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OUR RAILWAY PROBLEM

a paper read before the Cincinnati Literary Club
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On the 4th of July, 1828 Charles Carroll, of Carrollton, laid the first rail on the Baltimore & Ohio R. R. And at its conclusion, said that he considered the act as “second in importance to only one other act of his life, the signing of the Declaration of Independence, if second to that”

In the light of what has since come to pass, the two acts may well be considered as supplementary to each other, as the freedom of action, granted to our people by the one, was necessary to the full expansion of the other, and the railroads in their turn, have been powerful agents in carrying our civilization to the confines of the new world.

The Question of the development of the internal commerce of the country, had received with earnest consideration of early statesmen, and George Washington, both before and after the revolution had crossed the Alleghenies, seeking a possible canal route. He finally recommended the Mohawk Valley, and after the war of 1812, his ideas were carried out by the New York Legislature, the result being the present Erie Canal which soon proved a powerful force in building up the commerce of New York, to the detriment of other cities, which, like Baltimore, sought a real outlet, in self-defense.

Other canals were proposed and some were built, the Erie, however being the most conspicuous and for a long time a strong rival of the railroads. Strange to say, the people of the country never suspected that the railroad would be able to compete with the Canal as carriers of freight. For a long time the roads were not able to do so. The revenue of the canal continued to increase until it had reached three millions of dollars per annum, from which time it began to decrease until 1871 when its managers were forced to admit that it could not be made to pay expenses.

During the year 1825, just at the time the Erie Canal was opened, steam was first successfully applied to locomotives, and a series of experiments in England had led to the building of the Manchester & Liverpool Road. By 1828, therefore, we were sufficiently acquainted with the result to begin railroad building, and with this year our first railroad period began.

The period that marks the beginning of any great movement, is perhaps, always the most interesting to look back to; this is particularly the case with railroads.

The advent of the first locomotive to America, the opening of new lines all over the country and the attendant ceremonies, the hopes and fears of our fathers as to the future, taken altogether are of unique and absorbing interest.

When the great engine, the Stourbridge Lion, weighing 6 tons was first brought to this country to be used on the Carbondale Road, it was found to be too heavy for the rails in use, and had to be abandoned.

American enterprise then constructed an engine smaller size, weighing three and one half tons, called "The Best Friend of Charleston," and it was put to work on the South Carolina Road, where it was successful until the Negro fireman, in the absence of the Engineer, annoyed by the escaping steam, fastened down the safety valve, and as an additional precaution, sat upon it. Both came to an untimely end, and the directors took occasion to reassure the public, (in a card,) that the safety valve on the next engine, the "West Point" was placed out of reach of the fireman.

About this time, viz, the year 1830, Peter Cooper invented an engine that had its trial trip on the Baltimore & Ohio R. R., between Baltimore and Ellicott's Mills. It was on this trip that a trial of speed occurred, between a gray horse attached to a coach on one of the tracks and Mr. Cooper's engine attached to a coach on the other track, with the result that Mr. Cooper's train was distanced. Mr. Bigelow tells us, that Mr. Cooper, often in his latter years, alluded to this event, as being a most laughable one.

Accounts of the opening of roads during this period are interesting, and here is an extract concerning a trip over the Albany & Schenectady in 1831.

"The engineer was in full dress, his engine was attached to a train of six passenger coaches, which were the bodies of stagecoaches, placed upon trucks; the trucks were coupled together with chains or chain links, leaving two or three feet slack. When the locomotive started, it took up the slack links with such force that passengers were jerked out from under their hats, and in stopping, came together with such force as to send them flying from their seats. Dry pitch pine used for fuel, and there being no smokestack, a volume of smoke impregnated with sparks, coal and cinders poured upon them, compelling outside passengers to hoist their umbrellas as protection against the smoke and fire. This device lasted but for a moment, for in the course of a mile or two, they all went overboard, covers burned off from the frames, Whereupon a general melee took place among the deck passengers, each whipping his neighbor to put out the

fire.”

On a succeeding trip, a dinner was given in honor of the further extension of the road. The following toast, indicative of what was expected of the railroad was offered: the Buffalo R. R., “Maybe soon breakfast in Utica, dine in Rochester, and sup on Lake Erie.”

The period of which we are now writing, extended from 1828 to 1849. Imperfect financial machinery for floating of bonds and stocks, poor construction, inadequate road bed, cars, and engines, made this period an unprofitable one, and in addition to that, the panic of 1837 interfered; but towards the latter part of it, some of the lines began to push West, and when the second period opened on January 1, 1849, it saw the inaugury of a continuous line, New York to Boston. By the latter part of 1851, New York had two lines to Lake Erie. By 1853, a continuous line, New York to Chicago was in operation.

