the people are not competent to rule and, therefore, there should be a strong centralized government with practically supreme power in the hands of a few chosen individuals. The American system is based upon the sound idea that the people are competent to rule themselves; and that their public servants must exercise only such limited and restricted powers as the people specifically vest in them. The American system is based upon the conception that each person, individual and corporate, shall be free to exercise his own judgment and to run his own business in his own way, subject to such limited and reasonable restrictions as are best calculated to prevent some selfish and willful individual from transgressing the proper rights of his fellow citizens. So it is under the American system, whether it be good or bad—personally, I think it the best yet devised by man—that business is the function of the individual, and it is no more the function of the federal government to run the railroads than it is for it to run the newspapers, the schools, the labor unions, the churches, the banks and every human activity.—*Fitzgerald Hall, President, Nashville, Chattanooga & St. Louis Railroad, in address before Traffic Club of Chicago, January 30, 1936.*

(f) Under government ownership, partisanship, logrolling, and politics would be the inseparable accompaniments of administration. To embrace this un-American experiment would increase the cost of service and decrease our national efficiency, and thus undermine our democracy and destroy the fundamentals upon which America has become great. Above all, we would abandon all we have developed over a period of one hundred and sixty years as a land of opportunity, freedom, and progress hitherto unparalleled in political history. This would not be progressive, for it would not be progress. It would be destruction.—*Raynard F. Bohman, General Traffic Manager, Heywood-Wakefield Company, mimeographed article, 1938.*

(g) Private ownership of railways has been clearly demonstrated to be the most efficient, progressive, and economical method, as illustrated by the experience in the United States and Great Britain, where this transportation policy has always been maintained. No compelling motive to

change this policy is found where national safety is not a primary consideration and where density of population and of traffic offer reasonable assurance of a return upon the capital employed.—*P. Harvey Middleton, Secretary, Railway Business Association, in "Railways of Thirty Nations," published by Prentice-Hall, Inc., New York, N. Y., 1937, p. 304.*

(h) Private enterprise has a peculiar and distinctive significance to the United States. The philosophy underlying our institutions begins with it. Some very keen minds explored the experience of the human race for several thousand years and brought forth a plan, which organized and concentrated more wisdom than anything of similar character in history. In contemplating forces which might order the political affairs of man, the choice may be narrowed down to two. On the one hand, we have the doctrine of the supremacy of the State. On the other, we have the doctrine of the supremacy of the individual. . . . In modern times this conflict is often referred to as centralization versus decentralization. In the light of history, the choice between the doctrine of the supremacy of the individual was regarded as so important that the men who designed the American system went to unusual lengths of laying out their plan of decentralization of government in contract form—the Constitution. They knew that the greatest guarantee of individual liberty and freedom lay in the direction of private enterprise and endeavored to move further than ever before to safeguard it.—*W. J. Williamson, General Traffic Manager, Sears, Roebuck & Company, before Traffic Club of Atlanta, Ga., Nov. 7, 1938.*

A Lumberman's View

It is axiomatic that the best insurance we have that the railroads may carry on under private ownership and management, under reasonable regulation, properly financed for normal purchases and adequate wage rates, and with equal opportunity to serve, is the complete understanding of the American public of the problems confronting the railroads. The men who use the railroads share with the roads the responsibility for the further education of that public until there is an understanding support of this necessary service that the roads must be free to render. We see the dawn of such an understanding, and we must work together for the constructive legislation on which depends the solving of many of our transportation problems. The railroads must and will carry on.—*R. M. Weyerhaeuser, President, Northern Lumber Co., in address before New York Railroad Club, December 8, 1938.*

Under Private Ownership and Operation of Railroads and Other Industrial and Commercial Enterprises, the United States Has Developed into One of the Great Nations of the World.

THE United States of America has advanced in the last century and a half to the dominant position which it occupies today largely because its government was established upon the principle that the State should be the servant of the people and not that the people should be the servants of the State. Private ownership and operation of farms, mines, factories, merchandising establishments, railroads, motor bus and truck lines, telephone and telegraph companies, and other commercial enterprises is deeply rooted in American life. It is deeply rooted in our form of government. This is the American way, and under this American form of government we have progressed and prospered until our nation is the envy of the civilized world.

We have flourished as no other nation in history. We maintain the highest standard of living of any nation on earth. The United States embraces only about 6 per cent of the world's land area and about 6 per cent of the world's population; yet we have in this country 31 per cent of the world's railway mileage, more than 70 per cent of the world's automobiles, more than 40 per cent of the world's radios, and more than one-half of the world's telephones. Our people make up 38 per cent of the world's motion picture theatre goers.

We have more wealth per capita and more of the luxuries of modern life than any other people. Our workers are better paid. We have better homes and schools. The average American child is better clothed, sheltered, fed and educated. We live more abundantly than any other people. This is why millions of immigrants have flocked to our shores in the past and why it has been necessary to restrict the number of foreigners who may be admitted.

(a) We live in a country which is only 160 years old. From the beginning until now, the principle of Private Enterprise, and the initiative and freedom of the individual, as so carefully provided for in our Constitution, represent the prime, if not the sole reason, why this country in such a short expanse of time has become a land of opportunity and the richest and most productive nation on earth. It is those qualities of stolid initiative and voluntary cooperation which must now be applied to our problem within the transportation industry.—*W. J. Williamson, General Traffic Manager, Sears, Roebuck & Company, in address before Western Traffic Conference, San Francisco, California, May 18, 1939.*

(b) On the side of private ownership, we see that the great railroad system, the backbone of our industrial, agricultural and economic life, has been built up in the last 100 years. The electric power and light system has been developed within less than 60 years. Our telephone service is of about the same age. On the whole they have shown astounding technical development, have given con-

tinually better and more extensive service to the public at reducing rates, have been efficiently managed by the best available technical and administrative talent.

On the side of government ownership, I can see no comparable evidence of ability to operate and at the same time technically develop a public service. . . . The record of the Post Office Department shows faithful routine service but certainly shows no evidence of ability to handle such situations as the railroad, electrical and communication industries have handled well. Many other Government bureaus and agencies also have performed faithful routine service, but in general they have shown less ability to improve service even in their own fields than have independent agencies, and they have followed rather than led the way.—*Dr. Karl T. Compton, President, Massachusetts Institute of Technology, in address before Investment Bankers of America, December 5, 1936.*

(c) We Americans take great pride in our high standard of living. Our standard of living cannot be measured by dollars earned from our jobs . . .

rather, it is truly evaluated only in terms of what those dollars can command in the form of goods and services. Our country is widespread . . . every community must draw on the four corners of the land for the necessities of life. . . . Distribution is vital to national well-being. For generations this all-important service—efficient distribution of goods and commodities—has been provided for our great country largely by its outstanding system of railroads. It is a compliment to them and to the American way of life that our railroad freight rates are the lowest in the world. It is a compliment to them and to the American way of life that these low costs have not been obtained at the expense of wages, working conditions or safety.—*Thomas H. McInerney, President, National Dairy Products Corporation, in address before New York Railroad Club, December 8, 1938.*

(d) While there are some wastes in connection with our American competitive system of doing business, competition is the life of trade, and the American system has resulted in the most rapid growth of industry; a higher wage and living standard, and a greater amount of comfort and luxury among the common people of this country than any people of any other land or time have ever enjoyed.—*Homer Snow, Vice President, Amer-*

ican Zinc, Lead & Smelting Company, and President, Associated Traffic Clubs of America, in radio address, St. Louis, Missouri, July, 1936.

(e) It is said that transportation will gravitate into government ownership because of financial necessity, notwithstanding that there appears to be no expressed or crystallized public desire in favor of such a policy. It is true that the credit position of transportation is none too bright at the present time, but it is nevertheless probable that the American people are today paying a sufficient transportation bill profitably to sustain all necessary transport services under the principles of private ownership and to pay a fair return upon the capital invested. . . . We must not hazard the experiment of government ownership in transportation simply to avoid meeting the present issue. If we do, we shall pull down all the standards upon which we have built this glorious nation—we shall invite and encourage the disasters of a socialistic state upon the welfare and progress of every basic business enterprise. Financial distress may be a cowardly excuse for government ownership, but it is not a just cause.—*Donald D. Conn, Executive Vice President, Transportation Association of America, in address before Minnesota Club, St. Paul, Minnesota, December 13, 1935.*

RAILWAY MILEAGE IN LEADING COUNTRIES — 1937

Country	Thousands of Miles										
	0	25	50	75	100	125	150	175	200	225	250
United States	238.5										
Russia	50.7										
India	43.0										
Canada	42.2										
France	40.3										
Germany	36.2										
Australia	31.8										
Argentina	23.7										
Great Britain	23.5										
Brazil	19.6										
Japan	18.7										
U. of South Africa	16.2										
Mexico	14.5										
Poland	13.3										
Italy	11.3										
Sweden	10.0										

The American Railroads Are Unrivaled in Efficiency. In Spite of Their Present Financial Difficulties, They Are Providing Fast, Safe, Dependable Transportation at Low Cost, and Are Paying Their Workers the Highest Wages in History.

IN the United States of America we have by far the most extensive and the most efficient system of railroads in the world. Our vast railway network, embracing nearly one-third of the world's mileage and handling about one-half of the railway tonnage of the world, was built and developed by private initiative and private capital. Our railroads have attained their present development, capacity and efficiency by the free play of competition and the incentive of individual reward—in spite of all the restrictions, regulations and competitive handicaps which public policy has placed in their way.

(a) The high standard of service furnished by the railroads of our country must not be forgotten in considering the question of government ownership. We have the greatest railroad system in the world, which pays the highest wages, maintains the best working conditions for employes, and furnishes transportation for freight and passengers at the lowest rate in the world. In recent years both freight and passenger transportation have been speeded up with greatly improved facilities and with the newest and most up-to-date passenger equipment. At the same time, railway transportation in the United States is the best, fastest, and safest in the world.—*Colby M. Chester, Chairman, General Foods Corporation, in message to New York Railroad Club, December 9, 1937.*

(b) The railroads of the country have been built up by the courage and initiative of private management.—*From Resolutions, Batavia (New York) Chamber of Commerce, February 3, 1936.*

(c) Business of the railroads and in general would be stimulated and permanently improved if the federal government would take a firm and definite stand in favor of private ownership and operation. This policy would go far toward restoring confidence to investors, would afford material aid to such railroad reorganization plans as may be necessary, and would be an effective demonstration by our government that private initiative and enterprise are not to be supplanted in a country which has been built upon such factors, by dubious experiment involving state control.—*Resolution, Board of Directors, Illinois Manufacturers' Association, Chicago, June 15, 1934.*

(d) Government ownership should not be allowed to happen. The railroads made this part of America. It was done with speed and the government paid for that speed with land grant subsidies. Out of that arrangement grew a magnificent private initiative for the development of transportation. Certainly that evolution was accompanied by many errors, but America did profit mightily by the private process. The United States has more railroads than any other like-sized area. They are better railroads. They have always kept in advance of those in other countries and they are doing so today. Further major progress lies ahead of them if the government will decline to take them over. Further progress will be put away permanently if their future is now to be buried in a Washington bureau.—*Wichita (Kansas) Eagle, April 10, 1938.*

(e) Advocacy of government ownership and operation, generally speaking, is based on half truths and incorrect information, and proceeds on the theory that whatever in the history and present situation of railroads may seem wrong, in the light of hind-sight and second-guessing, would have been done differently and better if only the superior wisdom of government had had the doing of it. No railroad man would claim perfection or anything approaching it for the railroads of the United States, past or present; but in considering changes in our way of doing, it might be well to remember that this criticized way of railroading has provided us with railroads which produce the greatest amount of transportation service, at the lowest average cost, and pay the highest average wages in the whole transportation world. The record can be bettered, of course, and is being bettered day by day; but what is there to make any-

one think that it can be done by government better than it can by private operation?—*Robert S. Henry, Assistant to the President, Association of American Railroads, in Dynamic America, March, 1938.*

(f) Our privately owned and operated railroads have produced the finest, fastest, safest, most efficient, and cheapest system of transportation in the world, when all of the necessary and proper costs of construction and maintenance of any given form of transportation are included.—*Homer Snow, Vice President, American Zinc, Lead & Smelting Company, and President, Associated Traffic Clubs of America, in radio address, St. Louis, Mo., July, 1936.*

(g) There are announcements of new and better trains. . . . It is a fair question whether or

not the government would be equally enterprising in adding to the comfort and luxury of travel on the rail. Several years ago, the railroads discovered the artificial climate. The country became accustomed to air conditioned trains. At about the same time, innovations were made in railroad catering. In addition to the dining cars of the old order, the traveling lunch counters made their appearance. It was a time of change in other ways, as witness the introduction of the new-fangled trains of gleaming metal with their Diesel engines and units articulated instead of being coupled together. They were forerunners in the streamlining of the railroads which is now well under way. These are improvements made by private management. — *Boston (Massachusetts) Transcript, June 18, 1938.*

Success of Private Ownership and Operation Depends Upon Public Policy

UPON the policy of government depends the future of private ownership in America. Admittedly there are conditions under which private ownership and operation cannot possibly succeed, but they are conditions which no wisely governed nation will long tolerate. Some of the conditions now existing must be corrected, regardless of whether the railroads are privately owned or publicly owned. Privately owned railroads cannot hope to succeed if they are burdened with federal and state laws which put them in regulatory straight jackets, restrict their actions and impose undue financial burdens upon them. Privately owned self-supporting, tax-paying railroads cannot hope to succeed if public policy forces them to compete for traffic with agencies of transportation which are more favorably treated and are supported in part—sometimes in large part—by public funds.

(a) Government ownership, if it comes, is never going to come as a result of a bill. It is going to be approached by a flank attack and it is those flank movements that you want to watch more than you do any straightforward bill for the inauguration of Government ownership upon whatever method. If it comes at all it is going to come as a result of imposing on these railroads such overwhelming expense that Government ownership, with all its attendant evils and all of its general taxes to meet deficits, is going to be the only way out. . . . Government ownership of railroads is going to come, if at all, and only if at all, when these railroads are saddled with an expense that no private operator can carry and live.—*Carl R. Gray, President, Union Pacific System, before Pacific Coast Transportation Advisory Board, Los Angeles, California, March 20, 1936.*

(b) If government ownership comes in the United States it will come, not because of any inherent superiority of government operation over private, and not because the country has turned to some form of political collectivism. It will come because of the failure of private ownership to adjust itself to present-day conditions and the lack of sufficient resolution on the part of Congress to frame a suitable transportation policy. It will come as an economic depression comes, not because we want it, but because our collective intelligence is insufficient to enable us to avoid it.—*T. W. Van Metre, Professor of Transportation, School of Business, Columbia University, in "Transportation in the United States," published by The Foundation Press, Inc., Chicago, 1939, p. 392.*

A Great Dis-Service

If Congress, through ineptitude and political cowardice, permits the country to blunder into the error of Government ownership of railroads, it shall have performed probably the greatest dis-service in its history.—*Dallas (Texas) Morning News, June 20, 1938.*

(c) All the railroads in the country might be re-organized, consolidations might be accelerated, coordinations might be hastened, pooling might be greatly extended, bankers who are thought to exercise undesirable influence might withdraw, holding companies might be eliminated from the railroad field, financial irregularities might be suppressed, railroad executives might forego their salaries, the fourth section [of the Interstate Commerce Act] might be repealed, every train might be streamlined, and a host of other things done, yet all of these things put together *alone* will not put the railroads in a position to maintain their properties and earn a profit. They are distinctly secondary considerations, many are even minor or negligible, compared with the decisive factor of equality in competition. Equality is the keystone which holds the arch.—*Hon. Balthasar H. Meyer, for twenty-eight years a member of the Interstate Commerce Commission, in address before Western Railway Club, Chicago, May 22, 1939.*

(d) When we consider our transportation policy over the last 15 years, we likely will arrive at the conclusion that government ownership of railroads will come only if the people themselves permit it to come. It may come as a result of failure of the public to deal fairly with a privately owned railroad system which has made America what it is today. It may come through failure of government to realize the railroads no longer enjoy a monopoly in transportation, and that the rail carriers are properly entitled to such legislation as will enable them to hold a place in the transportation field and to function in the public interest. But it can and will come, if we continue to subject the railways to restrictive governmental action and costly legislation, which will stifle the railroads or any other industry, and which finally will leave government ownership as the only alternative.—*J. M. Fitzgerald, Vice Chairman, Committee on Public Relations, Eastern Railroads, in Savings Bank Journal, January, 1937.*

(e) Of course, no one factor will bring about government ownership. If it comes it will be the accumulation of unfavorable and unfair factors which will finally make the burden too heavy to bear.—*E. S. Jouett, Vice President and General Counsel, Louisville and Nashville Railroad, before Louisville Transportation Club, November 12, 1936.*

(f) Our great danger in this country is government ownership by inadvertence, that is, by the creation of circumstances under which private operation can not successfully live and function. Against this there are two protections, one in the hands of the business and professional leaders of the country, and that is resolutely to set our faces against asking for or countenancing the application to railroads of policies which would jeopardize success if applied to our own activities.—*Robert S. Binkerd, Vice President, Baldwin Locomotive Works, in message to United States Chamber of Commerce, Washington, D. C., April 28, 1936.*

Would Be Free Only in Name

The most cogent reason for restricting the interference of government is the great evil of adding unnecessarily to its power. Every function superadded to those already exercised by the government causes its influence over hopes and fears to be more widely diffused, and converts, more and more, the active and ambitious part of the public into hangers-on of the government, or of some party which aims at becoming the government. If the roads, the railways, the banks, the insurance offices, the great joint-stock companies, the universities, and the public charities, were all of them branches of the government; if, in addition, the municipal corporations and local boards, with all that now devolves on them, became departments of the central administration; if the employes of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life; not all the freedom of the press and popular constitution of the legislature would make this or any other country free otherwise than in name.—*John Stuart Mill, "On Liberty" (1859).*

Private Ownership and Operation of Railroads in America Can Succeed

FORTUNATELY, there are conditions under which private ownership and operation can unquestionably succeed. These conditions can be summed up, briefly, as follows: Fair treatment; equality for all forms and agencies of transportation with respect to regulation, taxation and government aid; freedom from costly and restrictive laws. All these conditions are for government to grant or to withhold. Whether our traditional American system of private ownership and operation can continue or whether it will be supplanted by the socialistic system of government ownership and operation depends upon the transportation policy pursued by Federal and State governments.

