

THE PENNSYLVANIA RAILROAD SYSTEM



INFORMATION



FOR EMPLOYEES AND THE PUBLIC

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Starve the Railroads and We Starve Ourselves

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The following article by Mr. Munsey is reprinted by permission from the April Number of Munsey's Magazine :

The railroads are structurally a part of our national life—fiber of our fiber. They are the arteries of our very being through which courses the life-blood of the nation. We cannot do them harm without doing ourselves harm. Starve them and the pinch of poverty grips us.

The railroads were built by private capital and are owned by private capital, and yet they have little of the inherent freedom of private property. Their characters constitute them common carriers, public service concerns, and as such they are in a sense owned in common by the public and by private capital—no actual public ownership in them, dollars and cents ownership, but in the outworking the "senior partner" influence and dominancy of the public makes it amount to about the same thing.

Such a partnership between the public and private capital, the latter putting up all the money and taking all the risks, is a soft thing for the Government, arrogating to itself, as it does, absolute control. Of course, it wasn't this way when railroads were built, when capital risked itself in these venturesome undertakings. If it had been—if the government's attitude toward railroads had been just what it is now, the same narrow picayune policy in force—we should have no rail-

roads today except government built and government owned.

Private capital in any measure worth while would never have gone into the upbuilding of railroads, knowing in the outset the extent to which it would be fettered and hampered and harassed, as it knows it now.

I have no fault to find with government control as such. It is the kind of government control we have with which I am finding fault. As a matter of fact, there is nothing else for us but government control or outright government ownership.

With strong, able, wise government control—a kind of control that embodies constructive cooperation with railroads—we should have a far better railroad service than we could well hope for from government owned and government operated railroads. I don't believe there is any doubt about this.

Though capital went into railroad construction with the idea that railroads were private property, the change that has come about, putting them so completely under government control, was inevitable. Neither the government nor capital foresaw this change in the early days of railroad development. Indeed, it was the very vastness of this development and the incomparable power railroads had come to be that compelled public control and gave rise to the present conception of the proper relations of the railroad, common carrier that it is, to the public.

The government, therefore, cannot be charged with luring capital into railroads under former railroad freedom with the knowledge that this freedom

later on would be taken away from them. Until within a little more than a decade ago there was no serious conflict of opinion between the government and the railroads.

At the outset no one ever dreamed of the power the railroad has come to be and the part it plays in our daily lives, to say nothing of its inconceivable contribution to the opening up and development of the country.

It follows naturally that changes in our laws must be made suited to this new development—a development so vast in its power that, unchecked and uncontrolled, it would in time contest for the mastery with the very government itself.

So government control had to come, but in the exercise of its control it has frightfully crippled and maimed the entire railroad business of the country. Capital has lost heart and would get out if it could do so without too great a sacrifice. Dividends on railroad shares have dwindled until they have no appeal to fresh capital. The government stakes out the lines within which capital must work, fixes its rates of income, and then says to capital, "Give us the best railroad service in the world."

All this would be well enough if the government's conditions were such as to make it possible, which is not the case. The fact is the railroads cannot give us the service we demand, pay the wages and taxes they are paying, and live on the income to which the government is grudgingly holding them down.

But the chaotic condition of the railroad business is only a little worse than that of business generally throughout the country. There is no snap and go to anything, and everything is in a blue funk. In view of these conditions, what are our chances of having good times? We hear the question all the while. It is on everybody's lips. The answer is vital. It affects our entire population, one hundred million human souls. No one is beyond the sphere of its influence. Our expenditures, our incomes, the scope of our undertaking, the scale of our living—our necessities, our comforts, our pleasures, our luxuries, our savings, and our very future—all depend upon it.

We are a temperamental, impressionable people. When we have good times we hurl ourselves on enterprise and sweep everything before us. When we have hard times and feel the pinch of poverty and see idle cars, idle factories, and idle labor, we get a fit of the blues which makes us distrust our institutions, distrust ourselves and look upon life as one weary grind.

We have wallowed in the slough of despond since the beginning of 1910, and today our securities, battered and tattered, find little favor

with European investors. Every enterprise has felt the lack of confidence, the lack of courage, and has perforce squared itself to that grim, ill-shapen thing—the thin pocketbook.

But human nature, and particularly American human nature, cannot be kept down forever. We have had enough of the valley, with its fogs and chills, and want to get away from it all and once more look out on the world from the sunswept heights. And, too, we want to hear the old, old story of what a wonderful country we have, of the vastness of our resources, the colossal measure of our undertakings, the bulging of values and the song of opulence and wealth and riches—enthraling music to our ears.