The second period beginning 1849, as described above, and ending in 1860 saw our mileage jump from 6,000 to 31,000 miles. This period was marked by unusual prosperity, and has recently been described by Gov. Campbell, as the “Golden Age,” due, as he says, to the Walker tariff, while Mr. McKinley attributes it to the discovery of gold in California. Certain it is that the tide of immigration set in very strongly in 1845, and steadily increased until it had swelled from 114,000 for the year 1845, to 427,000 for the year 1854, and this must necessarily have had a very potent effect in settling up the West, and carrying railroad construction with it. It is impossible in an article like this, to indicate the trend of railroad building during this period, but at the end of it, railroads had been completed to the Missouri River, and it is a notable fact, that the operation of the armies during the late war did not, to any great extent go beyond the borderline of railroad extension. Another fact is particularly noticeable, government aid had not been given to help in the construction of any railroads, up to this time. They had been built by private capital, with some state help; the attitude of the public was cordial; communities voted appropriations, and there seemed to have been no hint of the repulsion in public feeling that afterwards found such violent vent against the roads.

The four years of Civil War, cover the third period of in Railroad construction, or rather the period of non-construction; only 3,200 miles being completed during that time. We therefore emerged from the War with 34,000 miles of road and the growth of paternalism and nationalism, coupled with a loyalty of the Pacific Slope, and the determination of the North to grant them communication with the East, led to the chartering of various Pacific roads, accompanied by immense grants of public lands; in the case of the Union & Central Pacific, a loan of large sums of money to aid in the construction of their line.

The land grants to all the Pacific roads built, amounted to some 120 millions of acres altogether, and the history of these roads would form a chapter in itself.

The fourth. Is covered by the years 1869 to 1873. During this time the Pacific roads had completed some 2,000 miles of road; the Central and Union Pacific having connected their lines at Ogden in 1869, giving one trans-continental route. The other lines were caught by the panic of 1873, and work was suspended temporarily.

The increase in other proportions of the United States was remarkable, the total in 1873, being 70,000 miles an increase of about 100 per cent, for nine years. From 1871 to 1873, twenty thousand miles of road were built, accompanied by such wild speculation in securities of roads, new lands, etc., that the panic of 1873 resulted, culminating on 20th of September, in the closing of the doors of the New York Stock Exchange, until the latter part of November of that year.

With the unprecedented increase in mileage marked by this period, began the active competition of Western roads; unvexed and by legal restraints, socialism rampant, glaring inequalities in rates and unbearable discrimination arose, and caused such widespread discontent, that the Granger movement began in 1870, inaugurating a war with the railroads that has not spent its force yet in some of the Western States.

The declared object of the movement was to regulate by law, the charges of railroads through Legislatures and Commissions appointed by them, and so strong was the popular feeling, that they carried the elections, had their commissions appointed, who set to work to make tariffs to suit their own ideas of justice. The railroads ignored the rulings of the commissions, and the matter being taken to the US Supreme Court, it rendered the famous decision, MUNN vs. ILLINOIS in which was affirmed the reserved police powers of the States, and their right to regulate commerce of public carriers.

The Granger movement and their repressive laws, soon overreached themselves, particularly in Wisconsin, where the Potter law had such disastrous effects on railroad earnings, that it was repealed after two years. The movement ended in 1877, but its laws still linger on the statute books, and in such states as Iowa and Nebraska, enough of that sentiment remains, to seriously embarrass the carriers. In Iowa last year, scarcely a mile of new road was built. The popular feeling against railroads, seems now to find its severest expression in the states of Georgia and Texas. In the latter state, the commission had just issued an order, reducing cotton rates to one half. The commission is headed by Sen. Reagan who, while in the Senate, advocated the Interstate Commerce bill and so

strenuously.

In Iowa, the employees of railroads, have organized themselves into a society, having for its object, the solid support to candidates, who will oppose such anti-railroad legislation. They claim that their action is forced upon them by the hostile attitude of the government.

But to return to the fourth period of railroad construction, it is proper to remark that the end of 1873, saw railroad construction at a standstill, and not until 1879, did it show any great activity.

The fifth period therefore, which extends from 1873 to 1879 was a very inactive one, adding only 11,000 miles, making the total mileage in 1878, 81,000 miles.