(a) The various forms of transportation must be placed upon the basis of economic parity. This, in a sentence, is the answer to the first question. To establish economic parity it is necessary, first, to treat all transportation agencies exactly alike in the matter of government aid, legal rights, and taxation. When this is done traffic will automatically move over that agency which can render service at lowest cost; but if any particular type of transportation agency is given special advantages, traffic may be diverted to the less economical type of carrier. Moreover, when any form of transportation is subsidized by the government, either directly or indirectly, we are not likely to know thereafter whether traffic is in fact actually moving by the cheapest method of transport. This is because some of the costs are buried in the general accounts of the government, and it is only when they are painstakingly extricated therefrom and converted to ton-mile rates for the routes in question that anyone knows what the total cost really is.—*"The American Transportation Problem," prepared for National Transportation Committee by Harold G. Moulton and Associates of the Brookings Institution, February, 1933, pp. 882-883.*

(b) If the American railroad system is nationalized it will come only as part of a deliberate political program of government ownership and management of the entire American business system. There is nothing in the actual economic facts of the financial structure, the operation or the labor conditions in the railroad industry which requires its nationalization. The Federal Government now has practically complete control of the price and costs of railroad transportation. It is in a position either to put the operation of the American railroad system on a sound and self-supporting basis, or to compel bankruptcy of the railroads and to confiscate or expropriate the savings of the American people that have been invested in them. It must assume full responsibility for the decision and the consequences.

Adequate railroad transportation service can be provided either under private enterprise or under government ownership and management only if the return for the service equals the cost of furnishing it. In order to continue under private enterprise, the railroads as a whole must receive for their service a return sufficient to cover all the costs of maintaining such service at the level of efficiency required to meet the demand for it, including the costs of labor and of management, the costs of maintaining, replacing and improving their capital facilities, and the taxes exacted by Federal, state and local governments. To do this railroad management must be free to bring about consolidations of systems, to abandon trackage and other facilities not needed, to readjust financial structures, to develop collateral and supplementary types of transportation in connection with rail lines, and to make voluntary collective adjustments of labor costs in the interest of operating efficiency. The tax burdens upon railroad properties must be rationalized in relation to railroad income, and railroad rates must be regulated on the principle of uniformity and equity in relation to costs of railroad transportation and to competing forms of transportation.

If these conditions are established by government in good faith, with the cooperation of railroad management, the American railroad system can continue to render efficient and progressive service as a private enterprise, and adequate capital can be obtained from the savings of the American people for the maintenance and improvement of railroad transportation service. If not, our railroad system must inevitably pass under some form of political ownership and operation, and this must mean that the vast investment which millions of American citizens have made in it will be largely destroyed, and the general public will be heavily taxed henceforth to maintain the minimum of transportation service required to carry on the country's business. The decision is clear-cut and inescapable, and the responsibility for

making it will be up to the Federal Government in the next few years.—*Dr. Virgil Jordan, President, National Industrial Conference Board, Inc., in address before New York Railroad Club, December 8, 1938.*

(c) The true policy for sound transportation—and that is what we all seek—is not government ownership and political operation. It is public ownership through wide distribution of securities, with business operation, under an enlightened government policy which will allow the roads in good times to make surplus earnings as other industries do; which will stop the uneconomic diversion of traffic through subsidies to other means of transport; and which will call a halt on legislative action to increase the operating cost of railroads or to reduce their revenues for the supposed benefit of other elements of the community. With that sort of policy—full and fair opportunity for our railroads to render to users, workers, and owners the service of which they are capable—there would be no discussion of government ownership and operation as either desirable in itself or inevitable because of circumstances; at least not by those who are interested in results rather than theories.—*J. J. Pelley, President, Association of American Railroads, in Annals of the American Academy of Political and Social Science, September, 1936.*

(d) There is only one way to prevent government ownership. This is to reverse policies which, by increasing operating expenses and diverting traffic, are threatening to incapacitate the railways permanently from earning enough to meet their financial obligations and raise the capital required to improve and cheapen their service. It will do no good to argue against it if there is continuance of policies leading directly toward it. If any industry must be operated with inadequate profits or at a loss, it must be owned and operated by government or not operated at all.—*Samuel O. Dunn, Editor, Railway Age, in address before Birmingham Traffic and Transportation Club, Birmingham, Ala., January 10, 1936.*

(e) The railroads constitute the great single industry in America to which the investments and the wage-earning abilities of millions of our citizens are entrusted. If this great public trust is to be protected the railroads must be able to earn more than just enough to pay interest on their bonds and a tolerable return to their stockholders. They must be enabled also to earn a surplus in good years to set aside against periods of depression and at the same time continue to carry out improvements from which the public benefits but which do not add to earning capacity.—*Rome C.*

Stephenson, President, American Bankers Association, in address before Advertising Club of New York, February 18, 1931.

(f) The most immediate requirement of the very serious crisis confronting the transport industry is the recognition on the part of all interests party to the problem that we can no longer apply one yardstick to one form of transportation and entirely different treatment to another.—*Donald D. Conn, in address before Great Lakes Advisory Board and Buffalo Transportation Club, Buffalo, New York, September 21, 1938.*

(g) For correction of this condition, for an unswerving following of the sign-post, government ownership of railroads is not in itself an answer. No costs are escaped, however they may be shifted; no economic results are escaped, however much they may be obscured.

For correction of this condition, government ownership of all facilities, by whatever means operated, is not in itself sufficient. Partial government ownership has, in fact, produced the chaos; its further extension might well be expected not to correct but to increase it. For, again, no costs are escaped, however they may be shifted; no economic results are escaped, however much they may be obscured.

There is no correction for conditions other than the adoption and application of a comprehensive and sound national policy. For this, government ownership, whether of railroads or all facilities, is not a prerequisite.—*C. S. Duncan, Economist, Association of American Railroads, in "A National Transportation Policy," published by D. Appleton-Century Company, New York, N. Y., 1936, p. 254.*

(h) There never was a time when the railroad problem was of greater significance nor of more vital interest than it is today. This railroad system of ours gives the cheapest and safest transportation in the world. It gives employment to a million men and, in 1937, paid out in wages about five million dollars a day. It pays in taxes nearly a million dollars a day, and, in normal times, buys annually more than a billion dollars worth of materials and supplies produced in every state of the land. And this purchasing power, as it fluctuates one way or the other, has a similar influence on the welfare of the country. If this country is to survive then our great railroad system must survive. Given fair treatment under a real constructive national policy, then there are brighter days ahead for all of us.—*William C. Dickerman, President, American Locomotive Company, in address before New York Railroad Club, December 8, 1938.*

Further Economies in Railway Operations Through Consolidations and Coordinations Can Be Accomplished Under Private Ownership as Well as, If Not Better Than, Under Government Ownership.

ADVOCATES of government ownership contend that if all railroads were operated as a unit, large savings could be effected, and many railway lines, shops and terminal facilities could be consolidated or abandoned. They say duplications in service could be eliminated in the interest of economy. There is no reason why consolidations and coordinations cannot be effected equally as well, if not better, under private ownership.

American railway development has been a process of evolution, trending toward consolidation and unification. Nearly all of the great railway systems are the result of this process. Hundreds of separate railway properties have gone to make up the Pennsylvania Railroad System. The main line of the New York Central Railroad between Albany and Buffalo was built and originally operated by seven railway companies, and the entire New York Central System embraces what once were several hundred separate and distinct railway properties. The same is true of other large railway systems.

This trend toward gradual reduction in the total number of railway companies is clearly shown by the reports of the Interstate Commerce Commission. In 1911 the Commission reported 1,312 operating railroads in the United States. In 1920 there were 1,085, and in 1937 there were only 631, or less than one-half the number in 1911. Between 1920 and 1929 alone, more than 40,000 miles of railroad were included in unifications of various kinds.

An inquiry conducted several years ago showed a degree of coordination of railroad services and facilities not generally realized. More than 24,000 miles of line are used jointly by two or more railway companies, and 263 engine terminals, 1,366 freight stations, 1,902 passenger stations, 618 switching yards and 472 large bridges are jointly operated. In addition, there are more than 1,000 points where the joint inspection and repair of freight cars is being performed.

Pooling, consolidations and joint arrangements which would tend to lessen competition between railroads were prohibited or made more difficult by the Interstate Commerce Act of 1887, the Sherman Anti-Trust Law of 1890, and the Clayton Act of 1914. By the time of the adoption of the Transportation Act of 1920, public thinking had

changed, and Congress undertook to reverse the policy of opposition to consolidations and coordinations. The Interstate Commerce Commission was directed to adopt a general and complete plan for consolidating all railroads into a limited number of systems, and railroads were permitted to effect consolidations in conformity to that plan, subject to the approval of the Commission. This effort to encourage consolidation proved to be unworkable because of the rigidity necessary in a plan that must undertake to cover at the same time all railroads in the United States. The Commission has repeatedly requested Congress to relieve it of the obligation of putting such a plan into effect.

From 1920, when the present plan of encouraging consolidation through governmental action went into effect, to the end of 1936, railroads filed a total of 467 applications for permission to acquire, lease or operate properties of other railroads, and the Commission had approved 448 of these applications.

Experience has demonstrated that the better way to secure the benefits of consolidations and coordinations is through the gradual and natural process of plans worked out by those thoroughly familiar with all as-

pects of particular situations, subject to the approval of the Interstate Commerce Commission, rather than through the sweeping changes involved in wholesale consolidation by government fiat.

One argument advanced for government ownership and operation of railroads is that the government would achieve economies through the elimination of duplicate and competing facilities and services. But there is constant complaint, by both citizens and public officials, of the government's own duplication of services and the lack of coordination in its own activities. In the particular field of transportation, the Federal Government is spending each year hundreds of millions of dollars building waterway and other transportation facilities for which there is little or no economic justification.

But, admitting for the sake of argument that in running the railroads the government might achieve what it has not been able to achieve in its own field—that is, complete coordination and elimination of duplicate operations—where would such a step lead the country?

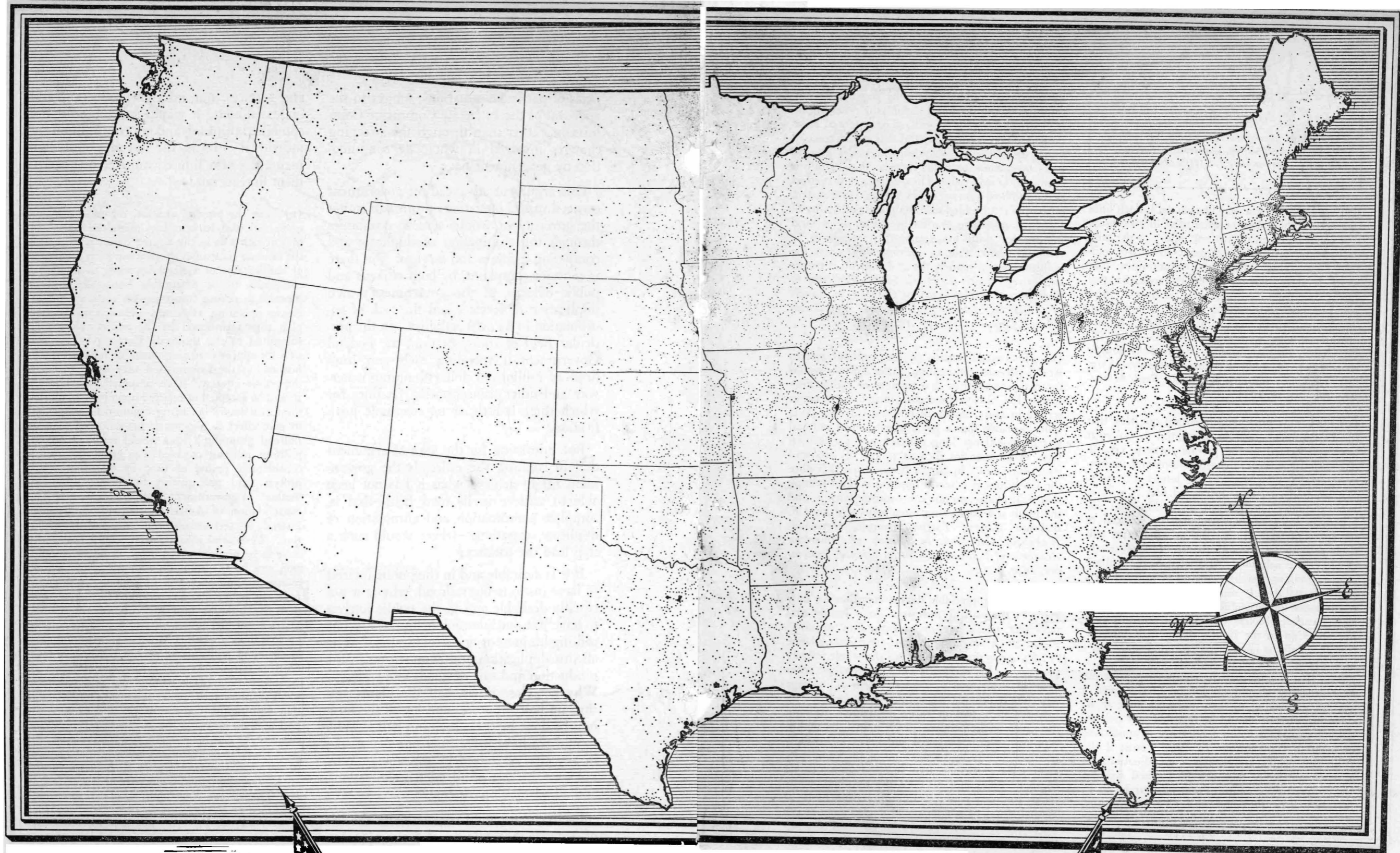
If it is desirable and in the public interest to have just one big railroad, why is it not equally desirable and in the public interest to have just one automobile business or one milling business or one steel business? Why all this duplication and competition in the production and sale of goods and services? Why not close down half the plants and shut up half the stores and let all the business be done by the remaining half? Why should we have more than one newspaper in any city, or indeed in any state? Why not save the cost of all sales organizations, and all advertising expense?

Such a step would remove from the life of America the vital urge of the competition which is inherent in the American system. It would mean not more wealth but less; not more employment but less; not greater efficiency and economy but less; not better and cheaper production of essential goods

and services, but inferior production and increased cost. It would substitute for the combined thinking and effort of millions of individual citizens, the red tape and regimentation of a limited number of government bureaucrats.

(a) For the present, at least, the wiser method to be followed in bringing about the consolidation of railroads in the United States is to permit the railroad companies to work out such groupings or unifications of systems as seem to interested companies to be practicable financially and to promise to reduce future capital costs and to increase operating efficiency. Each consolidation plan thus formulated by the carriers should be submitted to the Interstate Commerce Commission for approval or disapproval or for such modifications as the Commission may deem to be in the public interest. Each proposed consolidation should be accepted or rejected upon its own merits, the Commission not being required to adopt and to give effect to a general, pre-arranged plan of railroad grouping. This would result in accomplishing railroad consolidation gradually over a considerable period of time by an evolutionary process; and not quickly by the revolutionary method of government compulsion. . . . The consolidation of American railroads by systems instead of territorially can proceed by evolution. Territorial consolidation would necessarily have to be brought about by government compulsion and by the adoption of a policy of railroad ownership and operation fundamentally different from the policy that has prevailed in the past and that has brought into existence in the United States a railroad system that is second to none to be found in any other country in economy and efficiency of performance and in alertness to technical progress. As the future consolidation of American railroads is worked out under government regulation, the policy followed should be one that will eliminate the mistakes and evils of the past without lessening the morale of private initiative and the zeal for progress and achievement that have thus far characterized railway management in the United States.—*Emory R. Johnson, Professor of Transportation, University of Pennsylvania, in "Government Regulation of Transportation," published by D. Appleton-Century Company, Inc., New York, N. Y., 1938, pp. 345-346.*

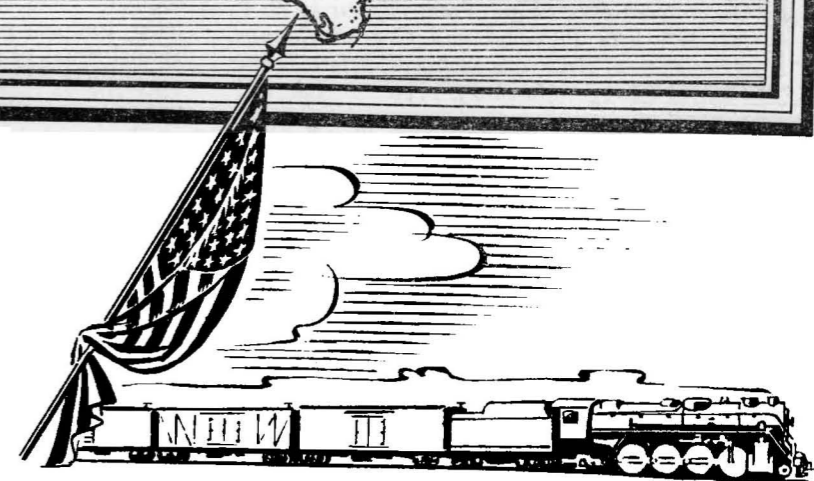
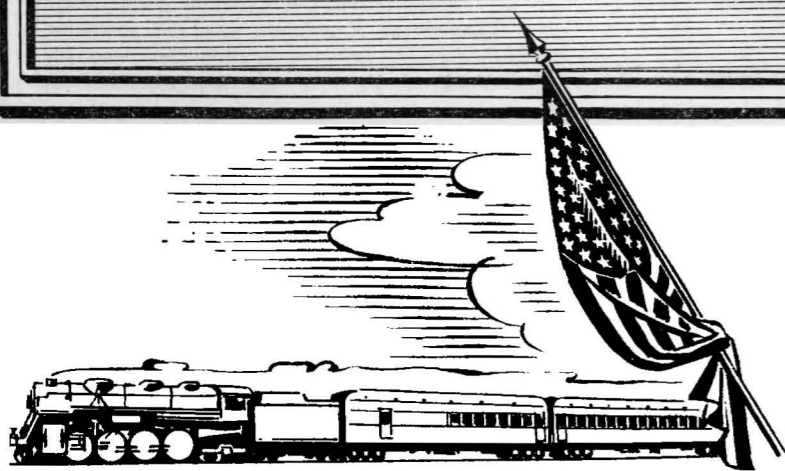
(b) And what would occur if we had government ownership? Necessarily great sections of mileage would be abandoned. Some good authorities say we have twenty-five per cent too much railroad mileage in the United States today. I do not believe it. I think we need every foot of track

