

GOVERNMENT PARTNERSHIP IN RAILROADS

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649526659

Government Partnership in Railroads by Mark Wymond

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Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

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BY

MARK WYMOND

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RAILROAD VALUATION AND RATES

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1917

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Press of the
Chicago Journal Publishing Co.
Chicago

OUR TRANSPORTATION PROBLEM.

The railroad horse has been a faithful beast of burden for American commerce. He has pulled its commodities from the Atlantic over the Alleghenies in the east, across the fertile central prairies, the blistering plains and arid deserts of the west, over the Rockies, Sierras and Coast Range to the Pacific and through the great central Mississippi Valley from the Great Lakes and Canada to the Gulf. Heretofore he has never balked. When we have given him the word, he has always pulled, steadily and effectively, whether across bog and swamp or over steep hill and high mountain.

At times he has kicked over the traces at his driver, but at the word to go he has always pulled. At times he has been found in the public cornfield getting more than his allotted feed, but he has been charged with eating corn that in fact went to fatten the hogs of the Manufacturer, the Farmer, the Miner, the Packer and the Merchant. He has never been foundered by overfeeding.

He is a valuable animal, having cost us some 16 billion dollars. He requires the work of 1,800,000 Americans in maintaining and serving him. It costs us about $3\frac{1}{2}$ billions of dollars a year to feed him. His welfare is therefore a matter of very great economic importance to us.

If for only a week or so he should refuse to pull we would freeze and starve in the big cities, our industrial plants would close, our lamps remain unlit at night, our street cars stop; we should have to confine our journeys to short distances. He is most essential to our social comfort and our business wel-

fare and it is very important therefore that he should continue to pull steadily and effectively.

He is faltering now for his spirit has been broken by the Politician and the Ignoramus who have beaten him unmercifully with the sticks of Political Trickery and Stupidity. We must look after our horse more carefully if we are to get our truck to market.

Railways are the arteries of commerce, the most important highways of the country. Whatever injures the business of transportation injures all business; serious injury to either brings disaster to all of the people.

Railroad business is the best index of the general business condition of the country. When business prospers railroads prosper. A decline in railroad revenue is the first intimation of a slackening in trade, an increase in railroad revenue the first indication of a revival of general prosperity.

Our transportation system commands the admiration of the whole world. Its development has been due to the initiative and ingenuity of our most forceful men. Self interest has compelled the railroads to meet and often anticipate in every practicable way the needs of business, so that its own business might develop.

Our people are primarily a business nation, energetic, nervous and insistent. They demand and have secured the best transportation in the world. It is dependable, safe, flexible and varied enough to meet the needs of both general and specialized lines of business. Heretofore its standards of service have advanced with the tremendous expansion of business and it has been a pioneer in extending into undeveloped territory for the purpose of creating new business.

The public has demanded low rates and we have the lowest rates in the world. It has demanded adequate facilities and our roads are by far the best equipped in the world. The securing of adequate facilities, and at the same time granting low rates, has taxed the ingenuity of railroad officials to the limit.

Lack of Facilities a Restraint of Trade.

Adequate facilities demand the expenditure of very large sums of money, in most cases. Low rates prevent the accumulation of a surplus to provide for these improvements and betterments and lessen the power of the roads to secure additional capital. In many instances we have reached the point where the granting of low rates precludes the possibility of securing the money needed for adequate facilities.

Without substantial additions to the facilities of existing railroads and extensions into territories having vast undeveloped resources, existing trade can not expand and potential possibilities of trade can not be realized. That is, the lack of needed facilities of transportation will bar the expansion of trade beyond its present volume. To guard against inadequate facilities and provide for the extension of railroads, they must be allowed such rates as will permit them to accumulate a surplus from their operation and establish a credit, so that necessary new capital may be obtained.

Our Transportation System Breaking Down.

It is now very generally conceded by those charged with the operation of our railroads and the informed public, that our transportation system is breaking down. The surplus of the railroads had very generally disappeared at the end of the fiscal

year, June 30, 1914, at the beginning of the European war. Twenty years ago the railroads were able to secure the money necessary to provide additional facilities at 4 and 4½% interest. It is now difficult for even the strongest of our railroad companies to renew their loans or secure new ones. A large part of the loans made on bonds and notes are at rates varying from 5½ to 7½%, only in exceptional cases can money be obtained at the old rate of 4%.

Evidently something is very seriously wrong with our railroad system as a whole and the solution of this transportation problem is the most important matter before the public at this time. The present prosperity of our railroads is temporary only and has been created solely by the abnormal conditions produced by the European war. The previous condition will obtain at the end of the war unless something is done in the meantime to remedy the trouble.

The trouble is evidently fundamental and the treatment must be drastic enough to remove the existing evil and comprehensive enough to meet all requirements of present business and anticipated expansion as well as of extensions to provide for the development of vast natural resources which have as yet been scarcely touched.

The railroads insist that the present situation has been brought about by the repressive policy of legislatures and regulating commissions. While there is doubtless some truth in this, it is probable that the trouble has not resulted so much from a deliberate punitive public policy as from a failure to adjust our regulation to a changing commercial and financial condition.

There are some who contend that the railroads' difficulties are due to dishonesty and inefficiency. As a matter of fact, the transportation business of

the country, as a whole, in the past ten years has been conducted on a high moral plane and in a manner as efficient as that of any business in the country. There are of course notable exceptions to this statement of general conditions in transportation, just as there are in all lines of business and in all humanly-conducted affairs.

There is much misapprehension as to transportation matters and we must rid ourselves of them and be prepared to base our solution on the actual facts which thorough investigation will develop.

Ours is a business nation and when the public interest is aroused we may always rely on the common sense and fairness of the public in dealing with business relations. The public interest demands primarily that the railroads be prosperous in order that they may serve it efficiently.

Geographical and Political Complications.

Our problem is somewhat more complicated than that of foreign countries on account of our geography and political organization. The larger part of our population and our national resources are located inland and at great distances from water transportation so that the railroads are absolutely indispensable to any considerable commerce and in consequence railroad transportation is closely allied with the business prosperity of the whole nation.

In this fact lies the necessity for government regulation of railroad rates and practices. Neither the railroad owners nor the public realized it for some time, but regulation was inevitable from the beginning, as there can be no commercial or industrial independence under the conditions in our country with unregulated railroad transportation.