The beginning of the sixth period, viz; 1879 marks the completion of the Pacific roads and prosperity having once more spread her wings over the country, railroad building began in earnest again. During the nine years following, there was completed 70,000 miles of road, making the total, 150,000 miles. During this time very much of the building consisted of pushing westward of roads, to important trade centers, multiplying very largely, the number of competitive lines. There was some parallel building, the most noteworthy being the Nickel Plate, from Buffalo to Chicago, and the West Shore, from New York to Chicago, paralleling the Vanderbilt lines, and done for the sole purpose of selling out to those parties. There was a great scandal connected with the transaction, and it was distinctly classed as opposed to business ethics.

Our statistics take us down now to the date when the Inter-state Commerce Law took effect, April 5th, 1887. It marks a very important epoch. By that act, Congress delegated to a commission, the power to regulate inter-state traffic, on rail lines, or combined rail and water lines, but with no jurisdiction over all water lines. Under this act, the railroads are required to have reasonable and just rates; forbidden to discriminate by rebates, special rates etc.; prohibited from giving undue preferences to individuals or localities, debarred from a pooling freight, or division of earnings; it prescribes the long and short haul clause, which forbids charging greater rate for shorter distance than for longer, over the same line, and in the same direction, under substantially the same circumstances; it requires due notice of advances, or reduction of rates, publication and posting of tariffs at stations, for information of the public and designates measures for the proper execution of these provisions.

The consternation and apprehension, that the passage of this act caused among railroad men throughout the entire country, was memorable. No one could outline what course of action to pursue. Conferences were held without result.

Opinions of inconceivable variety were passed around, and strange to say, the smallest amount of enlightenment came from that department, where it naturally was most looked for, namely the Legal Department. As the fateful day approached, notices were sent to all shippers, that all special contracts, and all rates would terminate on and after that date. All passes were annulled, provisional tariffs were constructed. In fact, so far as rates were concerned, we had to take up the question, de novo, the work of years had been swept away in one day.

Very fortunately, Pres. Cleveland selected a very fine set of commissioners, who went about the construction of the act, very much in the spirit that John Marshall and his associates construed the Constitution, and a great many of the supposititious cases that troubled the traffic men, never came up.

The commission did its work conservatively, construing the law only as cases were brought to their attention, deciding each case on its merits, and building up slowly, a body of precedents, they gave the railway men a rule of action for future guidance. The first three reports of the commission, speak very hopefully of their work, and point out with great force and clearness, the relation that the Railway Problem bears to our commercial and social fabric. They also point to a general amelioration of the evils, that the act was intended to correct.

In their fourth report, submitted last November, the tone is rather pessimistic. They seem to feel that the railroad system of this country, is too stupendous to be controlled by the machinery at their disposal, and the work too vast for their limited strength.

During 1890, they discovered what they considered a widespread return to the abuses of former years, and undoubtedly there has been a much more manifest disposition to question their jurisdiction or right to regulate commerce to the extent that they have attempted. The idea that the act is unconstitutional, is gaining ground very rapidly, and some of the western men who had been indicted, seemed determined to test its constitutionality. I am informed that it is pretty generally held by the New York bar, that the act is unconstitutional, principally on the ground that Congress has no right to delegate its power to a commission.

The law however will have able defenders and it will not be surprising if the Supreme Court takes high political grounds as it has before, in sustaining the action of Congress.

It seems probable that unless the matter is brought to a test soon there will be a great body of decisions ingrafted upon the records and the abrogation of the law seriously disturbed the country. Some four or five hundred have already been

made and railway practice adjusted thereto.

So far as we can observe its effect has been beneficial to the railroads and to the country. With its passage, the old-style go-as-you-please freebooter, disappeared from the rank of railway traffic men and in his place are to be counted men of broader ideas and better conception of the relation that their office bears to the welfare of the community. The gain in this particular has been very distinct.

Under the old system of rebates and uncontrolled competition the morals of railroad managers probably deserve some portion of the censure conveyed in this scathing words used by Mr. Chas. Francis Adams, namely that "they have become hardly better than a race of horses and Jockeys," therefore, aside from the attitude among certain men of opposition to the law which serves for a time to make its observance a dead letter in certain communities, I believe that the consensus of opinion is that it's repeal or a decision of unconstitutionality would be "chaos come again."

Now a few words as to the problem that the Commission have to deal with.