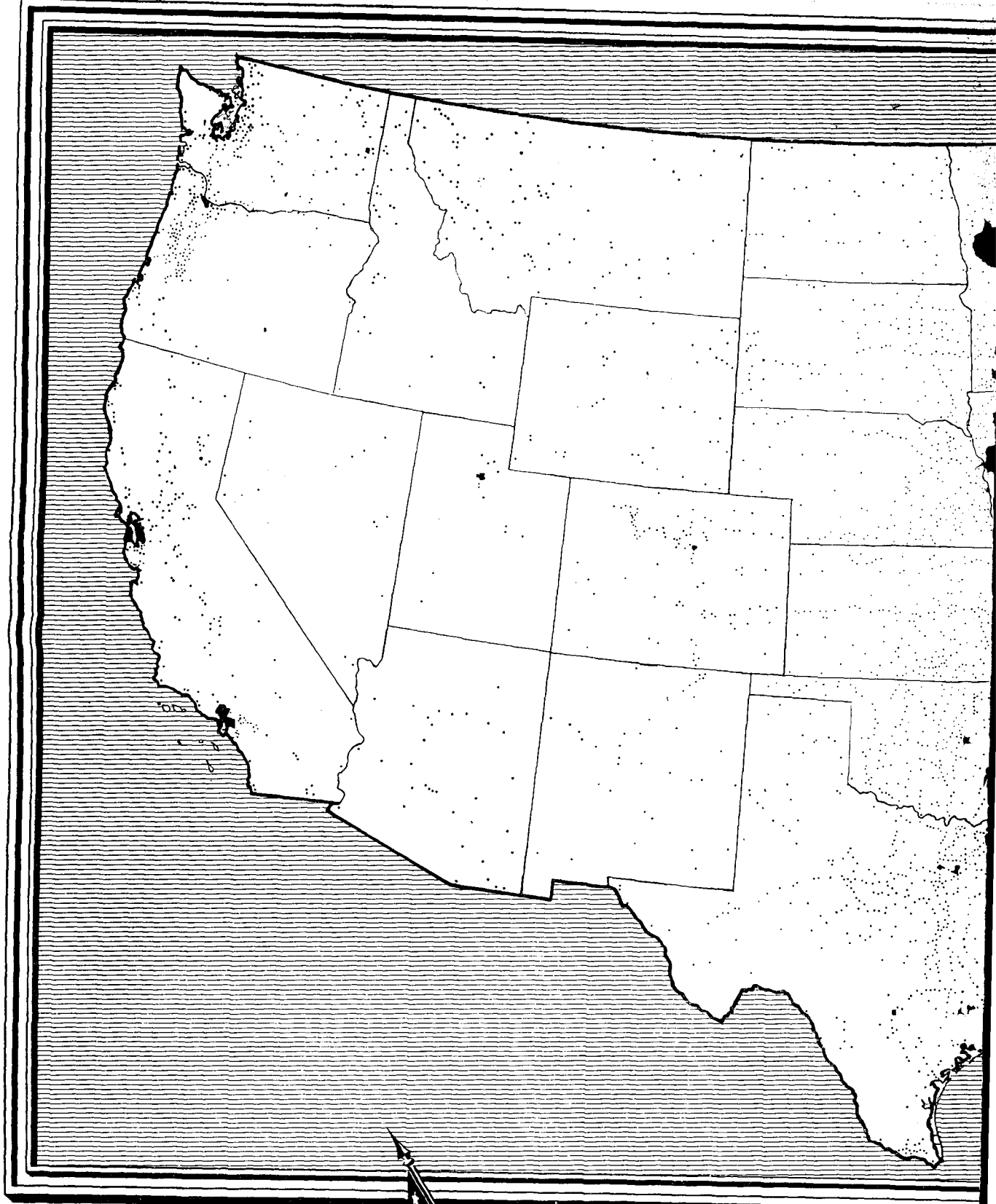


RAILWAY PURCHASES IN THE UNITED STATES

Each dot on this map indicates a city or town in which one or more railroads purchased materials, supplies, fuel or equipment in 1937. Altogether, the railroads made purchases during the year from firms and industries in 12,174 cities and towns located in 2,638 of the 3,072 counties in the United States. Their purchases included more than 70,000 different items and amounted in 1937 to more than \$1,133,000,000.

One reason why railway purchases are so widespread is because each railway company prefers to patronize industries in its own territory. Under government operation, all railway buying would be directed by a single agency in Washington, and this would tend to concentrate buying in a comparatively small number of commercial and industrial centers.

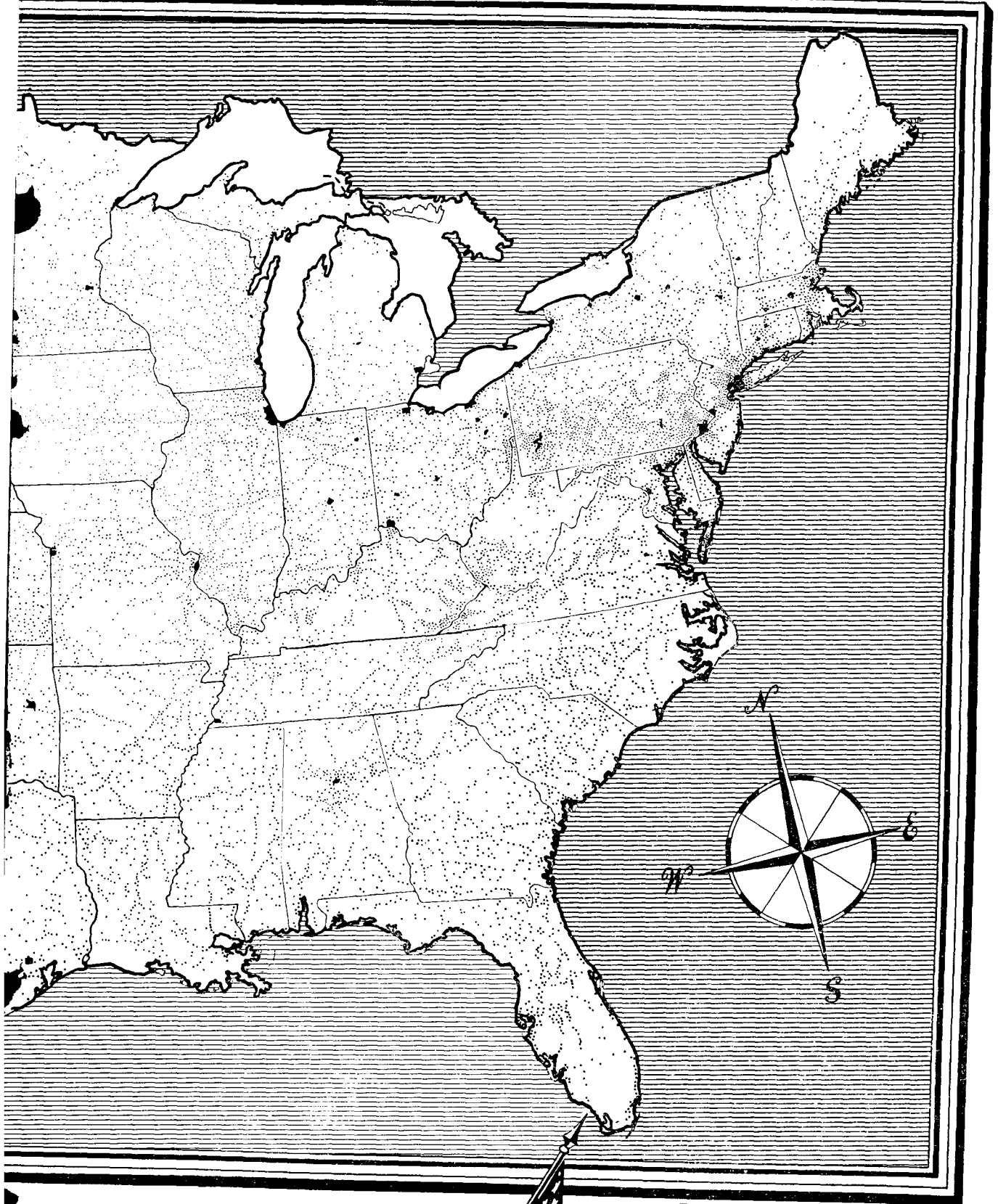




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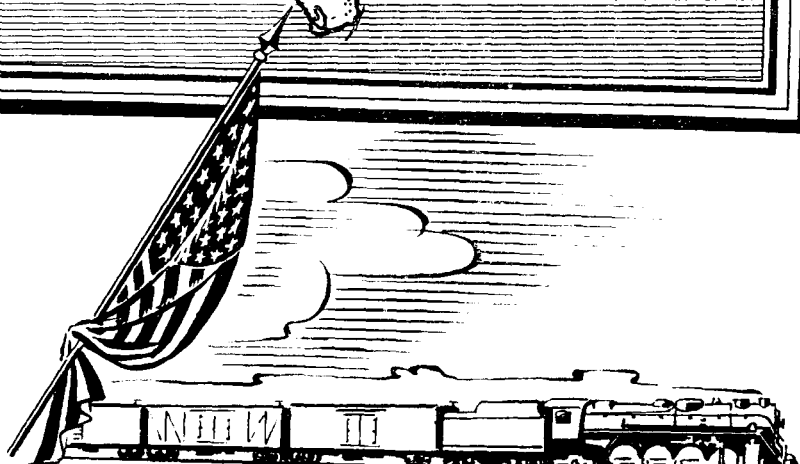
These purchases were for different items and amounted in 1937 to more than \$1 billion. One reason why railway purchases are so large is that the railway prefers to patronize industries in its own territory. This railway buying would be directed by a single agency and would concentrate buying in a comparatively small area.



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Private Initiative

The whole theory of this nation, on which we have grown strong, is private initiative.—
Former Representative J. P. Hill of Maryland.

that we have. There may be isolated branch lines that serve coal mines or exhausted lumber areas that could be taken up without injury to the public, without any great economic loss. But railroads that serve towns and communities, that serve elevators, that serve lumber-yards and coal yards, should be continued for the future. And the only way they can be continued is to keep the railroads in the hands of the public, and not turn them over to the government.—*Frank B. Townsend, Traffic Director, Minneapolis Traffic Association, in address before Northwest Shippers' Regional Advisory Board, St. Paul, Minnesota, January 29, 1935.*

(c) It is now proposed, in certain quarters, that the Government shall be permitted to do what has been denied to the private owners, viz., to discharge men because coordinations and unifications render their services no longer necessary. We are told . . . that duplicated service will be avoided under Government ownership, and unprofitable lines either abandoned or reduced to the status of feeder lines. But at what price will these reforms be brought about? Is labor ready to accept this solution? And what of the welfare of communities thereby deprived of railroad service? Certainly, I am not arguing for the continuance of wasteful methods and the continued use of obsolete facilities. I am only calling attention to the results that will follow the transfer of all the railroads to Government control, and asking if the country is willing to pay this price. If it is true that the competitive principle in railroading should no longer survive, and I am not gainsaying it, then anti-trust laws applicable to railroads should be repealed and consolidations permitted without reference to conditions of labor or competition. In other words, if the American people are ready for coordinations on a wholesale scale, they can be secured without Government ownership.—*From address by R. V. Fletcher, Vice President and General Counsel, Association of American Railroads, before Traffic Club of Chicago, March 15, 1935.*

(d) Consolidation of ownership will not of itself yield important economies; rather, they will be effected by the operating reorganizations which consolidation facilitates. To the working out of such economies considerable resistance is offered

by organized railway labor, by organized communities of shippers, and possibly by other organized special interests as well. The potential economies are very substantial; and they *can* be realized either under private ownership or under government ownership, provided the managing group is permitted to seek them. The obstacles to that effort pertain to both systems of enterprise. Government enterprise is adjudged to contain the probability of increased costs of operation by reason of political interference with management; it seems to be well-nigh impossible to prevent this when the political agency, namely the government, is owner and entrepreneur.—*Lewis C. Sorrell, Professor of Transportation, University of Chicago, in Annals of American Academy of Political and Social Science, January, 1939. pp. 132-133.*

(e) The establishment of one railroad system would obviate competition. One system would mean the removal of that element of competition which has always been the incentive to better service in every branch of business activity. It is quite probable that a government-owned railroad system would not long countenance competition from other agencies such as motor vehicles and steamship lines. In fact, it is axiomatic that once the Government enters a business it must occupy that field alone—no one can compete with it, and the result is a paralyzing monopoly.—*Raynard F. Bohman, General Traffic Manager, Heywood-Wakefield Company, in Annals of American Academy of Political and Social Science, September, 1936, p. 129.*

(f) To an appreciable degree coordination now exists in the railway industry. Joint freight and passenger tariffs are one outstanding example. Railways exchange freight cars from one rail line to another, so that a shipper has the whole railway network at his service. They interchange other types of equipment to a lesser extent. Trackage agreements provide for another joint use of railway facilities, two or more companies utilizing the same tracks between given points, or within terminal areas. Terminal properties are usually occupied jointly by some or all of the companies serving the particular city. In some cases a single company owns and operates the terminal, while other companies use it on an agreed basis of annual rental, or at a charge of a fixed amount per car handled; in others, a separate terminal corporation is organized, which the several railways interested control jointly.—*Dr. Julius H. Parmelee, Director, Bureau of Railway Economics, Association of American Railroads, in "The Modern Railway", published by Longmans, Green & Company, New York, N. Y., 1939.*

Would Government Ownership and Operation Be a Forward Step? Would It Result in Improved Conditions and Better Service?

ONE fundamental question is: Would the people of the United States be better off if the railroads were owned and run by the Federal Government? There is nothing in human experience, here or abroad, now or in years past, that indicates the change would benefit the traveling and shipping public, the tax-paying public, the general public, or railroad employees. On the contrary, there is much to indicate that the exact opposite would be the case.

(a) Private enterprise has produced a reasonably high standard of rail transport in the United States, and has at its command the technical skill and knowledge to effectuate vast improvements in its service capacity. Provided its credit can be restored so that needed supplies of capital will be forthcoming, there is ample reason to expect that it will be adequate to the future needs of this country, and that government ownership and operation could do no more, and might easily do less.—*Lewis C. Sorrell, Professor of Transportation, University of Chicago in the Annals of the American Academy of Political and Social Science, January, 1939, p. 132.*

(b) Government ownership and management are often advocated in the name of "industrial democracy" upon the assumption that private capital gets excessive returns under private ownership that the public would get under public ownership . . . [Editor's Note: During the ten years 1929-1938 the railroads paid \$850,000,000 more in taxes to our federal, state and local governments than they paid in dividends to their owners. During this period many railroads operated at a loss and completely suspended dividends to stockholders but none of them failed to pay taxes.] . . . Do we not have something that looks much like "industrial democracy" in transportation under a system that enables the public daily and hourly to vote effectively regarding what kind of service it will have and to collect hundreds of millions of dollars annually in taxes from the railroads regardless of whether they are making profits or losses, and whether they will be bankrupted or not?—*Samuel O. Dunn, Editor, Railway Age, before New Orleans Board of Trade and Traffic Club of New Orleans, June 11, 1935.*

(c) In thinking of government ownership, it is important at the outset to realize that about the only reason for final resort to such a policy of despair would be because responsible forces, which have the opportunity to avert it, have failed on a

colossal scale. A mess has been made of transportation, and, therefore, a school of defeatists rises up to prate about government ownership and operation as though that were something constructive and might lead to something better. Some even call it "a remedy." However, that does no more than obscure its true nature. Government ownership would signify nothing more than failure, collapse, retreat and frustration.—*Raynard F. Bohman, General Traffic Manager, Heywood-Wakefield Company, in Annals of American Academy of Political and Social Science, January, 1939, p. 146.*

(d) It is said that the public would have greater confidence in the conclusions of government operators than in those who manage the railroads for the owners. But this seems to me highly doubtful. After some years of acquaintance with public officials and railroad executives, I should say that they are equally honest and equally patriotic, but that on the score of experience and special knowledge of the subject, the railroad executives are far better equipped for proper operation, a fact so obviously patent that the substitution of politically selected managers would not inspire confidence.—*R. V. Fletcher, Vice President and General Counsel, Association of American Railroads, before Traffic Club of Chicago, March 15, 1935.*

(e) I have used the railroads of substantially every country in the northern hemisphere. Those of America are by far the most efficient and provide the best service at the lowest cost to the public. Those in England are next. Both are privately owned and operated under public regulation.—*From address by Henry W. Anderson, Co-receiver, Seaboard Air Line Railway, before Railway Accounting Officers Association, White Sulphur Springs, West Virginia, June 27, 1934.*

(f) Whether it be government ownership or government control, the question to be answered

is: Why make any change and who would benefit? There would be no benefit to the customers. Nothing is wrong with present railroad service. It is impossible to find any fault with an industry that is giving better service than ever before and improving it all the time and that is charging less and less for it as time goes on. There would also be no benefit to the employes. They are now receiving the highest wages that have ever been paid, and there has been corresponding improvement in working conditions. Almost every day that passes makes a railroad job a better job. There are not so many jobs as there once were, but that is a question of volume. There is no reason to believe that the government could make traffic. There would likewise be no benefit to the tax collectors or to other taxpayers. That is plain to see. There is one other group that has a stake in the matter, and that is the present owners of the railroads. They are making no demand for government ownership or control. The question that remains is what should be done to avoid a development that promises no good all around. One sure way to avoid it is to restore the railroads

to a profitable basis of operation. The railroads cannot do this alone. They must have help, particularly from those who would be injured by government ownership or control.—*L. A. Downs, President, Illinois Central System, October, 1937.*

(g) Our railroads today form about a tenth of our total national productive capital or wealth. They are about equal in value to all the farm land in the country, are worth almost two-thirds as much as all the mineral, oil, and gas deposits, more than twice as much as our forests, and almost as much as all the machinery and equipment of our factories. Not only because of their value but more especially because of their basic economic importance, it is obvious that the nationalization of the railroads would cut so deeply into the organism of private enterprise that that organism would probably not long survive the operation in economic surgery it would involve.—*Dr. Virgil Jordan, President, National Industrial Conference Board, Inc., in an address before Joint Meeting of Traffic Club of New York and New York Board of Trade, 1934.*

Government Ownership Is Not Wanted

I do not believe that the American people want Government ownership of railroads. I certainly do not. One of the surest ways to prevent it is to enact fair and just transportation legislation that will bring under Government control all instrumentalities of interstate commerce. The recent session of Congress—both House and Senate—enacted legislation bringing under regulation all forms of transportation in an effort to stop cutthroat competition and have a well-rounded transportation set-up in the country. These bills are now in conference between the House and the Senate and it is the hope that an efficient and workable law will come out of these deliberations. A railroad reorganization bill was passed, which, in my opinion, will save two or three railroads in this country from going through tortuous and expensive bankruptcy proceedings. This transportation legislation, in my opinion, is of major importance.—*Hon. Sam Rayburn, Member of Congress from Texas, House Majority Leader, in National Broadcasting Company radio address, August 7, 1939.*

Government Ownership and Operation Would Definitely Put the Railroads and Their Employees in Politics.