Starving the railroads and hostility to capital are responsible for our business depression and industrial stagnation. The government has overplayed its hand in humiliating capital and breaking up our big enterprises. Its obvious worry lest somebody, somewhere, somehow, might make a dollar has been overdone. Continue the policy of starving the railroads and we shall continue to starve ourselves, and shall have no good times. Let the railroads make a decent living, and the wheels of enterprise will leap into activity.

But Wall Street says good times are here. Wall Street may be right and may be wrong. Things have been deadly dull down there for so long that every one clutches at the very suggestion of hope. Hope in Wall Street is perhaps father to the wish. It looks to me as if it were in this instance. Wall Street is amazingly elastic in its conclusions. When it comes to shifting its opinions it puts a lightning change artist out of the running.

I am not writing as a pessimist. I am an optimist through and through, but optimism must take cognizance of facts. And what are the facts on which to base the hope for business activity, with our new low tariff, unless we get a *gigantic impetus* from some source or other?

It is clear that with our high wage we cannot get this impetus from such exports as come into competition with the products of the low wage of the rest of the world. And if not from exports, whence shall we get the quickening influence? The new currency law won't bring it. The new currency law will perhaps make money easier, but money is already easier than need be, both at home and abroad.

The lower price of money will no doubt benefit the farmer and perhaps stimulate him to wider activities. This will be good in itself, and may have some effect in lowering the cost of living, and then again it may not. But cheaper money to the farmer cannot and will not prove the impetus to revive business.

The lower rate of money will make it easier for borrowers, but in itself it will not be sufficient to impart activity to a dead calm, to break the grip of paralysis. Unless it so happens that the new currency bill proves to be a measure of inflation, it won't have the dynamic force to create energy, overcome inertia, and start things going. If, on the other hand, it brings about inflation we shall have a short hurrah run for our money, followed by such a reaction as will make the whole nation cry to heaven from the very hurt.

A great international war might set business going, and so might a change in our tariff—the kind of change that gives courage and confidence to home industries. But we have just had a revision downward, so there is no probability of an immediate revision upward; and there are no instances on record where revision downward, or low tariff, or no tariff, has ever re-energized anything here at home. On the ground of precedent, therefore, we haven't much to look for from our recent tariff legislation, and we are not now at war with any nation; so just what is there in sight, when we get down to the raw cold facts, to justify a belief in an immediate onrush of good times?

Agriculture cannot bring it about; war is not likely to bring it about; our new tariff is certain not to bring it about; the iron and steel trade cannot bring it about; the textile manufactories cannot bring it about; mining in all its different phases cannot bring it about; and all the scattered, smaller manufactories cannot bring it about.

It may well be doubted if anything can bring it about, as matters stand today, except the railroads, and the railroads can bring it about if they are allowed freight rates and passenger rates that will enable them to do business at a rational and fair profit—such a profit as will give place and value to their securities in the markets of the world.

This is what we want at this juncture to give us good times, temporary good times at least, and good times for a long run, if the policies of the government with regard to business, the tariff, the currency and in other respects are right. If these are not right it is pretty safe to assume that we, as a people, have the good sense and the patriotism, irrespective of politics and politicians, to make them right.

But just why can't agriculture give this impetus to business, and why is it that railroads alone can give this impetus to business? Briefly, the answer is this: Agriculture is a producing and selling industry. If we were growing a vast surplus beyond our own requirements and could sell it abroad, the new money flowing across the ocean would give us the impetus we need. But unfor-

tunately we have no such surplus and are not likely to have.

The steel and iron industry, vast as it is, in the aggregate, and well concentrated as it is, cannot in and of itself revitalize business. Like farming, it is a producing and selling industry. This is equally true of the countless scattered enterprises of one kind and another. Merchandizing doesn't even produce anything. It has to do merely with barter and sale. Banking, likewise, produces nothing. It is parasitic in its very nature.

The railroad, unlike these other enterprises, has nothing to sell but service. It buys, buys, buys, and all the while buys. It is a purchasing and consuming business, which ranks next to farming in its vast scope. The wages of railroad employes have so far increased that now they call for practically one-half of the gross receipts of railroads. The sum total paid out to labor by the American railroads is greater than that paid to labor by any other enterprise in any country of all the world. The railroads hold the key to the present business situation. Give them a chance and they will set the wheels of industry going. But they can do nothing for business and nothing for themselves impoverished and starved as they are by the government.