There were in operation at the close of the year 1890, 160,000 miles of railroad in this country, with a capital of eleven billions of dollars, employing nearly one million people, or one twelfth of the male population of the country. Gross earnings one billion, net revenue 455 million dollars. Passengers conveyed 520,000,000, tons of freight moved 701,000,000.

Percentage of gross revenue to cost, 12.7
" " net " " " 4.

In pondering over the astounding facts revealed by these figures, one is struck by the intimate relation such transactions must bear to the every department of life, and to the necessity for a more tolerant feeling on the part of the people to a system that carries such a great part of the burden of society.

The railroad must necessarily be the great distributor, the intermediary between all of the various commercial interests of our country; and so closely correlated to other branches of enterprise that their interests seem to be mutual.

For instance, in moving the present immense wheat crop by their Negotiable Bills of Lading they have provided the bank with a perfectly safe medium of exchange, and in turn have been dependent upon the Insurance Companies to a great extent for the proper insurance of this commodity while lying in the elevator at the seaboard. So large has been the movement that the question of insurance has become a serious one, threatening to retard the movement. This is mentioned as an instance of the interdependence of every branch of industry, and by the same token it may be easily seen that the problem

of their control should be approached with a greater spirit of liberality and is manifested by at least one of the parties now seeking control of the affairs of the nation.

We read a great deal about Government control of the railroads. Our people unmindful of the experience in Great Britain insist that the state should run the railroads. There are apparently many insuperable objections to this:

First, where will the government raise the money to pay for them at their par value, say \$11 billion. The operation would be an extremely slow one financially. France and Italy, with a comparatively small mileage have found it difficult to pay for the roads that they have agreed to purchase.

Secondly, there seems to me to be great force in Prof. Bryce's statement that government control will strain the constitutional balance between the States and the Federal Government.

Thirdly, it would build up a vast army of autocrats in the shape of railway officeholders, as supercilious as the government official proverbially is. This would be especially galling to our people.

Forcefully, such a class of officeholders could control the political destinies of the nation, and the temptation to the autocratic exercise of power that would necessarily be placed in the hands of a coterie of men would seriously threaten the freedom of our institutions.

Aside from all this, there is a great necessity for a management of railroads that can respond promptly to their needs. Imagine how the delays incident to government management would interfere.

Take one instance. Suppose the present commodious Grand Central Depot had been constructed under government control, subject to the delays that occurred in building our present Custom House. It is almost a world wide axiom that the waste in government enterprises is enormous.

A question of very great importance to the Railroad interests of this country is the foreign commerce, particularly with European countries. The expected reciprocal trade with South America has not yet developed, and attempts to encourage and have so far met with crushing financial disaster to the ocean carriers, but our trade with Europe is already of vast proportions and might be carried on with much greater facility, were we not burdened with unjust tariff laws.

Day after day vessels report in ballast on this side for cargo for Europe. While the volume of export must ever be larger than imports, yet reciprocal trade

would give these ships something to bring over and the railroads something to call back from the seaboard in their empty cars, ergo, the farmer would get his grain and produce to market at cheaper rates.

There are many practical illustrations of this fact, and it has long since become patent to observers of these facts that a young, powerful nation like ours is simply tying her hands up by such short sighted policy.

The popular impression in this country is, that the consolidation of railroads is a serious danger to our country. At the present time the railroads of this country are practically controlled by some 650 separate and distinct companies, and the rate of consolidation since the passage of the Interstate Commerce Law is about 27 per year; prior to that time about 52 companies per year. The new construction will reach the former number, therefore consolidation is not going on so fast as people suppose.

It is now the generally accepted opinion of economists that combination is the fundamental law of railroads, particularly where they supplement each other by constituting a continuous line. It is self-evident that they give cheaper and better service than when they are under separate management. Moreover, it appears that combination can go so far, and beyond that point defeat its own object. Beyond a certain point a railroad combination becomes cumbersome and loses a great deal in competition with its smaller adversary, who stripped for battle can watch every point of the territory they contest.

My opinion in regard to combination and government regulation, is expressed very fully in Jefferson's idea of the functions of our government, "a wise and frugal regulation that shall restrain them from injuring one another," beyond that the full application of the doctrine of "laissez-faire."

The railroads of the country must, from the very nature of the case, take their coordinate station in the Commercial world, and be subordinate to the general interests of society, so that a pessimistic view of their status goes farther and involves the whole edifice of republican government in which we live.

Concerning the happy outcome of the experiment we cannot express our faith in simpler or braver words than the poet Lowell has used;

"I have no dread of what
is called for by the instinct of mankind."

Sydnor Hall

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