THE nationalization of this \$26,000,000,000 industry—reaching into every part of the United States—would concentrate great and unprecedented powers in the hands of the Federal Government. It would create a powerful and menacing bureaucracy. It would establish a vast political machine which in the hands of unscrupulous or ambitious political leaders would be a dangerous threat to free government. Railroads would become a political football.

Nationalization of the railroads would add around 1,000,000 railway employes to the number of persons now on the government payroll. Increased traffic would further increase the number of railway employes, which in 1929 was 1,661,000. The Federal Government now has approximately 852,000 civil employes on its regular or permanent payroll—not including those in military or naval service or those employed in Civilian Conservation Corps work, or persons on relief. Therefore, federal ownership and operation of the railroads would have the immediate effect of more than doubling the number of permanent government employes. And when the dependents of this great army of 2,000,000 to 2,500,000 government workers were added, it would mean that no fewer than 7,000,000 to 9,000,000 persons in the United States would be dependent upon and subservient to the will of the political party in power.

Government ownership and operation of the railroads would transfer to Washington numerous activities and functions which are now performed in cities and towns all over the United States. Under private ownership, railroad companies maintain general and division headquarters in cities and towns throughout America. Bangor, Maine, is the headquarters of the Bangor & Aroostook Railroad; Portland, Maine, is the headquarters of the Maine Central; Boston is the headquarters of the Boston and Maine, the Boston Terminal Company, as well as important offices of

the Boston and Albany, the New York, New Haven and Hartford Railroad, and so on. Those who direct the affairs of the railroad, issue the executive orders and deal with patrons and personnel are on the ground, in close touch with local conditions, thoroughly familiar, through many years of experience, with the railroad, its territory and its patrons.

What would happen under government ownership and operation? Under the United States Railroad Administration during and following the World War the Director General of Railroads in Washington issued order after order, directing every local railway official to do this and to do that—orders, not requests—and local officials had nothing to do but carry out those orders. Authority and power would be concentrated in Washington bureaus, and much business which is now done at local headquarters would be done in Washington. Rules would be promulgated in Washington to apply throughout the entire country, with no consideration of local conditions, and such matters as purchases of fuel, materials and supplies, accounting, engineering activities, and so on, would no doubt be transferred largely from local headquarters to Washington.

Moreover, ownership and operation of the railroads by the Federal Government would deprive the forty-eight states of all regulatory authority over the railroads, because no state has power to regulate the activities of the Federal Government.

(a) We cannot afford to throw transportation into politics . . . Knowing the power of organized minorities in the electorate, I tremble for the future of the republic when I contemplate the addition of more than a million people to the civil rolls of the government.—*Congressman Sam Rayburn of Texas, Chairman, House Committee on Interstate and Foreign Commerce, in address before Associated Traffic Clubs of America, Virginia Beach, Virginia, May 7, 1935.*

(b) When men get political power, unless men are checked, they abuse that power. The lust for bureaucracy is in our human blood. It is the seed of tyranny which always threatens democracy. Given a railway commission with such power as one would have, if it controlled, operated and owned the American railroads, it would hold a power greater than any other unit of government now ruled by man on this planet. The tendency to crystallize bureaucracy into political tyranny would be a terrible temptation. Flesh and blood could hardly withstand it.—*From editorial in Emporia (Kansas), Gazette, (William Allen White, Editor) February 16, 1938.*

(c) . . . no matter what conditions and possibilities elsewhere may be, in this country, at least in our present state of development, or lack of development, the railroads in the hands of the government would be a political football and would be inefficiently managed. This is inherently true and apparent to anyone who is acquainted with practical politics. . . . Does anyone know of any government activity in the administration of business—even of its own business—that is as efficient as a business man would expect his organization to be? There may be exceptions, both as to departments and individuals, but they are so rare as merely to prove the point that government administration is cumbersome, expensive, political and inefficient; quite often it is dishonest also—at least as often as in the case of private management.—*From address by Henry A. Palmer, Editor, Traffic World, before Ohio Valley Transportation Advisory Board and Columbus Transportation Club, Columbus, Ohio, October 15, 1934.*

(d) The State owning railways, and so on, for war is very different from the State owning them in the public service. War control is not political. It was not a very good kind of control, but the roads were kept in order and the trains had to run somewhere near schedule. The trouble now in Europe is that these war railroads have slipped from military to political control. I have not the slightest doubt that an autocracy could manage its business affairs just as well as any private

corporation. But the moment you get into democracy and the people with State jobs have votes, then they are going to vote, not as citizens but as job holders; and the State will be run for the benefit of those who draw pay from it. That is the one big thing we have learned over here since the war. It does not make a bit of difference how perfectly any scheme of State ownership is worked out on paper; it does not make a bit of difference how honest and public spirited are the men who back State ownership, because—human nature being what it is, office-holders are going to vote for their jobs. You would do it and I would do it.—*Statement by a French statesman, quoted in "Public Ownership," by Edward N. Hurley, former Chairman, Federal Trade Commission; War Chairman, United States Shipping Board; published by Illinois Manufacturers' Association, Chicago, Illinois, 1929.*

(e) The private manager must make the income of the business at least equal its expenses or he will be "fired" by the directors. Back of the private manager there stalks the bankruptcy court and the fear of being thrown out of a job. With the government manager, the case is different. The fear of being put out of a job is ever present; but it is not linked with the fear of waste, inefficiency or bankruptcy. He knows that the government cannot go bankrupt as long as it has the taxing power, and while the people have anything on which to levy a tax. He knows that in the last analysis his job depends upon votes, and there are many quicker and easier ways to get votes than to conduct a public business so cheaply and efficiently that it will show a profit. Inherently the man in politics is no better or worse than the man of private business. But he is in another kind of a game. He plays according to different rules. He does not try to play poker by the rules of auction bridge. In business a man plays for profits—in politics he plays for votes.—*Edward N. Hurley, Former Chairman, Federal Trade Commission; War Chairman, United States Shipping Board, in article on "Public Ownership," published by Illinois Manufacturers' Association, Chicago, 1929.*

(f) An interesting illustration of difficulties of government operation happened in March, 1919, while I was Director General. In order to carry out the purpose of federal control I asked Congress for an appropriation of \$750,000,000. The House promptly passed that appropriation; the Senate Committee promptly reported it favorably, but a group of Senators decided it would be a good idea to embarrass the President by preventing the passage of this and other appropriations,

so they filibustered until the session expired on March 4 without passing this appropriation. This is one danger that would always confront government operation of railroads. At any time some vital appropriation might be defeated for purely political purposes and might greatly embarrass railroad operation and the interests of the employees.—*Walker D. Hines, Director-General of Railroads during period of Federal control, in an address before employees of Great Northern Railway, Minneapolis, Minn., August 2, 1924.*

(g) The one great objection to government ownership and operation in this country is that there would be constant political interference with railway management. New construction, rates, service, every phase of the railroad business would be under constant consideration by Congress, and if we are to go by the record of how Congress has dealt with waterway improvements, the construction of government buildings, even the establishment of military forts and soldiers' homes, it is difficult to believe that government ownership and operation of railroads in this country would result in more adequate transportation service at a lower cost. Railroad management might be efficient but it would not be economical, unless the log-rolling methods employed in making appropriations for public works, in fixing tariff duties on manufactured products, in enacting bonus and pension legislation, and in conducting many other affairs of the government were to be forgotten. It is not likely that this would be the case. In some countries politics has attained the dignity of a profession, in the United States it is still something of a racket. The ownership and operation of a vast railroad system with its property investment of twenty billion dollars and its million employees, all of voting age, would offer temptations and opportunities which the aspiring American politician would find it difficult, and probably impossible, to forego.—*T. W. Van Mètre, Professor of Transportation, School of Business, Columbia University, in "Transportation in the United States," published by The Foundation Press, Inc., Chicago, 1939, pp. 391-392.*

(h) Under government ownership the job of every one of the million railway employes sooner or later would become a political prize with merit and experience taking a back seat. . . . Government ownership would mean administrative methods which, however able and conscientious the officials in charge might be, would not insure efficient service or economical operation. Politics lives on jobs, as you all know. It is obvious that under a government which is based on the political party system, the railroads under government ownership would be administered primarily for

the need of that system. Permanent transportation systems cannot be operated successfully by individuals whose work is dependent on periodic political appointments.—*Frederick E. Williamson, President, New York Central Lines, before Chamber of Commerce, Utica, New York, April 23, 1935.*

(i) There are now 1,171,302* employed by the railways of the country. Think what it would mean to transfer an army like that to the public payrolls and make them subject to political boards and appointees. The political possibilities and complications may well be imagined. And do not for a moment imagine that army would not be used in politics and that politics would not figure in appointments and promotions.—*Indianapolis (Indiana) Star, August 30, 1937.* (*Above figure was for June, 1937; in July 1939, the figure was 1,002,000.)

(j) Government ownership of our railroads means throwing a 26 billion dollar industry and more than a million jobs into politics and letting the taxpayers pay the bills, for government-owned railroads will not produce the million dollars a day taxes which private railroads pay. Moreover, our railroads normally buy 25 per cent of all coal mined, 16 per cent of all steel fabricated, and 16 per cent of all lumber manufactured—the purchase of which will also become a football of politics. In short, government ownership of railroads will build up a vast bureaucracy careless about operating deficits, and with absolute power over shippers, railroad employes, manufacturers of railroad equipment and supplies and the traveling public, making government supreme rather than the governed.—*Resolutions, Pennsylvania State Chamber of Commerce, January 29, 1936.*

(k) It is well said that not only would the American people pay more and receive less with government managing the railroads, but the railroad bureaucracy would at once become a formidable political machine with many high-salaried sinecures.—*Jacksonville (Florida) Times-Union, April 16, 1938.*

(l) Government ownership of the railroads would create the greatest bureaucracy this country has ever known. Such an act would be inimical to the interest of the public in the elimination of competition, under which system of private initiative industry has thrived and grown to its greatness, unknown in any other country in the world.—*Resolutions, Batavia (New York) Chamber of Commerce, February 3, 1936.*

(m) Would Congress interfere with the railway administration, demand local favors, secure positions for political backers, effect reductions in rates and fares, and vote higher wages and shorter hours for the personnel? If so, it follows as night the day that the administration of the railways would be political, with a lowering of efficiency and economy, and that the adequacy of service would go down and the cost go up. If at the same time rates are held down or reduced to satisfy the users, the high costs of operation would result in a deficit, which could only be met out of the government treasury, and become a burden on the taxpayers. The only alternative would be increased freight rates and passenger fares.

This question is vital in reaching a conclusion as to the probable result of government operation of railways in the United States. The history of Congress and its frequent capitulation to the pressure of organized minorities offer little reason to believe that it would refrain from exercising a

political influence on the railway administration. This has been the record in other countries, it seems even more likely in the United States.—*Dr. Julius H. Parmelee, Director, Bureau of Railway Economics, Association of American Railroads, in "The Modern Railway," published by Longmans, Green & Company, New York, N. Y., 1939.*

(n) It would change an efficient and necessary adjunct of American business into a political machine, and would result in subsidies necessary to make up operating deficits. It would throw the question of rate-making into the hands of politicians, and would mean a tremendous addition to the tax load on the back of a people already facing a serious problem in connection with their tax burden.—*Homer Snow, Vice President, American Zinc, Lead and Smelting Company and President, Associated Traffic Clubs of America, in radio address, St. Louis, Mo., July 24, 1936.*

Government Ownership and Operation Would Result in Impaired Efficiency—Cost of Service Would Be Higher Instead of Lower.

ONE of the claims of government ownership advocates is that the nationalization of the railroads would result in greater operating efficiency and savings in the cost of service to the public. There is nothing in the record of government ownership or operation to support such a claim. On the contrary, experience both in this country and abroad provides abundant proof that government ownership and operation would almost certainly result in impaired service, mounting costs and higher rates to the public.

(a) It is not to be expected that government management would reduce the costs of operation. Operating expenses are determined mainly by two factors, operating and administrative efficiency and labor costs. Nearly two-thirds of the railway operating expenses—63.52 per cent in 1932—are for wages, which in that year amounted to 48.3 per cent of the gross operating revenue. In 1920, the year that the war-time operation of the railroads by the government ended, labor costs were 59.5 per cent of operating income and were 63.2 per cent of operating expenses. The substitution of government for corporate ownership of the railroads would not reduce the number of employees. The number would quite certainly be increased, and is it not equally probable that the hours of labor would tend to be lower and the wages paid higher under government management, even if hours of labor and wages were not

influenced by political forces, which is an assumption that is very difficult to make? Would the rates paid by the traveling and shipping public be lower under public ownership and operation of the railroads? Railway revenues are not now large, indeed not so large as they need to be and as it is hoped they will be, when prosperous times return. These revenues are derived from fares and rates fully regulated by the government. If the government in managing the railroads should charge lower rates than private management, subject to public regulation, it would have to reduce operating expenses and capital charges substantially or else incur an annual deficit to be borne by the tax-paying public.—*Emory R. Johnson, Professor of Transportation and Commerce, University of Pennsylvania, Philadelphia, Pennsylvania, in paper read before American Philosophical Society, April 21, 1934.*

(b) What this country needs above anything else, as the world's greatest inland empire, is cheap transportation. Everything that the government has done in its regulatory course has been in the opposite direction. Government ownership, with politics in full control of railroads, will soon result in a mounting plateau of transportation costs for inland America.—*Dallas (Texas) Morning News, June 20, 1938.*

(c) What would be the improvements if the government could, by some means, finance the rails and take them over? Would there be any reduction in rates? I know of no reason to expect it. I was in Washington in 1917 and 1918, when we went through the World War. I lived through the days when the railroads were operated by the government. I was rather close to the subject, and I saw nothing in those days to lead me to believe that there would be any economies in the rail operation which would result in a reduction in rates. . . . Would there be any improvement in service? Have those of you who have had to deal with our government in other lines had evidence of any improvement in service because the government took over various functions? I have lived in Washington for half a century and have seen many administrations come and go, and I see no reason to believe that there would be any improvement in service. I think, on the other hand, that there would be a very bad change for the worse.—*Henry E. Stringer, Vice President, Hydraulic Press Brick Company, in address before Transportation and Communications Department, United States Chamber of Commerce, Washington, D. C., April 28, 1936.*

(d) There are many reasons, it is alleged, why government operation is more expensive than private. First, it is difficult to find officials possessing that high grade of executive and administrative ability that would be required to manage a national railway system. This system, it may be noted, would be larger than any other business unit that ever existed, at least in time of peace. As Mr. S. O. Dunn, the editor of the *Railway Age*, said in 1918, "in mileage, investment, traffic, earnings, expenses, number of employees and territorial area covered, any other railway system is a pigmy compared with that of the United States. Russia, with 50,000 miles in Europe and Asia, has the largest mileage of any country except ours; and the United States has five times the mileage of Russia." The capitalization of the United States Steel Corporation, our largest indus-

trial concern, is (1923) one and one-quarter billion dollars. This exceeds the capitalization of the Pennsylvania Railroad, our largest railroad corporation, by 25 per cent; but it is only 6 per cent of the capitalization of all the railways combined. As Mr. Dunn well says, the problem of developing and working an organization which would centralize authority enough to coordinate all parts of this vast railway system, and which would at the same time decentralize authority sufficiently to enable each part to cope with local conditions and needs, would be the biggest and hardest industrial problem ever presented to the genius and energy of man. There is thus serious question whether there exist men of sufficient capacity to manage the railways as a unit as effectively as they could be managed if they were not unified in a national system.—*Eliot Jones, Professor of Economics, Stanford University, in "Principles of Railway Transportation," published by Macmillan Company, New York, N. Y., 1927, p. 506.*

(e) No government has engaged in railroad ownership and operation for the purpose of effecting economies in operation or to raise the standard of service as compared with private ownership.—*C. S. Duncan, Economist, Association of American Railroads, in "A National Transportation Policy," published by D. Appleton-Century Co., New York, N. Y., 1936, p. 247.*

Government Ownership Is Not A Solution

While the present plight of the railroads is due in part to temporary causes, and a betterment can confidently be expected with an improvement in general business, it is clear that forces are at work over the long term which constitute a continuing threat to their credit structure. Due to the large investment in railroads, the threat is one to the credit structure of the country. Since this is a democratic country, a program to help the railroads cannot successfully be enacted, unless it is acceptable to the wishes of the great mass of the population, so far as they can be judged regarding the transportation problem. Government ownership of railroads is not a solution, unless we are prepared likewise for the eventual government ownership of competing forms of transportation.—*Cassius M. Clay, Assistant General Counsel, Reconstruction Finance Corporation, in "What Shall We Do About the Railroads," Ransdell, Inc., publishers, Washington, D. C., 1939.*

