

**SHALL THE GOVERNMENT OWN AND
OPERATE THE RAILROADS, THE
TELEGRAPH AND TELEPHONE SYSTEMS:
SHALL THE MUNICIPALITIES OWN THEIR
UTILITIES? THE NEGATIVE SIDE; PP. 1-118**

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THE NATIONAL CIVIC FEDERATION

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Addresses delivered at the Fifteenth Annual Meeting of

The National Civic Federation

New York City, December 4, 1914

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PREFATORY.

At the Annual Meeting of The National Civic Federation, December 4 and 5, 1914, one session was devoted to a discussion of the question, "How Far Shall the Government Enter into Private Industry?"

The program at this session consisted of addresses dealing with the question as it relates to government ownership of railroads, government ownership of telephone and telegraph systems, and municipal ownership of public utilities. Upon the affirmative side the papers presented were by Former-Governor Walter R. Stubbs, of Kansas; Congressman David J. Lewis, of Maryland; and Dr. Frederic C. Howe, Commissioner of Immigration, and upon the negative side by Former-Senator Jonathan Bourne, Jr., of Oregon; F. G. R. Gordon and J. W. Sullivan. The session, which was presided over by Samuel Gompers, President of the American Federation of Labor, was opened by Professor J. W. Jenks, who analyzed the alleged general trend toward government management of business.

The National Civic Federation intends publishing the entire proceedings of this session in one pamphlet. There has also been a demand for pamphlets containing the affirmative and negative sides respectively. The remarks of Professor Jenks are to appear in each. This pamphlet is devoted to the negative side only.

The paper by Mr. Sullivan on "City Transit Systems" had been prepared, but owing to the pressure of other work at the meeting was not then read.

The price of single copies of the pamphlets is 50 cents; for twenty-five copies or more the price is 25 cents each.

THE TREND TOWARD GOVERNMENT MANAGEMENT OF BUSINESS

JEREMIAH W. JENKS.

When the war in Europe broke out this summer, I heard immediately from several Americans who were abroad the expression of the hope that the United States Government would at once so amend our antiquated navigation laws as to permit the rapid development of a merchant marine. For some two or three weeks we in Berlin were almost entirely cut off from communication with the outside world, but when we again had the opportunity of seeing American newspapers, most of us were surprised to learn that our Government, while freeing the hands of private individuals in the purchase of merchant ships, had also determined to create for itself a merchant marine, owned and managed by the Government.

If the underlying reason for such action were the greater possibility of having suitable ships promptly available as transports or auxiliary cruisers in case of war, as many people surmise, no one, I think, would object.

If the purpose were to seize the opportunity to take a step forward along socialistic lines, as the recommended purchase of the telegraphs, long distance telephones, and the extension of the work of the parcels post led some to think was probable, many persons would raise serious objections.

There seems to be so strong a trend toward Government management of business, not only in this country but the world over, that it is well worth while to note its direction in various lines of activity, and then to inquire whether it can be determined in individual cases how far it is wise to go, and what the principles are by which a positive decision can be reached.

No one questions that in time of war the Government should go to great extremes in not only direct military defense but also in the indirect defense of the country by preventing commercial loss or financial crises. The most unusual lengths, however, to which some Governments have lately gone have startled not a few people and have naturally aroused these questions.

TRANSPORTATION.

ROADS.—Many of us are old enough to remember the plank roads of forty or fifty years ago in the lumber producing districts of the Middle West that were afterward followed by well drained and well built gravel or stone roads, all of them built by private companies and managed as toll roads for the use of which all traffic paid a toll, sufficient often to yield a substantial profit to the company, but which beyond doubt yielded a much larger benefit to the community. The local taxpayers were as yet too scattered and too poor to build the roads and the development of the country was largely dependent upon roads that at least were passable. Even after the days of toll roads had largely passed, toll bridges were frequently found, and we, all of us, even here in New York, have the opportunity of patronizing toll ferries to the present day.

Throughout the civilized world to-day nearly all roads are owned and managed by the state, free to the public. They are often poorer than were the old toll roads, but there is much less annoyance. In the newer and wealthier states it has become the universally adopted policy for the public to care for the roads, and since bicycle and automobile owners have become influential, they are often well cared for.

