

**SERIES IN POLITICAL ECONOMY AND PUBLIC
LAW; NO.15; RAILWAY CO-OPERATION. AN
INVESTIGATION OF RAILWAY TRAFFIC
ASSOCIATIONS AND A DISCUSSION OF THE
DEGREE AND FORM OF
CO-OPERATION THAT SHOULD BE GRANTED
COMPETING RAILWAYS IN THE UNITED STATES**

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CHARLES S. LANGSTROTH & WILSON STILZ

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NO. 15

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AN INVESTIGATION OF
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BY
CHARLES S. LANGSTROTH

AND
WILSON STILZ

WITH AN
INTRODUCTION

BY
MARTIN A. KNAPP
Chairman of the Interstate Commerce Commission

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PREFACE.

The two essays constituting this monograph on Railway Co-operation were written in competition for a prize open annually to a limited number of students in the senior class of the Wharton School of Finance and Economy of the University of Pennsylvania. This prize was established in 1896 by Mr. Henry C. Terry, of Philadelphia, in honor of his son, Willis Terry, who died suddenly two months after graduating from the Wharton School.

The second set of essays submitted in competition for the Willis Terry Prize were prepared under my supervision during the academic year 1897-1898. The subject which the five competitors investigated and wrote upon was given to them ten months before the essays were submitted in final form for examination. The five essays were all prepared with care; but two of the contestants, Mr. Charles S. Langstroth and Mr. Wilson Stilz, gave a large amount of time and research to the preparation of their essays, and when the judges came to pass on the merits of the manuscripts, it was agreed by the judges, not only that the essays by these two young men were the best of the five, but that the studies were of such exceptional value as to make it desirable for the University of Pennsylvania to include them among its publications.

In making their award, the judges gave the prize to Mr. Langstroth and made honorable mention of Mr. Stilz's essay. They recommended that both papers be published, not only because each possessed a high order of merit, but also for the reason that the two authors had treated the subject differently and in such a manner that the two essays complemented

each other in a large degree. Although not one of the judges, I fully agreed with them. The two essays taken together constitute what seems to me to be a most useful contribution to the literature dealing with the railway question.

In submitting the subject of the essays to the contestants, I accompanied the statement of the subject with the following explanatory remarks :

"The essay is to be a concrete study of the practical question of the co-operation of the railways in the United States at the present time. Present and former traffic associations will require investigation, not for the purpose of setting forth the details of their history, but for the purpose of depicting the economic and social forces that account for the efforts of the railways to promote co-operation and of the public to maintain complete competition. The past and present agreements of traffic associations, the legislation of the States and of the United States, and the more important judicial decisions affecting railway associations constitute the chief materials to be used in the preparation of the essay, which is to deal, first, with the interpretation of these materials, and, second, with a discussion of the present, practical, economic and political question—the extent and form of railway co-operation which, in the light of our past experience, should be granted to competing railways."

The authors carried on the investigation thus outlined each in his own way ; and, although they consulted with me frequently, the work in the strictest sense of the term is their own. As counselor and critic, I took pains to give each contestant the fullest intellectual freedom. The literary work of the two authors whose essays are printed in this monograph was such that but few changes in style were required. Both essays were accompanied by a bibliography, but as the two bibliographies did not differ very greatly, only one, that prepared by Mr. Langstroth, has been printed.

The views held by Mr. Langstroth and Mr. Stitz on railway questions, as well as those entertained by myself and all other students of those problems, have been largely influenced by the work and reports of the Interstate Commerce Commission. The writings of the present chairman of the commission, the Honorable Martin A. Knapp, hold a high place in transportation literature, and it is a source of especial pleasure to the authors of this monograph and to myself that he has prepared an introduction to this study. He has set forth the relation of these essays to a treatment of the general subject of railway transportation, and has outlined the principles of governmental regulation of railroads in such a manner as to add very much to the value of this publication.

EMORY R. JOHNSON.

August, 1899.



INTRODUCTION.

And no doubt, when the whole subject is carefully examined and wisely considered, it will be found that the true interests of the owners of railroad property may be made to perfectly harmonize with the true interests of the public, and that it will be as wise for the state to encourage and protect whatever in corporate arrangements is of beneficial tendency as it will to suppress what is mischievous.—THOMAS M. COOLEY.

This was the utterance fifteen years ago of an eminent jurist and thoughtful student of railroad transportation. The forecast thus expressed embodies a weighty truth which is rapidly gaining recognition and will ultimately come to full acceptance. Contrasted with actual conditions, however, it seems in one aspect an impracticable view, while in another it suggests the magnitude and complexity of the railway problem. How to secure from carriers by rail the most efficient and most equitable service at the lowest reasonable cost; how to promote the development and increase the usefulness of these agencies of commerce, and at the same time hold them in such control as to prevent the abuse of corporate power; how to combine their facilities to the ends of highest utility without incurring the risk that public rights will be impaired or public welfare imperiled; how to harmonize conflicting interests of such vast proportions and place the people and the railways on a plane of equal advantage and protection, are questions of such grave import as to test the wisdom of statesmanship and tax the resources of public authority.

It cannot be doubted that the solution of these questions will be greatly aided by an intelligent use of experience. While they are presented in many phases and frequently modi-

fied by new conditions, the careful study of what has already occurred must prove of unquestioned value. For this reason it is highly important that the facts of transportation history should be known and their significance understood not only by those who own and manage our railway properties, and are primarily responsible for their operation, but quite as much by the masses of people whose interests are directly involved and who have the power to determine the nature and extent of control to which public carriers shall be subjected.

While the railroads of the country have been of incalculable benefit, the chief agency of our wonderful growth and prosperity, their construction and management as private enterprises have brought about more or less friction and conflict with those who are dependent upon their services. This happens so frequently that in popular estimation there is an almost continuous controversy between the public on the one side and the carriers on the other. Both parties have been influenced by a desire to bring their differences to a fair adjustment, and each of them has tried in its own way, though without much assistance from the other, to reach a satisfactory settlement.

On the part of the public the contest has been mainly carried on by means of legislation. The law-making power has been constantly resorted to for relief from real and protection against imaginary evils, and to force from the roads by statutory enactments compliance with popular demands. Scores of measures for controlling the methods and charges of railway carriers have been passed, many of which were well considered and useful, though not a few were distinctly unwise and mischievous. At the outset some effort seems to have been made to provide restraints by means of charter provisions, which were modeled after those granted to canal and turnpike companies, but this method of furnishing safeguards against corporate wrong-doing was an undoubted failure. At best it was only a preventive remedy, which was tried in a few