(f) Business is not opposed to the government exercise of its proper functions. It recognizes that the art of government is quite different than the art of management in business and extends its admiration to those who can apply the art of government in an efficient and able manner. But business does oppose the theory that government bureaucracy can operate the business of this country more efficiently than private enterprise. By all the evidence of our wartime experience, and of every effort of bureaucracy along similar lines throughout the world, business is confident that no bureaucracy that the mind of man has conceived can ever operate the business organizations of this country as efficiently as they are operated under the incentives that are provided by the American system of private enterprise.—*Lewis H. Brown, President, Johns-Munville Corporation, in address before American Bankers' Association, New Orleans, La., November 13, 1935.*

(g) There is a belief in some quarters, also, that by unifying operations, abolishing competition, and the like, the Government could save money in the running of the railroads. The persistence of such a belief is a prize example of the triumph of hope over experience. The United States Government engages in one unified transportation operation on a national scale—the Post Office Department. It is a good service, and well run; but if the operating ratio of the American railroads—that is, the ratio of actual operating expense to revenues, leaving out any question of taxes, property investment, or return on capital—were as high as the operating ratio of the Post Office, railroad costs would be approximately one and one-half times what they are now. Such an increase in operating ratio would add more than fifteen hundred million dollars to the annual transportation bill of the country.—*John J. Pelley, President, Association of American Railroads, in Annals of American Academy of Political and Social Science, January, 1939.*

(h) Whether publicly or privately owned, the roads would have to be supported by some group or class in the community if they were not self-sustaining. When privately owned roads incur losses, investors suffer. If the Government-owned roads are run at a loss, taxpayers must supply the money with which to cover deficits. In short, Government ownership would solve none of the financial problems of the railways. It would merely change their character and add fresh complications due to intrusion of politics into management of the Nation's transportation system.—*Washington (D. C.) Post, November 18, 1937.*

(i) . . . the wages paid employes by privately managed railways almost invariably have been as high or higher, the rates they have charged travelers and shippers as low or lower, and the services rendered by them as good and safe as those of government-managed railways. The most outstanding difference always has been in the economy of operation.—*Samuel O. Dunn, Editor, Railway Age, in an address before Mid-West Economics Association, Des Moines, Iowa, April 10, 1936.*

(j) Experience has demonstrated that with federal operation the quality of railway service from the standpoint of promptness, dependability, and courtesy would deteriorate seriously.—*Ralph Budd, President, Chicago, Burlington and Quincy Railroad, before Pacific Coast Transportation Advisory Board, Los Angeles, California, March 20, 1936.*

(k) We think one of the best arguments against Government ownership is that it tends to the status quo, to dull incentive, and is therefore essentially reactionary, not progressive.—*Toledo (Ohio) News Bee, January 25, 1938.*

(l) I don't want public ownership for these reasons: first, it probably means higher charges for freight transportation, since almost all countries with publicly-owned railroads do have higher freight rates. Second, it probably means many political complications, at least during the adjustment period while all citizens, not just the one in eleven of us I spoke of at first, learn how to manage the railroads through the machinery of government. The political tussle going on right now in Mexico, on our southern border, between railroad labor which needs to raise rates in order to meet expenses, and the shippers, who need rate reductions in order to stimulate economic activity, illustrates my point. Third, I can see no military reason, such as exists in small European countries, why our railroad industry should be a branch of the government.—*Grosvenor Plowman, Traffic Manager, The Colorado Fuel and Iron Corporation, in "Journeys Behind the News," sponsored by the University of Denver in a radio broadcast, July 3, 1938.*

(m) When there is a limitless fund of money from which to pay all deficits from operation, there is not likely to be that rigid and careful economy on the part of subordinate officials and employes which exists when the welfare and profit of a business depend upon its success in keeping the level of expenses well below that of revenues. When, as in the case of the Railroad Administra-

tion, a deficit in net railway operating income meant only the necessity of appearing before Congress with a request for an appropriation to cover the loss . . . there was not the incentive for economy and efficient financial operation, and hence not that economy and efficient operation that have to exist under private control to maintain the railways as a going concern, where a deficit is a deficit and money lost is gone forever.—*Philip G. Otterback, now Assistant to Chairman, Western Railways Committee on Public Relations, in "Federal Control of Our Railroads," 1921.*

(n) It is also said the Government could operate the railroads less expensively and more in the public interest. This statement will be challenged by every operating railroad officer who served the Railroad Administration during Federal Control, and by the taxpayer, who footed the deficit of about \$1,600,000,000. It will also be challenged by almost every shipper and patron who experienced the service of the Railroad Administration. It should be challenged by every thoughtful person who knows the deadening and expensive effect of Government bureaucracy—to say nothing of the definite probabilities of losses through direct and indirect political influences and machinations. . . .

Railroading is an art requiring specialized knowledge, individual resourcefulness and responsibility, answering to intense supervision and control. It rewards initiative and ability. These things are not generally cultivated in bureaucratic organizations, nor maintained when political influences enter. . . . an enterprise so vast, so difficult, so important as the railroads should not be taken from the hands of experts and subjected to political influence or control. . . .

What has been the driving force behind the able men who have created our complicated machinery and our complex economic order, whose brains and effort have made physical comforts and cultural advantages greater in this land with all its present troubles than in any other place on the globe? It has been the profit motive—the hope of reward for greater individual effort, greater initiative, greater ability. Take this away and progress is destroyed.—*James B. Hill, President, Louisville & Nashville Railroad, in address before Transportation Club of Louisville, Kentucky, April 11, 1935.*

(o) Today, because of the rise of new agencies of inland transport, there is greater doubt as to whether government ownership and operation represent a solution of the "transportation problem." The cry of all shipping interests is for a reduction in railway rates, made possible by drastic economies: by the elimination of duplication,

by the abandonment of unprofitable service, by the utilization of improved methods, by the forward revision of wage scales, and by sharp readjustments in the capital structure. Let it be granted that the government might provide service at a lower capital cost than private enterprise, yet is there anything in the record of government to justify belief that drastic action would be taken upon any one of the other demands? Rather, it is to be feared that such wastes and excessive costs as now exist would persist, perhaps be magnified. And how long would inadequate returns from existing rates, with the consequent burden upon the federal treasury, be accepted? From this burden the logical escape of the governmentally owned railways would be an increase in rates, accompanied by rigorous control of private agencies of transport that compete with the railways—or the acceptance of either of two other alternatives, the entire elimination of private enterprise from the field of transport by the broad extension of government ownership or the restriction of private transport operations to a limited and unimportant field.—*Sidney L. Miller, Professor of Transportation, University of Iowa, in "Inland Transportation," published by McGraw-Hill Book Company, Inc., 1933, p. 787.*

(p) While the burden of proof rests upon those who assert that government ownership will result in economies unattainable under private ownership, our experience in matters of political import impels the conviction that probable economies are more often than not offset by expensive measures and policies which are controlled by the iron hand of political expediency. Moreover, business experience indicates quite clearly, that there is a definite limitation upon the size of a business that can be operated efficiently under a single management. That a group of supermen would suddenly appear who could manage, efficiently and economically, the entire railway network in the United States is a possibility too remote for immediate consideration.—*Report of Special Committee on Government Ownership, prepared by C. S. Dunford, Professor of Economics, Michigan State College, and Chairman of the Committee, read before Great Lakes Regional Advisory Board, Buffalo, N. Y., October 10, 1934.*

Private Enterprise Best

All experience affirms that wherever private enterprise will avail it is most wise for the general government to leave to that and individual watchfulness the location and execution of all means of communication.—*Franklin Pierce, 14th President of the United States.*

Government Ownership Would Eliminate One of the Greatest Present Sources of Tax Revenue in America; It Would Shift Hundreds of Millions of Dollars of Tax Burden Now Borne by the Railroads to the Shoulders of Farmers and Other Property Owners.

ONE of the arguments of those who favor public ownership is that the government could provide cheaper transportation because government-owned railroads would be exempt from taxes. Nearly 10 cents out of every dollar of railway revenues now go to government in taxes. Therefore, exemption from taxation would give government-owned railroads a material advantage over privately-owned tax-paying railroads. But, would the American people be better off, or, indeed, as well off, if the railroads were tax-exempt?

What would it mean to your community, to your county, to your state, if railway taxes were abolished? It would simply mean that the burden of taxation now borne by the railroads would be shifted to other shoulders, because the cost of maintaining highways, schools and governments would go on just the same.

Approximately one-third of all railway taxes go to support the public schools. In many school districts in the rural sections of our country, railway school taxes represent a large percentage of all school taxes paid. If this important source of tax revenue were shut off, there would either have to be a sharp cut in the number and salaries of school teachers, which would unquestionably impair the efficiency of rural schools, or else the amount of taxes collected from farmers and other property owners would have to be materially increased to make up the loss. What advantage would be gained by shifting the tax burden from the railroads to the farmers and other taxpayers?

(a) Property owned by the United States is not subject to taxation. It is evident that the authors of the bills under discussion sought to allay opposition by the states through provision that real and personal property shall remain taxable even though government-owned. . . . one Congress cannot bind another. With government ownership once accomplished, tax provisions, as well as other provisions, might be repealed or modified whenever the majority in Congress so willed. Therefore, notwithstanding new legislation to the contrary as proposed in the acquisition bill, it is clear that no continuing contract would exist to retain on the tax rolls of the states and communities railroad properties found there.—*Walter J. Kohler, Chairman, Kohler Company, former Governor of Wisconsin, December, 1936.*

(b) Government ownership means just another white elephant for the taxpayers to feed. . . . Under government ownership the rails would pay no taxes, depriving every community of this source of revenue, thus forcing increased local taxes all along the line.—*Peoria (Ill.) Star, April 6, 1938.*

(c) Government ownership of roads may be forced, but if such a course is taken, every political division of government should be prepared for what will happen. If the railroads are operated as other government property is operated, there will be no taxes paid. Taxpayers will have to increase their own taxes to make up what the railroads now pay. Every school district, sanatorium, township, county and state will lose the taxes that are now paid.—*Decatur (Ill.) Review, April 8, 1938.*

(d) Speaking of taxes, who will replace the railroads as the largest corporate taxpayer in the country, in the event of government ownership? For many years these railroad taxes have constituted the answer to the politicians' prayer. As railroad taxes have always been regarded as a painless form of taxation, the rail carriers have been required to take a constantly increasing measure of tax from their patrons. Government operations are tax consumers and not tax producers.—*J. M. Fitzgerald, Vice Chairman, Committee on Public Relations, Eastern Railroads, in*

address before Pacific Coast Transportation Advisory Board, San Francisco, California, June 8, 1934.

(e) It should be remembered that in normal times the taxes of our railroads average about one million dollars daily—more than any other industry. Most of these taxes are levied on railroad properties in every city, town, and hamlet served by them. They go to the support of local and state governments, schools, highways, and for similar purposes. Inasmuch as government does not pay taxes, the burden supported by the taxes now paid by the railways would be transferred to individual taxpayers in any form of government ownership.—*Colby M. Chester, Chairman, General Foods Corporation, in message to New York Railroad Club, Dec. 9, 1937.*

(f) Railroads now pay in taxes—local, state and national—almost \$1,000,000 a day—in the high peak of prosperity they paid more. . . . From it millions go to local communities for maintenance of public schools. . . . When the railroads stop paying these taxes, as they will if the government owns them, the taxpayers will begin. Not a single community in the United States can escape the new tax burden. There will, of course, be an operating deficit. A deficit of as little as 350 million dollars a year would be a pleasant surprise, and that's another million dollars a day. A total additional tax burden of 20 cents a day for everybody for the pleasure of owning the railroads would be a minimum prospect.—*L. C. Probert, Vice President, Chesapeake and Ohio Railroad, 1936.*

A Sordid Story

Unless definite action is taken to preserve the principle of private ownership, we may be stirred out of our complacency very quickly some day in the near future to find that the railroads have been taken over by the government "to save their credit." If this should take place, the evils which would inevitably accrue would astonish even many pronounced government ownership advocates—the taxes to be paid, the increased numbers of political satellites employed, the extension of facilities beyond any possibility of remuneration, the bureaucracy of management and regulation, the pouring out of the people's taxes to assure votes—but why follow the sordid story!—*Professor W. T. Jackman, Department of Political Science, University of Toronto.*

(g) The railroads pay taxes in every school district, village, town, city, township, county, and State through which they pass, and taxing bodies are not always so gentle in fixing assessments and franchise charges against the railroads. These taxing units make them pay. The railroads pay annually more than \$350,000,000 in taxes to the Federal, State, county, city and other taxing units of the Nation. If there should be a collapse of the railroads . . . this would mean that the Government would have dumped into its lap this \$25,000,000,000 enterprise to finance and operate. How many billion dollars would the Government lose annually in such an undertaking? Who would pay these billions? The taxpayers of the whole Nation. Who would have to assume these \$350,000,000 in taxes that the railroads have been paying annually while privately owned? The taxpayers would have to meet this additional burden. What effect would such a catastrophe have on our insurance policies, many of our savings banks, and other banks?—*Hon. John M. Robison, Member of Congress from Kentucky, in House of Representatives, July 26, 1939.*

(h) . . . in my State . . . 97 per cent of our railroad mileage is operated under some form of receivership today, and yet those railroads are the main cash taxpayers we have. They are the taxpayers today who are keeping our schools going. In many counties, the farmers are not able to pay their taxes, nor are the small business men. School district after school district is utterly dependent upon the railroads as the sole cash taxpayers of size, and I am concerned with trying in some way to put those railroads in a position so that they can maintain the contribution they are making and at the same time help develop business and industry.—*Hon. Francis H. Case, Member of Congress from South Dakota, in House of Representatives, July 26, 1939.*

(i) The railroads are large taxpayers. If the government should take over the lines, every state, county and municipality would suffer considerable reduction in tax revenues. Government operation during and after the war proved costly to the public, expensive to shippers, and destructive to property.

Not only will towns, cities, counties, and states lose their largest and promptest taxpayers but such action would add twenty billion dollars to the national debt which everybody at some time will have to pay.

Neither the public nor the shipper wants government ownership. There is no public dissatisfaction with railroad service, nor general conviction

tion that government ownership would provide better or cheaper transportation.—*Columbus (Ga.) Ledger*.

(j) The fallacies in the government ownership contentions should be pointed out to the American people. In the first place, acquisition of the railroads would mean a big increase in public debt, already at a point which threatens national bankruptcy. If the roads were to be taken over by the government, a great loss in tax revenue would result. Finally, we have the record of gov-

ernment operation of the railroads during and immediately after the war to point the lesson in reduction of efficiency which inevitably results under political control.

Countries less subject to political inefficiency than the United States have found it impossible to operate railroads under government ownership at a profit. The tax burden that would be shifted to American citizens, in the event private ownership of the railroads were to stop paying its huge annual tax bill, would be tremendous.—*Rockford (Ill.) Register-Republic*.

Government Ownership Would Add Enormously to the Public Debt.

THE public debt is now the largest in history. Government acquisition of the railroads would necessitate increasing the debt to more than 60 billion dollars. It is extremely doubtful if any such debt could be incurred under existing conditions without seriously undermining the financial stability and credit of the government and substantially increasing the interest rate on federal securities. If the Federal Government should incur such a stupendous additional debt as would be necessary to acquire ownership of the railroads of this country, the annual interest charge on the government's obligations would be increased by several hundred million dollars. This would have to be met either out of railway revenues or out of taxes from the general public.

(a) The alleged savings in capital cost, attributed by advocates of government ownership to the lower interest rate on government funds, are likely to prove disappointing if the government acquires the roads at somewhere near the actual investment cost of the properties and pays for them with government fixed-interest-bearing bonds. Hence, the probability of any very substantial reduction in annual capital cost by the transfer of ownership is rather small, and might very readily be offset by increased costs in other directions.—*Lewis C. Sorrell, Professor of Transportation, University of Chicago, in Annals of American Academy of Political and Social Science, January, 1939.*

(b) Nor does our record of public borrowings to finance the building of new transportation where adequate facilities already exist, support the belief that in matters of debt government will be more prudent than the railroads have been. Enjoying the right to assess and collect taxes on the property and the income of the citizen, gov-

ernment may find it less difficult to retire debt; but certainly government—and I refer, of course, to no particular unit of government and no particular time, but to government in general at almost all times—has shown no great aversion to contracting debt. Regardless of who owns and operates the railroads, the charge for the capital invested in them exists and must be borne somewhere, somehow, by someone.—*J. J. Pelley, President, Association of American Railroads, in Annals of American Academy of Political and Social Science, September, 1936.*

(c) It would be difficult to imagine a greater national calamity. To condemn and purchase the railroad industry would cost billions. Hundreds of millions would be lost in taxes. Unless precedents are wrong, a government-owned railroad industry would undoubtedly create gigantic deficits for the taxpayers to meet and inevitably reduce efficiency and lower standards of service.—*From the Corinth (Miss.) Corinthian.*

Government Ownership Would Pile Up Huge Operating Deficits to Be Borne by the Taxpayers.

THE experience of this country during and following the World War under the United States Railroad Administration and the experience of democracies elsewhere support the conviction that if the Federal Government were to take over and operate the railroads, the American people would be called upon to meet huge operating deficits.

(a) It is reasonable to assume that the increased economic burden to the Nation, if the Government should decide to take over the railroads, would have to be borne by the taxpayer. Under Government ownership, with its attendant evils, if rates are made high enough to cover all the costs of operation, depreciation and interest, they will necessarily be higher than under our present efficiently managed and operated private systems. If they are not made high enough to cover all of the costs, the balance will be supplied through taxation, with the result that some will receive transportation at less than actual cost while others will be forced to pay part of the cost of furnishing transportation they do not use. This is precisely what is happening today in the case of our inland waterways.