With us the development of roads has been primarily, almost solely, for commercial and social purposes only. In

many European countries, from the days of ancient Rome to the present, the roads, as regards both location and upkeep, have in many instances served a military purpose as well, and that fact has often determined both their location and type. The old Roman Watling Street, stretching across England, is an excellent example of this type.

RAILROADS.—The course of the development of the railway systems bears some resemblance to that of the highways, but there are marked differences in all countries which sometimes indicate a difference in principle. In our own country, as we know, the railroads have been and still remain private property, under, however, a government control which has been gradually increasing in extent and stringency for many years. In several foreign countries the Government has built and manages many if not all the railroads. The principles, however, of the administration of the public-owned railroads are materially different from those of the ordinary highways.

In the first place ordinary highways, though they must be built at considerable cost and require a little care and expense for upkeep, differ absolutely in principle from railroads in that the latter demand a skilled organization and management adapted to a highly complex business, while roads require no management at all for their daily use.

Again, in some countries, such as Germany, although the railroads are generally laid out with reference to the benefit of commerce, the decisive factor in determining the location in many instances is military need. And further, they are not free, but are one of the chief sources of revenue, thus taking the place of certain taxes, and in practically all instances laying a burden upon commerce much heavier than that laid by private railway companies in our own country.

In Germany the ultimately decisive factor in determining Government ownership and management is mili-

tary; in some other countries the decisive factor is primarily political and possibly financial. Each country needs to be studied by itself and in making comparison between the experience of different countries one should be careful to take into account all determining factors—a practice that has been by no means universally followed.

Doubtless in all cases the fundamental principle to keep in mind is that of the public welfare, but in a country like Germany, this welfare in the mind of the Government and people as well, is best served by considering first the military aspects of the situation, then the political aspect including the financial, and finally, perhaps, the social aspect. In our own country we practically ignore the military aspect; the political viewpoint is largely a matter of party policy; regarding the financial and social aspects there have been very decided differences of opinion, but I have never seen the viewpoints on either side worked out carefully and without prejudice.

THE POST-OFFICE.

LETTERS.—The Post-Office is generally cited as the best illustration of Government management. It needs therefore special attention. It should be borne in mind that the post originated with the need of kings and rulers to send messages regularly to distant provinces, and that only afterward, as a matter of convenience, did the post serve private individuals by either giving them transportation or by carrying messages or parcels.

The second reason for Government management was the need for secrecy, first of Government messages, then of private business, it being thought that the Government might possibly be best trusted in this regard. Yet complaint is frequently made that postmen deliver important letters to irresponsible janitors and elevator boys in apartment houses in cities, and that many cases of loss and be-

trayal of confidence thus result. Is the post-office more to be trusted in this regard than the private telegraph or telephone companies?

The development of the uniform rate of postage on letters for all distances is late—not till 1840 in England, and in the '60s in this country, but this mere simplification of rates has had much to do with the success of the postal service and with its extension. It is probably this uniform rate that has thrown into the foreground the social and educational service of the post in sending into the remotest districts at a nominal charge (far below cost in those localities), newspapers, magazines, books and other means of training. Here again we properly put emphasis on the social and educational value of this work in remote districts where letters and papers are carried at a loss. Yet the Western Union Telegraph Co. reports that to a considerable degree it follows the same policy and that a large percentage of its smaller offices are continued at a loss.

POSTAL SAVINGS BANKS.—For some decades in foreign countries (since 1861 in England), and of late under the Taft administration in our own country, the post-office has been used to serve the needs especially of the thrifty poor in remote districts through Postal Savings Banks, Postal Money Orders, and other devices that are rather means of protecting the poor against fraud and loss than of promoting business. In Great Britain this includes also since 1865 life insurance and annuities. In the United States and most other countries the post-office has not yet gone so far in this direction.

PARCELS POST.—The direct promotion of business through a general parcels post seems to introduce a new principle and at once raises the question whether or not it is wise for the State to perform this business function. If so, it should probably be justified on the ground that it does actually effect a saving of industrial energy to the people; that is a question that seems by no means to have