With a chance to live and to earn enough to make their securities safe and attractive to investors the world over, they could sell them like a hot.

What we need and must have at this juncture is new money and lots of it. The railroads alone can find this new money. But it is up to the government to decide whether they shall find it or not. So far the government in its non-constructive or, if you will, destructive policy has refused the railroads a chance for their lives.

If the government would get back of the railroads and give them a lift, the railroads would get back of business from one end of this country to the other and give it a lift—would get its great broad shoulder under business and heave it into action. Assure investors that our railroads have back of them the great American people, the good feeling and spirit of co-operation of the American people, and have back of them as well the strong, helpful hand of the government, untold money would flow into this country from abroad and vast sums of sleepy money tucked away in odd places here at home would straightway come out of its hiding and go into railway securities.

And what wouldn't this money mean to us—all this vast aggregate of new money in the coffers of the railroads to be spent for labor, for betterment, and for new undertakings? The railroads must have new rails, new cars, new engines, new ties,

new bridges, new stations, better roadbeds and a thousand other things. They must add to their sidings, double their trackage, and extend their roads into new territory. All this means work for idle men and full envelopes on Saturday nights.

Indeed, the railroads would begin buying on so tremendous a scale that our steel mills and other concerns having to do directly and indirectly with railroad supplies would be taxed to their capacity and beyond their capacity. And the high pressure activity in these lines would electrify the whole country and set every spindle spinning and every wheel of industry bounding into action. And there would be no idle men, no idle cars, no shuttered factories, no depression, no blues. Activity and enterprise and achievement would grip the country from ocean to ocean and from the Gulf to the northern border.

This is not an idle fancy. It is the very thing that would happen, and such a happening is the very thing we all want. And if we all want it, why shouldn't we have it? We are the government; the government is the thing of our creation, the servant to do our bidding.

The question, then, is this: shall we give the railroads a square deal, or shall we continue to punish them for the sins of a former period, when the relations of railroads to the public were not understood as they are now? In the old days people held to the idea as a matter of course that railroads, owned by private capital, were private property. We didn't know much about public service concerns then. We accepted the theory as a matter of course that the biggest shippers should get the lowest rates. Wholesalers bought at lower prices than retailers, so why not wholesale rates to big shippers?

But once the public service conception was fixed in our minds we saw the railroads in an entirely different light. Naturally railroad managements fought for the independence they had always had, and doubtless fought honestly, influenced by their interest. But all this has changed now. Ten years of discussion has brought capitalists and public, the fair-minded men among each, to a common understanding of the relations of capital to the people, of trusts to the people, of the railroads to the people, and of the relation of telegraph, telephone and all other common carriers to the people.

We ought to have, and I am satisfied that the American people demand, the best and safest railroads in the world. It is a certainty that we cannot have them without paying the price—railroads with every new device, every improvement that means safety and better service. And we can well afford to pay the price when the failure to do so means inferior railroads, dangerous railroads.

Forcing railroad managements into a position where they have been compelled to squeeze paltry dividends out of half-fed, half-nourished properties that they might keep their roads out of bankruptcy is a rotten policy.

Legitimate economies are fundamentally necessary to honest, able management, and whatever the government has accomplished in the way of cutting out waste and introducing first rate standards of economy is, of course, very much worth while. But to starve railroads into other economies, such, for instance, as skimping on roadbeds, skimping on bridges, skimping on rails, skimping on rolling stock, skimping on safety devices, and skimping all along the line, is quite another matter. They are costly savings to the people, dearly bought savings.

I hold no brief for the railroads; I am not speaking for myself, as I hold no railroad stocks, and don't wish to hold any under present conditions. Neither am I speaking for those who do hold railroad stocks. I am speaking for idle men, speaking in the interest of better business, speaking for a square deal for the railroads, for safe railroads, sound railroads.

For the government to stand back of railway labor, morally sustaining it in its demands for shorter hours and better wages, as the government has done, at the same time denying railroads the right to increase their incomes sufficiently to meet the increased cost of operation, is of the nature of confiscation, and no honest citizen of this country believes in any such thing or would himself, with full realization of the facts, be a party to it.

Let us have peace. Let this bitterness against the railroads cease. There is nothing in all this warfare for you or for me. Give the railroads a chance to prosper and we prosper with them; starve them and we starve with them.