I am convinced that neither Government ownership and operation nor Government regulation, as it is practiced today, offers any solution of our present transportation problems. I am also convinced . . . that reasonably regulated private management has all of the advantages and none of the disadvantages of any plan of Government operation so far advocated. And I believe that with even a partial return to normal business conditions, together with a policy of fair and impartial transportation legislation applied to all transportation agencies, private management alone will be able to cure at least most of the present ills of our railroads.—*Harold W. Roe, President, Associated Traffic Clubs of America and Traffic Manager, Mid-Continent Petroleum Corporation, in address before Central Western Shippers' Advisory Board, Evergreen, Col., June 30, 1934.*

(b) Enormous deficits would pile up. Interstate Commerce Commissioner Eastman, who has long favored public ownership in principle, was asked while he was railroad co-ordinator why he didn't move to make it a reality. "Because I don't want to go down in history as the man who made the United States government go broke," was his illuminating reply. The postal deficit is only a drop in the bucket compared with what the railroads would pile up under government operation, if the government operated them as it does other enterprises it has taken

over in competition with its citizens.—*Bluefield (W. Va.) Telegraph, November 28, 1937.*

(c) If the government had owned and operated the railways during the six depression years 1930-1935, inclusive, it probably would have incurred a railroad deficit of at least \$10,000,000,000 which the taxpayers of this country would have had to pay, in addition to all other costs of government incurred during this period. This estimate is based upon three different kinds of actual experience definitely indicating that government management would not have reduced operating expenses to offset the great decline in railway gross earnings that occurred. First, government operation of railways in this country actually increased operating expenses 10 per cent in 1919, when traffic declined 10 per cent. Second, the federal government has not reduced, but has increased, its ordinary expenditures during the depression years. Third, government-operated railways in other countries have not reduced their operating expenses during the depression years as privately-managed railways have.—*Samuel O. Dunn, Editor, Railway Age, in address before Mid-West Economics Association, Des Moines, Iowa, April 10, 1936.*

(d) All students of the subject know that while some groups favor it the mass of our people are definitely opposed to the nationalization of the railroads for various sound reasons. Additional taxes would be necessary (1) to pay the purchase price of the railroads, whose value has been fixed by the Interstate Commerce Commission at over 20 billion dollars, (2) to make up for the loss of taxes normally paid by railroads, approximately 300 million dollars annually, and (3) to pay the annual deficits which would surely result, as they did in enormous amounts during the government's operation of railroads during the World War.—*E. S. Jouett, Vice President and General Counsel, Louisville and Nashville Railroad, in address before Louisville Transportation Club, Nov. 12, 1936.*

(e) The most outstanding single departure from the American system is found in our treatment

of transportation. At the beginning, private enterprise established and developed the American transportation system. For fifty years this development proceeded apace and was largely free from outside restraint or control. Then we embarked upon what was described as regulation and for the past fifty years most of what we have been doing has been done in the name of that term. Since 1887 we have failed in that field to follow the wisdom of the designers of the American system. We have observed that the exercise of the

so-called fostering care of the State originally invoked in the name of regulation, has tended increasingly away from regulations toward full control until now there are only two more steps. The next is management; the last is ownership. Then would come the deluge. Experience in many countries indicates that it would be a deluge of red ink.—*W. J. Williamson, General Traffic Manager, Sears, Roebuck & Company, before the Traffic Club of Atlanta, Atlanta, Ga., November 7, 1938.*

Our Experience During and Following the World War Gave Us a Taste of Government Operation of Railroads.

DURING the World War a shortage of cargo vessels and congestion at the seaports, especially along the Eastern seaboard, made it necessary for the railroads to hold thousands of loaded freight cars in sidings and yards many miles back from the seaports awaiting movement to shipside. This not only deprived the railroads of needed freight equipment for loadings throughout the country, but it also deprived the seaport railroads of needed secondary trackage for efficient service and otherwise hampered them in their operations. Car shortages and embargoes resulted.

Under his war-time powers, the President of the United States created the United States Railroad Administration which took over the operation of the railroads, effective January 1, 1918. Government operation continued until March 1, 1920, a period of twenty-six months, during which period and for six months thereafter the government paid their corporate owners a return equal to the average net operating income for the three-year period, 1915-1917.

The federal control period was for about 10½ months of war conditions and 15½ months of peace conditions. As had been pointed out in a preceding chapter, this government venture into the railroad business cost the American taxpayers \$1,616,000,000, or an average of \$2,000,000 a day, notwithstanding repeated increases in

freight rates and the largest traffic and earnings in history up to that time. Conditions under which the railroads were operated were both exceptionally favorable and exceptionally unfavorable. Prices, cost of living and wages advanced rapidly; rates were increased; traffic taxed railroad facilities; maintenance was neglected; railway service deteriorated; and the railroads were returned to their owners with wages and other operating costs out of all proportion to their revenues and with the physical plant in need of extensive rehabilitation and improvements.

(a) For a period of twenty-six months, extending from December 31, 1917, to March 1, 1920, the United States Government assumed responsibility for the operation, but not the ownership of the railroads of this country. . . .

An Entering Wedge

Government ownership of the railroads would infallibly be used as an entering wedge for government ownership of utilities and for a general move toward a socialistic state.—*From the Worcester (Mass.) Gazette.*

Former Director General Hines placed the net cost of federal control at \$1,123,500,000. This figure, strictly speaking, was the cost, to the treasury of twenty-six months of government operation of the roads. However, upon the return of the properties to their owners, it was deemed advisable to offer a guaranty of earnings for a period of six months, during which the carriers

should adjust themselves from a government to a private basis of operation. This policy entailed a further outlay of \$536,000,000. These two sums should be regarded as the cost to the government of its wartime operation of the railroads.—*Lewis C. Sorrell, Professor of Transportation, University of Chicago, in "Government Ownership and Operation of Railways for the United States," published by Prentice-Hall, Inc., New York, N. Y., 1937, pp. 245-247.*

(b) We have not yet forgotten the wartime experience of Government operation of the railroads. We have not forgotten the inadequate service rendered, the high fares and most of all, we have not forgotten that when the roads were finally turned back to their owners they were all but ready for the junk pile. Government operation and control had been far from successful. The properties had not been maintained. The roads still are suffering from those effects.—*Grand Rapids (Mich.) Herald, March 25, 1938.*

(c) Most newspaper readers can recall the conditions during the war and shortly afterward, when the roads were operated by the government as a war measure. They can recall the congestion and delays. It should be remembered, too, that the Federal authorities operated all the systems as a single unit. They sent freight east over one line and west over another. All that was supposed to increase efficiency and speed up traffic, but it did not.—*Indianapolis (Ind.) Star, August 30, 1937.*

(d) Fortunately, the facts for comparing government and private operation in the United States are readily available. The railways were operated by the government in 1918 and 1919. The World War ended in November, 1918. Therefore, their operation throughout 1919 indicates how they would be operated by government in the future under conditions of peace. Their officers in 1919 carried out government orders and policies, and the results were principally due to these orders and policies. Let us, then, briefly compare railway results under government operation in 1919, with railway results under private operation in 1933, the worst year of the present depression. The comparison—or contrast—will throw light on many questions. Gross earnings in 1919 were \$5,150,000,000, and in 1933 only \$3,100,000,000, a decline of 40 per cent due to the depression. You would naturally expect to find, in view of these figures, that the financial results of operation were much worse in 1933 than in 1919. But they were better. Net earnings in 1919 were \$745,000,000, and in 1933 were \$846,000,000. The reason they were larger was that operating expenses were reduced from \$4,400,000,000 in 1919

to \$2,250,000,000 in 1933, or 49 per cent.—*Samuel O. Dunn, Editor, Railway Age, in The Rotarian, June, 1935. (This appeared as part of a debate on the question, "Railroads: Government Ownership?")*.

(e) After we came out of the period of government operation and into private control again with a completely disorganized machine, as much wrecked as you could possibly wreck anything and still have it run, you had to put it all back in shape again and get control of your forces, rebuild your mechanism and go on to the stage which you have reached today; it gave such an illustration of the futility of public control of an enterprise like transportation, that I never could see how anyone could conceive the idea that we ought to go back to that stage again.—*H. A. Wheeler, President, Railway Business Association, in address before Purchases and Stores Division, Association of American Railroads, June, 1937.*

(f) We had a very illuminating experience with government operation of the railways of the United States themselves in 1918-19. Taken over as an emergency measure to help with the war, the government operated the roads for 26 months, without restraint from their owners or other outside agencies. This experience is so recent as still to be fresh in minds of most men in railway service today. In that period, it will be remembered that service deteriorated to such an extent as to lead to widespread criticism—that the properties were so grossly under maintained as to lead to later reimbursements to their owners totaling hundreds of millions of dollars—and above all, that expenses were so increased as to load onto the taxpayers a deficit totaling some \$1,700,000,000. It is no wonder that with such results, the public rejected with almost unanimous acclaim in 1920 the suggestion by the then federal director general of the railroads, that government operation be extended for five years and expressed in no uncertain terms its demands that government operation be brought to an end and the roads returned to their owners. It is not without significance that, after rehabilitating their properties to overcome the neglect of the period of federal control, the railways have given the public an excellence of service never before attained—a service that, through private initiative, is still bringing improvements in comfort and speed.—*Railway Engineering and Maintenance, June, 1934.*

First Line of Defense

The railroads constitute the first line of defense against state socialism.—*Business Week.*

Foreign Experience Is Enough to Discourage Government Ownership and Operation.

EXPERIENCE of foreign governments in the ownership and operation of railways offers ample reason for opposing such a policy in the United States. Political considerations always outweigh efficiency and economy measures, with the result that standards of service are low and operating costs are high. Only in those countries where labor costs are exceptionally low, notably in Japan and British India, do the state-operated railroads earn their way. In countries such as France, Italy and Norway, state-operated railroads fail even to pay their operating expenses. Year after year the public treasuries make up the deficits. The governments appropriate funds for capital improvements, and they receive no return in interest or dividends on their investments. In countries such as Germany, Belgium and Denmark, the government-operated railroads sometimes do and sometimes do not earn operating expenses, and government appropriations for the railroads are frequent.

Revenue Per Ton-Mile

Because of complexities in the structure of freight rates, in the character of traffic and in foreign exchange, it is difficult to make an exact comparison of freight charges in different countries. However, average railroad freight revenues per unit of service are lower in the United States than in any other important country on the globe except Japan, where wages are far below those prevailing in this country. The following statistics, compiled by the Bureau of Railway Economics, are based upon official railway reports of the several countries, foreign monies being converted to United States equivalents on the basis of average exchange rates as reported by the Federal Reserve Board:

<i>Country</i>	<i>Year Ending</i>	<i>Av. Revenue per ton-mile (cents)</i>
Great Britain ¹	Dec. 31, 1937	2.406
Denmark ³	Mar. 31, 1938	2.320
Italy ³	June 30, 1936	2.226
Australia ³	June 30, 1937	2.185
Germany ³	Dec. 31, 1937	2.160
France ²	Dec. 31, 1937	1.953
Union of South		
Africa ³	Mar. 31, 1938	1.728
Norway ³	June 30, 1938	1.692
Sweden ³	Dec. 31, 1937	1.312
British India ²	Mar. 31, 1938	1.004
Canada ²	Dec. 31, 1937	0.997
United States ¹	Dec. 31, 1938	0.983
Japan ³	Mar. 31, 1937	0.674

¹ All railroads, privately owned and operated.
² All railroads, both state and private lines.
³ State operated railroads only.

One measure of economy and efficiency in railway operations is the ratio of operating expenses to operating revenues. A ratio of 75 per cent, for example, means that 75 cents out of every dollar of revenue goes for labor, fuel, material and supplies, and other operating costs, leaving 25 cents for taxes, interest on investment, reserve accounts, additions and betterments to plant, and other capital purposes. When the ratio reaches 100 per cent, it means that the property has earned nothing toward the payment of taxes, interest, or other fixed charges and that no earnings are available to build up reserve accounts or for capital improvements to the physical plant. When the ratio exceeds 100 per cent, it means that the property is not earning its day-to-day operating costs.

During the eight years ended with 1937, the operating ratio of the privately-operated railways in the United States ranged between 72 and 77 per cent. During the same period, government-operated railroads in the various countries showed the following ranges in operating ratio: Australia, between 71 and 83 per cent; Belgium, between 91 and 107 per cent, exceeding 100 per cent during four of the eight years; Canadian National, between 91 and 97 per cent; Denmark, between 97 and 114 per cent, exceeding 100 per cent in six of the eight years;

France, between 106 and 137 per cent; Germany, between 90 and 105 per cent, exceeding 100 per cent in two years; Italy, between 100 and 130 per cent; New Zealand, between 83 and 91 per cent; Norway, between 102 and 118 per cent; Sweden, between 78 and 92 per cent. In certain countries where labor costs are exceptionally low, state-owned railways can operate at a low operating ratio. For example, in Japan the government railroads operated at a ratio ranging from 59 and 62 per cent; in India, from 66 and 73 per cent; in South Africa, from 65 and 80 per cent.

(a) In my study of government ownership of railroads of the various nations, I have come to one definite conclusion—the service is less efficient, wages to railroad workers are much less, and yet the cost of transportation is higher, and in some countries two or three times greater than in the United States.—*Hon. John M. Robison, Member of Congress from Kentucky, in House of Representatives, July 26, 1939.*

(b) Neither our national nor our state governments are planned or equipped for the task of government operation of utilities. Nobody ever tried it on our stupendous scale of a continent, but there are governments which, in their smaller scope, do operate in some fashion some of their utilities. Since it is always in worse fashion than ours, their example is no temptation to imitation, but it does illustrate that some governments, on some scale, in some fashion, can operate some of them. But none of them have ever attempted to operate all the utilities, nor does any one of them possess 15 per cent of our railway mileage, or 6 per cent of our power, or 15 per cent of our telephones. . . .—*Herbert Hoover, Secretary of Commerce, in radio address, September 29, 1924.*

(c) There is nothing in foreign experience or in the record of the Federal Railroad Administration to warrant government ownership. Private ownership of our railroads has given us the best and cheapest railroad service in the world. On the other hand, there is not a single instance of an improvement in railroad operation on record as having been developed on a government-owned railroad; and it required years to repair the damage done to our railroads by government operation during and after the World War.—*Declaration of Policy, Pennsylvania State Chamber of Commerce, Jan. 29, 1936.*

(d) Government ownership of railroads in Mexico has developed into the costly failure that was inevitable and now the carriers have been handed over to the railroad workers themselves. In view of the trend toward government ownership in this country, the experience in Mexico is illuminating. The government first crippled the roads by excessive taxation and unreasoning regulation, then took them over. Political management failed, as it nearly always does, and the roads became merely a bigger white elephant. Now, unable to “tote the load” longer, the government sidesteps and leaves the workers to hold the bag.—*Rome (Ga.) News Tribune, May 5, 1938.*

Executive Salaries

Proponents of government ownership speak of huge savings which could be made by reducing salaries and abolishing executive positions on the railroads.

The Class One railroads of the United States represent an investment of \$26,055,536,805. In 1938 their operating revenues amounted to \$3,565,491,000, their operating expenses amounted to \$2,722,199,000, and their payrolls amounted to \$1,746,141,000.

The amount paid in salaries in 1938 to the chief executive officers (presidents and/or trustees) of all Class One railroads totaled \$3,109,000. This represented 1/100 of 1 per cent of railway investment, 9/100 of 1 per cent of operating revenues, 1/10 of 1 per cent of operating expenses and 1/5 of 1 per cent of railway payrolls. It is doubtful if any other major industry in the United States pays its chief executive officers as small percentages of investment, revenues, expenses and payrolls as is paid in the railway industry.

Executive salaries cut a small figure in railway operating costs. This is illustrated by the fact that if every president and other chief executive officer of the Class One railroads of the United States were to serve without pay, the railway payroll would be reduced by less than 1/5 of 1 per cent. If the saving thus effected were applied to freight charges, it would make possible a reduction of only 1/1000 of a cent per ton-mile.

Executive salaries were sharply reduced during the depression. In 1938 the salaries of the chief executive officers of twenty leading railroads in the United States were 29 per cent less, on the average, than they were in 1929.

The railroad business calls for men of ability in the executive positions, and railroads, like other large industrial and commercial enterprises, must pay good salaries to attract and hold good men.

Government Ownership of Railroads Has Come About in Most Foreign Countries, Not Because of Public Sentiment, But Because of Public Policies Resulting in Railroad Bankruptcy, or Because of Military Considerations.

IN no democratic country on the globe has government ownership and operation of railroads come about because the people wanted it or demanded it on its merits in preference to private ownership and operation. In nearly every country where state ownership and operation exists, it was forced upon the government because private capital could not be found to take the risks, or because conditions made private ownership and operation impossible, or because peace-time motives were subordinated to war-time objectives.

(a) A military motive has played an important part in effecting government ownership and operation of railroads in some countries. This was true of Germany and of Japan. Political considerations have likewise controlled. The construction of the Intercolonial Railway by the government of Canada was for the purpose of uniting the provinces. The political motive played a part in the acquisition of railway lines by Prussia and other German states. Closely allied with the above is a desire to be independent of foreign capital. This was a factor in Belgium and in Switzerland. Perhaps the most common reason for inducing governments to undertake the construction of railroad lines has been the fact that, under the peculiar conditions existing at the time, private capital was not interested. This accounted for much of the early state construction of railroads and canals in the United States. It accounted for state constructions in Italy, in Australia, and in New Zealand. Still another reason that has led to government ownership and operation has been the financial failure of privately owned lines. In many cases these lines have been subsidized by government loans, guaranty of interest, or guaranty of the principal of railroad bonds. In case of continued default the state is likely to take over the roads. The state system in France was acquired for this reason, and the same was true of the principal state-owned lines in Brazil.—*D. Philip Locklin, Associate Professor of Economics, University of Illinois, in "Economics of Transportation," published by Business Publications, Inc., Chicago, 1938, pp. 668-669.*

(b) Americans are inclined to forget that in Europe there is a factor in government ownership of railroads entirely absent in this country. In some European countries railways were governmental from the beginning. This was not because of the theory that railways were better owned and

operated by government but for military reasons. Military reasons dictated the layout of many European roads from the outset. Only government could afford to build railways in which military purposes predominated. So government did build and operate them from the start.—*San Francisco (Cal.) Chronicle, September 13, 1937.*

(c) Principal reasons for Government ownership and operation in other countries have been consolidation of sparsely-settled areas; national defense, as in Europe in general; lack of private capital available, as in Australia and other countries. In the United States no such reasons exist for Government rail control. First, this nation is a unified and consolidated country; second, additional railway construction is not needed here for reasons of national defense, and, third, the railroads have developed out of individual initiative, effort and capital.—*Brooklyn (N. Y.) Citizen, November 23, 1936.*

(d) I think it is approximately accurate to say that 42% of the railway mileage of the world is publicly owned and 58% is privately owned. The percentage of publicly operated mileage is somewhat less, since some publicly owned railroads are leased to private companies for operation. In all, there are in the world 355,800 miles of state-owned roads; of this mileage, 52,000 is in Russia, 33,425 in Germany, 31,690 in India, 10,512 in Italy, about 12,000 in Japan, 12,450 in Poland and 13,151 in the Union of South Africa. In these countries will be found about 46 per cent of the publicly owned railways of the world. Of the 492,200 miles of privately owned railroads, 307,367 miles, or about five-eighths of the total, are in the free democracies of the United States, Great Britain and France, while, as we have seen, 46 per cent of the public owned properties lie in the despotisms of Russia, Germany and Italy; in countries

where self-government is yet in its experimental stage, as in South Africa and Poland; in Imperial Japan; and in India, hardly to be accepted as a model of orderly government. I think it is quite significant that in those countries which we are accustomed to regard most highly for their adherence to the ideals of freedom and democracy, there is such a preponderance of privately owned railroads, while the contrary is true in those nations that have confessed their incompetence by yielding to the rule of tyrants. When we are told, therefore, that we should look elsewhere for guidance in this important matter, our eyes at once fall upon the towering figures of Stalin, Hitler and Mussolini, from whom we are advised to learn wisdom. I do not assert that these despots are responsible for the system of State ownership in the countries over which they exercise dominion. To a very large extent, Government ownership antedated the rule of these usurpers. But it is fair to say that a condition of public sentiment which preferred ownership by the State rather than by private enterprise of the most important agencies of transportation, furnished a fertile field for the growth of tyranny. Those of us who still cling with passionate devotion to the freedom of the human spirit may well find in this circumstance material for sober reflection.—*R. V. Fletcher, Vice President and General Counsel, Association of American Railroads, in address before Traffic Club, Chicago, Illinois, March 15, 1935.*

(e) The fact is, as history shows, that not a single government in the world ever adopted government ownership as a deliberate or preferred policy. In every country where it exists it was a necessity; it was forced upon the government by circumstances or conditions which could not be avoided. In the smaller countries there was no private capital available to construct railroads, or,

Must Attract Investors

It may also be stated with assurance that if railroads are to be operated successfully under private ownership, they must have earnings sufficient to make not only their bonds but also their stock attractive to investors. Otherwise debt will mount until the bonds lose their attraction and the carriers will again be on the road to bankruptcy. The system of private ownership and operation is dependent on the profit motive and will not work well unless, sooner or later, profits are forthcoming.—*Fifty-second Annual Report of Interstate Commerce Commission, November 1, 1938.*

Many Industries Would Be Involved

If government ownership becomes a definite federal policy, the railroads form the most logical group upon which to try the experiment. Once adopted, other privately owned industries, such as public utilities, banking, and natural resource production (oil, coal, lumber, etc.) are sure later to become involved and even the conversion industries, producing necessities of life, would hardly escape if the principle of government ownership and operation became a fixed policy of our government.—*Harry A. Wheeler, President, Railway Business Association, before Associated Traffic Clubs of America, Indianapolis, Ind., October, 1935.*

if available, it would not accept the hazards; consequently, the governments were obliged to construct them, otherwise there would not have been any railroads.—*John J. Cornwell, General Counsel, Baltimore and Ohio Railroad, before Chamber of Commerce, Canton, Ohio, February 27, 1935.*

(f) With the exception of Switzerland, which operates about 3,800 miles of rail lines, nations have adopted government ownership—not as a matter of principle but as a matter of necessity. In some countries domestic capital was not available and foreign capital was not desired. Government was compelled to furnish transport service which communities could not provide for themselves. In other countries, railways are maintained as part of the military machine for national defense. These conditions are not present here. Private capital will continue to meet the needs of the railroad industry provided we treat it fairly and justly. Our railroad system always will make a maximum contribution to national defense, and without operating it as part of the military machine.—*J. M. Fitzgerald, Vice-Chairman, Committee on Public Relations, Eastern Railroads, in Savings Bank Journal, January, 1937.*

(g) It is clear that other countries have adopted public ownership and operation not as a matter of principle but for reasons of expediency. Often they have been forced into it because private enterprise would not build or could not longer carry on. Sometimes military considerations have been paramount, or an unwillingness to rely on foreign capital, or a desire to use the railways for the general business and industries in the country in its competition with foreign countries.—*Harry A. Wheeler, President, Railway Business Association, in address before the U. S. Chamber of Commerce, Washington, D. C., May 3, 1934.*

Government Ownership Would Be a Step Toward State Ownership of All Agencies of Transportation and of Businesses Which Supply the Railroad Industry.

IF government ownership and operation of the railroads of this country is desirable and in the public interest, why is it not equally desirable and in the public interest to have government ownership and operation of motor bus and truck lines, airlines, steamship, steamboat and barge lines, pipe lines, telephones, telegraph, radio broadcasting, power plants, coal and iron mines, manufacturing plants, banks, hotels, and so on? Is there any sound reason why the principle of public ownership and operation applies to railroads and not to other agencies of transportation or to other fields of business activity?

(a) . . . if government takes over the railroads, it will inevitably take over all other forms of transportation as well. No governmental activity will endure competition, and government alone has the power to disregard its own laws in the creation of monopolies by the destruction or confiscation of competing agencies.—*James F. Bell, Chairman of Board, General Mills, Inc., in address before National Industrial Traffic League, November 17, 1938.*

(b) The last stand against state socialism will be made by the railroads. When and if they go, who then is safe, who then is secure, whether engaged in competing transportation agencies, or in any form of business or industry? I hold no brief for the rails as against other carriers. I mention them only because they are nearest the

gun. The present problem of the rails is the potential future problem of all other carriers and of all other business. That problem is to keep alive under private ownership.—*From address by Hon. Samuel B. Pettengill, Member of Congress from Indiana, in address before Associated Traffic Clubs of America, St. Louis, Mo., October 12, 1937.*

(c) This Congress, sooner or later, has got to decide whether we are going in "hog wild" for government ownership of railroads, and if that happens trucks and buses and pipelines, aircraft and intercoastal shipping, as well as coastwise and Great Lakes shipping will follow, because it does not seem possible to me that the government, owning one of these great transportation agencies, and operating it at a loss, as it did during the World War, will then permit its business to be taken away from it by private competing agencies.—*Hon. Samuel B. Pettengill, Member of Congress from Indiana, reported in Railway Age, April 2, 1938.*

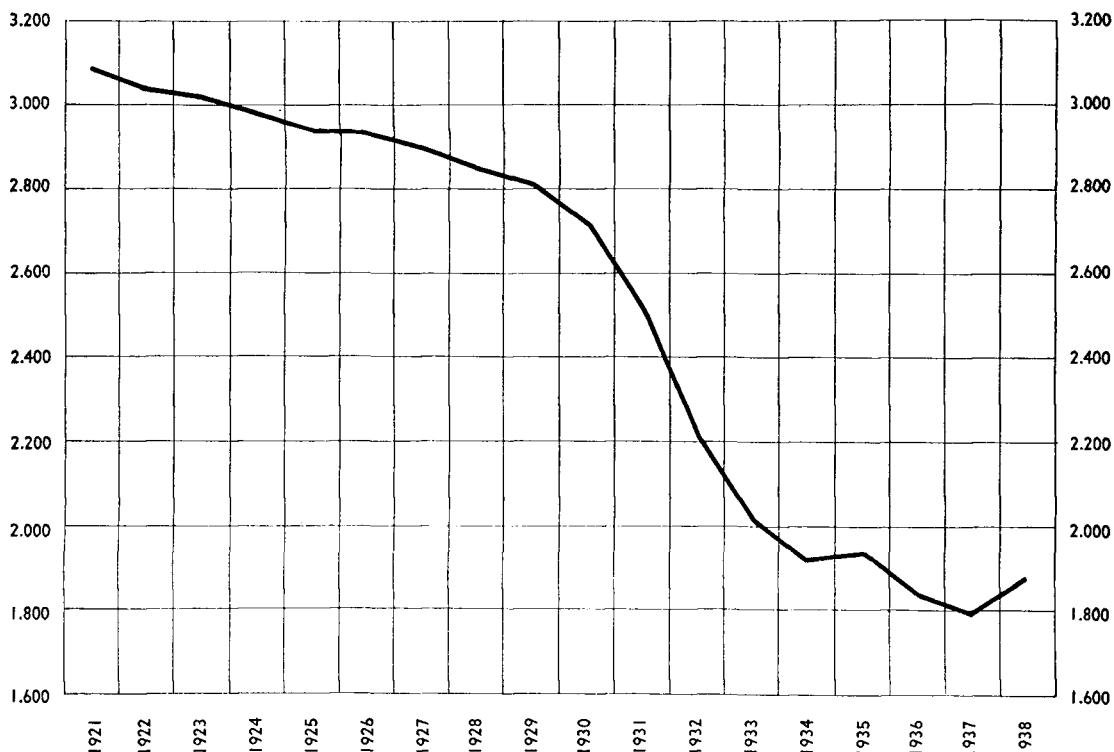
(d) If the Government is forced to take over the operation of the railroads, consideration must be given as to the effect on other types of carriers, both public and private, because of the fact that government does not usually brook competition. For example, in European countries where the railroads are owned by the government, highway transportation appears to have been rather definitely restricted with a view to protecting the rail carriers against this type of competition.—*Commissioner Carroll Miller, Interstate Commerce Commission, in address before Ninth Annual Economics Conference for Engineers, Stevens Engineering Camp, Johnsonburg, New Jersey, June 28, 1939.*

Investors Must Be Protected

It must be a cardinal principle in dealing with honestly built and wisely managed railways that the investor, the shareholder, is just as much entitled to protection as is the wage-worker, the shipper or the representatives of the general public. Unless the investor finds that he is to get a fair return on his money, he will not invest, and in such case not only will no new railways be built but existing railways will not be able to repair the waste, the wear and tear, to which they are subject, and will not be able to make needed improvements.

All governmental action, whether by the legislature or the executive, should be conditioned upon keeping in view this fact.—*Theodore Roosevelt.*

AVERAGE REVENUE PER PASSENGER-MILE (CENTS)
CLASS I RAILWAYS



A passenger-mile in railway service represents the transportation of one passenger one mile. The average revenue per passenger-mile is obtained by dividing total passenger revenues by the total number of revenue passenger-miles of service performed.

(e) The danger is real, not only for the railroads and their managers and the shipping public whose service will be crippled, but for other agencies of transportation and other kinds of business as well. Does anyone suppose it to be in the interest of the motor truck industry, for instance, that the railroads should get into a condition where it becomes necessary for the government to take them over? The trucks would then be confronted with the government as their competitor, instead of the railroads, or the government would also take them over—probably the latter. Having gone that far, why would not the government also take over the railway supply business, the coal business, the steel business, and every other business that contributes to railroad operation—why not, in fact, all business?—*Henry A. Palmer, Editor, Traffic World, in address before American Shortline Railroad Association, October 27, 1938.*

(f) Many of you may think that this makes no difference to you, but there is no basis for

any such belief. If the politicians take over the railroads, then they certainly will not permit competition with the government by private companies operating buses, trucks, air lines and boats. If the government once invades the field of private endeavor by taking over the railroads, it will soon take over every other form of transportation. In that event, no business of any kind in this country would be a free agent, but each would be subject to the bureaucratic control of the politicians in Washington.—*Fitzgerald Hall, President of the Nashville, Chattanooga and St. Louis Railway, in an address before Illinois Chamber of Commerce, October 10, 1935.*

(g) Besides the majority belief that government ownership and operation would bring a decline in efficiency, this method of solution of the railroad problem was generally opposed for another and most important reason. This was the fear that the experiment in government ownership with the railroads would set a dangerous precedent in the direction of direct federal interference

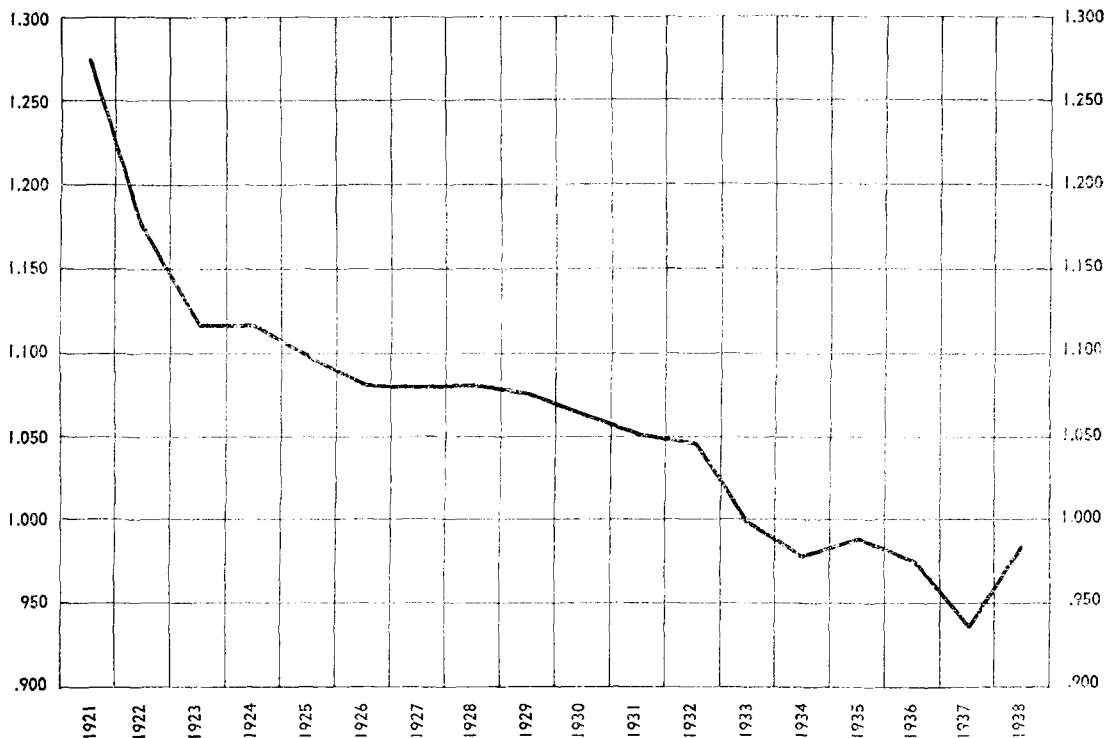
in other forms of private business. That danger most certainly is involved. In fact, suggestions are already made of government ownership and operation as a solution of the problems of the coal industry. . . . Once the advent of the government into business is begun, the tendency is like a snowball which grows larger the further it is rolled. Unless the American principle of the separation of politics and business is rigidly maintained, the eventual result will be the destruction of our present system of free enterprise and the substitution of some form of state socialism.—*Manchester (N. H.) Leader, February 26, 1938.*

(h) Government ownership of any one form of transportation inevitably leads to government ownership of all forms. In turn, this means government ownership or complete regimentation of our major industry. Such a conclusion is inescapable under our form of government. . . . The "front line trench" of private enterprise is transportation. Between 15 and 20 per cent of the wealth of the nation is invested in transportation, and 30 per

cent of our buying power. In a nation as far-flung as the United States, it is the keystone in the arch of private enterprise.—*Donald Conn, Executive Vice President, Transportation Association of America, Chicago, Illinois, June 30, 1937.*

(i) Apostles of discontent who would like to socialize industry know that they cannot make material progress until they force government ownership of a national business affected with vital public interest. The railroads fill that bill. Government ownership of railroads might be used to lead the way to socialized industry. It would likely be followed by government ownership of all transportation agencies. It is conceded that no one can compete with government. When government enters a field it dominates that field. This would be true of the transportation field. . . . What is more important, government ownership for all transport agencies would make government the largest consumer of many basic commodities. How long would government continue to buy from private industry? How long could

AVERAGE REVENUE PER FREIGHT TON-MILE (CENTS)
CLASS I RAILWAYS



A ton-mile in railway service represents the transportation of one ton of freight one mile. The average revenue per ton-mile is obtained by dividing total freight revenues by the total number of ton-miles of revenue freight service performed.

private industry survive at prices government might be willing to pay? Only a few years ago government, through the Federal Coordinator of Transportation, fixed the price which rail carriers were permitted to pay for steel rails. . . . If the people ever permit government ownership of railroads, it will be only a short time until there will be little left of private enterprise but a memory; nothing left of individual initiative but a name.—*J. M. Fitzgerald, Vice Chairman, Committee on Public Relations, Eastern Railroads, in Savings Bank Journal, January, 1937.*

(j) We must avoid at all costs, government ownership of rail lines. Should it ever come about, the government would unquestionably need to take over all other forms of competing transportation. The result would be chaos and bankruptcy.—*J. W. Peters, Manager, Traffic Follow-Up Department, Delco-Remy Div., General Motors Corp., Anderson, Indiana, in article "Government Ownership of Transportation Must Be Avoided," Distribution and Warehousing Magazine, July, 1938.*

(k) Government ownership of railroads might well be the entering wedge for the socialization of all industry. Private property rights under such a system would to a large extent disappear. Does this not include a threat against all our liberties? A state controlling all property would soon control all actions—freedom as we have known it would be gone. To my mind government ownership of railroads is a more serious menace than we realize.—*Philip A. Benson, President, Dime Savings Bank of Brooklyn, in an address before Atlantic Shippers Advisory Board, New York, Jan. 2, 1937.*

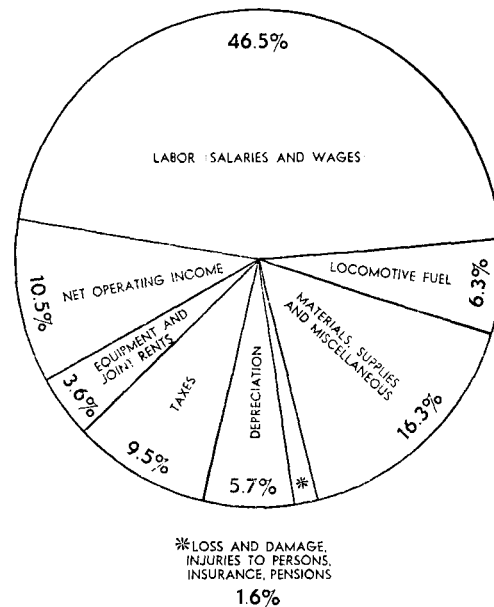
(l) Government ownership of railroads would almost inevitably be followed by extension of government ownership to other industries. The government probably would soon convince itself that it could make locomotives, cars and materials for the railways cheaper than it could buy them from private manufacturers. It would soon convince itself that it could mine coal cheaper than it could buy it from private operations.—*Samuel O. Dunn, Editor, Railway Age, April 10, 1936.*

(m) Government ownership represents the easiest and cowardly course of procedure. It neither represents policies nor measures which promise anything good for the country, our people, transportation systems, the investor or the patrons. The real reasons that politicians talk government ownership do not rest upon the merits of the idea. It would be an effective means of covering up. Evidences of vast mistakes could be sunk without a trace. It represents the line of least resistance, wholly incompatible with the American System.

It is an inconceivable alternate if we expect to preserve the fundamental principle of private enterprise for agriculture, industry and finance. Government ownership of transportation would be the first step, banks, and insurance companies next, and so on down through the scale to a complete socialism.—*W. J. Williamson, General Traffic Manager, Sears, Roebuck & Company, in address before the Traffic Club of Atlanta, Georgia, Nov. 7, 1938.*

(n) I think it fair to say that many persons, both within and without the industry, believe that government ownership of railroads would be the beginning of the end of American economic freedom, already, in the opinion of many, seriously threatened. And, as our economic freedom vanishes, our political liberties will similarly decline until every barrier against complete domination by government falls. Moreover, government in business never tolerates competition; it always insists on a paralyzing monopoly in every field it enters. The taking over of the railroads would be followed by government ownership of trucks and buses and later of other industries. Therefore, the way this ownership problem, as it relates to the railroads, is settled is sure to have a vital influence in determining the way in which most of the nation's important industries and your particular means of livelihood, it may be, will be dealt with eventually.—*From address by Frederick E. Williamson, President, New York Central Lines, before Chamber of Commerce, Utica, New York, April 23, 1935.*

DISTRIBUTION OF RAILWAY OPERATING REVENUES
Class I Railways—Year 1938



Why Change?

IN view of the enterprise and efficiency of the American railroads, what would be the advantage of transferring them to government ownership and operation? The answer is that there would be no advantage to the general public; on the contrary, the public would be adversely affected in many ways. There is no sound and sufficient reason for the change. It would remove one of the greatest sources of tax revenue. It would add enormously to our public debt. It would pile up huge operating deficits to be borne by the taxpayers. It would put the railroads and their employes into politics. No saving in the cost of transportation would result. On the contrary, the cost of transportation would be substantially increased.

(a) It must be evident to the severest critic that the extension of the railway network of the United States under private ownership, and the character of the service that has always been made available to the public, offers no argument to replace that enterprise and efficiency with a system owned and controlled by the government. The testimony of those who have been a part of the public-ownership movement in other countries as to the dangers of political domination, and the waste that inevitably follows under public operation of railroads, lends emphasis to this point of view.

Throughout the history of railway transportation, especially in the United States, it has been the privately operated railroads, supplemented by the inventive genius of the privately owned railway equipment and supply concerns, which have produced the most vital improvements in efficiency, economy, and safety. The proponent of government ownership of railroads will find it difficult indeed to demonstrate from any experience in foreign countries that the public would be better served under any type of public ownership. The evidence is overwhelmingly in the other direction.—*P. Harvey Middleton, Secretary, Railway Business Association, in "Railways of Thirty Nations," published by Prentice-Hall, Inc., New York, N. Y., 1937, p. 31.*

(b) There is nothing in the actual economic facts of the financial structure, the operation or the labor conditions in the railroad industry which requires its nationalization. The federal government now has practically complete control of the price and costs of railroad transportation. It is in a position either to put the operation of the American railroad system on a sound and self-supporting basis, or to compel bankruptcy of the railroads and to confiscate or expropriate the savings of the American people that have been invested in them.—*Dr. Virgil Jordan, President, National Industrial Conference Board, Inc., to New York Railroad Club, December 8, 1938.*

(c) All of us realize that transportation is essential to the welfare of our country, and it is not denied that the railroads comprise by far the most important part of the transportation plant. If they were not giving satisfactory service or if there were a shortage of railroad transportation, our public ownership friends might have some ground for their contention. But with railroad service concededly efficient and with a great surplus of transportation, where lies the urge for a program which will raise the national debt to staggering proportions, will lead the country a long way toward the socialization of industry, will transform a necessary adjunct of business into a political machine, with no promise of improved efficiency or real economy? Whether we test the question by the experience of other countries, or by the conditions that prevail in our own, we can find no sound reason for embarking on this un-American experiment.—*R. V. Fletcher, Vice President and General Counsel, Association of American Railroads, in address before Traffic Club, Chicago, Illinois, March 15, 1935.*

(d) There are those who have the conviction, or so declare, that our transportation problems are to be solved by Government intervention to the extent of ownership and operation of the railroads by the Government. . . . It is favored by those who indulge the blind assumption that to solve a problem the government need only assume responsibility for its solution. Conceding to them honest interest in the public welfare, their lack of understanding of what will promote that welfare makes them no less dangerous than are those who are moved by considerations of special interest. I do not believe that Government ownership of railroads will solve, in the public interest, our transportation problem.—*William T. Nardin, Vice President, Pet Milk Company, in address before Associated Traffic Clubs of America, St. Louis, Mo., October 12, 1937.*

Recent Railway Progress and Developments

Air-Conditioning of Passenger Cars: The first fully air-conditioned passenger train was placed in service in 1931. At the middle of 1939 there were 11,351 air-conditioned passenger cars in daily operation in the United States, providing a degree of comfort and cleanliness unknown a decade ago. The American railroads lead the world in air-conditioning.

Streamlined Passenger Trains: The first light-weight streamlined passenger train was placed in service in 1934. At the beginning of 1939 there were eighty-six of these ultra-modern passenger trains in daily operation in the United States. The United States leads the world in streamlined trains.

Increased Passenger Train Speeds: In 1930 there were only a few passenger train runs in the United States of a mile-a-minute or faster, start to stop. These runs covered 1,100 route-miles. In 1938 there were 924 passenger train runs of a mile a minute or faster. These runs covered 56,311 route-miles, of which 47,087 were on daily schedules. The United States leads the world in passenger train speeds, with more than one-half the world's mile-a-minute mileage.

Increase in Freight Train Speed: The average speed of freight trains in the United States was 61 per cent faster in 1938 than in 1920. In 1938 the average distance traveled per train for each 24-hour period was 398 miles, compared with 247 miles in 1920. These figures represent the average time required for the movement of all freight trains between terminals, including stops and delays enroute.

Schedules Are Maintained with Precision: Never before in the history of American railroading were train schedules, in both

passenger and freight service, maintained with such precision as they are being maintained today.

Reductions in Passenger Fares: In 1938 the railroads carried passengers for an average of 1.87 cents a mile, compared with 3.086 cents in 1921, the first full year after government control. Since 1935 the average revenue per passenger-mile has been lower than in any previous period in railway history.

Freight Rates Are Lower: The average revenue for carrying a ton of freight one mile was reduced from 12.75 mills in 1921 to 9.83 mills in 1938.

Improvement in Safety: The best general safety record in fifty years was established by the railroads of the United States in 1938. The actual number of train accidents in 1938 was two-thirds less than in 1929. Fatalities to employees on duty resulting from all kinds of accidents in 1938 totaled 479 compared with 1,348 in 1929. The number of such fatalities in 1938 was a reduction of 64.5 per cent compared with 1929. Compared with the number of man-hours worked, there was a reduction in 1938 of 31.6 per cent under 1929. Non-fatal injuries to employees in 1938 declined 73.1 per cent in number and 47.0 per cent in frequency on the basis of man-hours worked compared with 1929.

Car Shortages Eliminated: Through increased team-work and efficiency in the utilization and routing of freight cars, costly car shortages have been entirely eliminated. There has not been a serious car shortage in this country for more than fifteen years.

Increase in Average Hourly Wage: Average hourly earnings of railway employees in 1938 amounted to 75 cents, the highest figure ever reached. This compares with 28.3 cents in 1916 and 63.1 cents in 1926.

Collection and Delivery Service Introduced: Free collection-and-delivery service for less-than-carlot freight shipments was adopted on a nation-wide scale in 1936. This has had the effect of extending railway service, without additional charge, to the doors of merchants, manufacturers, shippers and consignees in every part of the country.

Increased Power of Steam Locomotives: The tractive power of the average steam locomotive in service on the railroads of the United States was increased from 36,935 pounds in 1921 to 49,803 pounds in 1938, a gain of 35 per cent.

Reduction in Fuel Consumption: Fuel consumption in locomotives for each 1,000 gross ton-miles was reduced from 172 pounds in 1920 to 115 pounds in 1938. Fuel consumption per passenger car-mile was reduced from 18.8 pounds in 1920 to 14.9 pounds in 1938.

Increase in Freight Cars Per Train: The average freight train operated in the United States consisted of 37 cars in 1922 and 47 cars in 1938.

Increase in Freight Car Capacity: The capacity of the average railway-owned freight car in service in the United States was increased from 42.5 tons in 1921 to 49.4 tons in 1938.

Increased Daily Car Mileage: From 1922 to 1938 the average mileage per freight car per day increased from 26.9 to 32.3. These averages include all serviceable cars owned by the railroads regardless of whether they were in use or not.

Increase in Freight Train Load: The average freight train load was increased from 676 tons in 1922 to 759 tons in 1938.

Increase in Freight Train Performance: In 1938 the average hourly freight train performance was 12,472 ton-miles of freight service, compared with 7,479 ton-miles in 1922, an increase in freight-train efficiency of 67 per cent.

Reduction in Loss and Damage Claims: Loss and damage claims were reduced from \$1.11 per carload of revenue freight in 1922 to 68 cents per carload in 1938.

Reduction in Ratio of Capital to Investment: For each \$1,000 of investment in railway property, the par value of stocks and bonds in the hands of the public amounted to \$703 in 1938, compared with \$987 in 1910.

Reduction in Ratio of Funded Debt to Investment: For each \$1,000 of investment in railway property, the funded debt was reduced from \$606 in 1910 to \$429 in 1938.

Expenditures for Additions and Betterments: In the ten-year period 1929-1938 the railroads spent \$3,796,000,000, or more than \$1,000,000 a day, on the average, for additions and betterments to their properties.

Increased Burden of Taxation: In 1916, for every dollar of operating revenue, the railroads paid 4.4 cents in taxes. In 1921, taxes took 5 cents for each dollar of operating revenue; in 1930, 6.6 cents; in 1938, 9.5 cents, the largest slice on record.

Tax Contributions to Government: In the 10-year period 1929-1938 the railroads of the United States contributed \$3,036,000,000 to the federal, state and local governments in taxes.

Railroads Can Meet Transportation Needs

THE railroads can handle at least 25 per cent more traffic than they are now handling, and by repairing approximately 200,000 freight cars and 8,000 locomotives now awaiting repairs, and not required for present traffic, they could handle 45 per cent more than the present business.

If and as additional equipment is required it can be had, and the railroads can and will keep ahead of any demands that may be made upon them.

These conclusions are the result of a very careful study made several months ago. It is a fact that there has been a great reduc-

tion in the amount of equipment owned. It is also a fact that there has been a great increase in the efficiency of movement. For example, the average speed of freight trains between terminals is now 61 per cent greater than in 1920 and the tons handled per train-hour, which is the real measure of work, have increased 106 per cent since 1920. It is conservatively estimated that the traffic of 1929, the largest in history, could now be handled efficiently with from 350 to 400 thousand cars less than were owned at that time.—*John J. Pelley, President, Association of American Railroads, September 5, 1939.*

A Challenge to Statesmanship

I cannot bring myself to believe that the progress of humanity has ceased or that opportunities for private initiative no longer exist. Every bit of the progress we have achieved to date has been the result of individual initiative.

The invention of the steam engine, the invention of the gas engine, the telephone, the telegraph, the airplane, and, within the last few years, radio and television—all of these things are the product not of consumer enterprise or of public enterprise but of the genius of individual men.

These and all the other inventions which have blessed mankind have been the results of the competitive urge, and like the authors of the Interstate Commerce Committee Report of 1913, from which I have already quoted, I believe "that the progress of the world depends in large measure upon that fair, reasonable rivalry among men which has hereto characterized the advances of civilization."

It is the function and the duty of government to promote and protect that rivalry. It is a challenge to statesmanship to make certain that this objective is attained and that competition in America's commercial life shall not be eliminated.

To accomplish that purpose let us first make certain that competition is preserved by preventing the restraints which have throttled it in the past; and second, let us break open new channels for the investment of private savings in free, private enterprise.—*Hon. Joseph C. O'Mahoney, United States Senator from Wyoming, in Congressional Record, July 26, 1939.*

Bibliographical Notes

Although the bibliography on government ownership and operation of railroads is extensive, most of the books on the subject were published many years ago when conditions surrounding the transportation industry were quite different from those existing today.

Among the recent books devoted to this subject are:

Government Ownership and Operation of Railroads for the United States, by Lewis C. Sorrell, Professor of Transportation, University of Chicago, published by Prentice-Hall, Inc., 70 Fifth Avenue, New York, N. Y., 1937.

Railroads of Thirty Nations, subtitled "Government Versus Private Ownership," by P. Harvey Middleton, Secretary, Railway Business Association, published by Prentice-Hall, Inc., New York, N. Y., 1937.

Government Ownership and Operation of Railroads, by Walter M. W. Splawn, Professor of Economics, University of Texas, now a member of the Interstate Commerce Commission, published by Macmillan Company, 60 Fifth Avenue, New York, N. Y., 1928.

Government Ownership and Operation of Railroads, a volume of statements on the subject by national, regional, state and local business organizations, compiled by Transportation Conference, 1933-35, printed and distributed by Railway Business Association, 38 South Dearborn Street, Chicago, Illinois.

In addition to these books, the *Annals of the American Academy of Political and Social Science*, Philadelphia, devoted its issue of September, 1936, to articles on the status of railroads in the United States and in foreign countries, with emphasis on the question of private versus government ownership, and devoted its issue of January, 1939, to the general subject of ownership and regulation of public utilities, including

several articles on private versus government ownership and operation of railroads. Both issues were edited by G. Lloyd Wilson, Professor of Transportation and Public Utilities and Director of Bureau of Public Affairs, University of Pennsylvania.

Among other recent publications which furnish a general background of information and thinking on the subject are:

Report of the Federal Co-ordinator of Transportation, 1934, Regulation of Railroads, Senate Document No. 119, 73d Congress, 2d Session, issued by the Government Printing Office, Washington, D. C., 1934.

A National Transportation Policy, by Dr. C. S. Duncan, Economist, Association of American Railroads, Washington, D. C., published by D. Appleton-Century Company, Inc., 35 West 32nd Street, New York, N. Y., 1936.

The Modern Railway, by Dr. Julius H. Parmelee, Director, Bureau of Railway Economics, Association of American Railroads, published by Longmans, Green & Company, 114 Fifth Ave., New York N. Y., 1939.

Among recent booklets issued by the Transportation Association of America, 400 West Madison Street, Chicago, Illinois, are:

Some of the Causes of Government Ownership Abroad and

Some of the Experiences with Government Ownership in the Scandinavian Countries.

General railway information is available from many sources, including the individual railroads, the Interstate Commerce Commission, Washington, D. C.; the Association of American Railroads, Washington, D. C.; the Committee on Public Relations of the Eastern Railroads, 143 Liberty Street, New York, N. Y.; the Western Railways' Committee on Public Relations, 105 West Adams Street, Chicago, Illinois, and various state railway associations.

Much statistical information concerning the railroads is contained in *Statistics of Railways in the United States* for each year beginning with 1888, prepared by the Bureau of Statistics of the Interstate Commerce Commission, and published by the Government Printing Office, Washington, D. C.

Railway statistics are available in more condensed form in the annual booklet *Railroad Facts*, published by the Western Railways' Committee on Public Relations, 105 West Adams Street, Chicago, Illinois. The same statistics are issued as *A Yearbook of Railroad Information* by the Committee on Public Relations, Eastern Railroads, 143 Liberty Street, New York City.

Numerous articles relating to the railroads and transportation generally, including the specific question of government ownership of railroads, have appeared from time to time in the weekly journals, *Rail-*

way Age, published by Simmons-Boardman Publishing Corporation, 30 Church Street, New York, N. Y., and *Traffic World*, published by Traffic Service Corporation, 418 Market Street, Chicago, Illinois. Such material may be located by consulting the indexes of each volume of these journals.

In addition to the above, most of the standard textbooks on railroads and transportation contain some discussion of the question of government ownership and operation of railroads.

In response to the widespread interest aroused by the assignment of government ownership and operation of railroads as the topic for debate in 1939-40, several debate handbooks are in course of preparation by college professors, debate coaches and others. Information concerning these handbooks is probably available at local bookstores or libraries or from debate league officers.

Warns of Danger

To maintain genuine democratic government is a difficult task. It will be beset by many dangers, and efforts will be made to convert it into a socialistic state or into a powerful centralized and oppressive government. This Republic in its brief period of existence has encountered forces which menace its existence. The important task devolving upon all American citizens is to preserve this Republic and to keep it in the paths designed by the fathers. . . . There are those who insist that the Government shall take over many activities that belong to the capitalistic system and to lead the way to wider socialistic activities. . . . There are today socialistic governments, and also people living under communistic and dictatorial governments. They should be an admonition to the American people to maintain and defend this Republic. We have the best form of government the world has ever produced, and any departure from its philosophy and spirit will inevitably bring to the American people some of the sorrows and evils found in other countries.—*Hon. William H. King, United States Senator from Utah, in the United States Senate, July 27, 1939.*

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