

# Government Ownership of Railroad Systems

Government ownership of railroads is supported not only upon negative grounds, but positive advantages are urged in its favor. Prominent among them are:

1. Physical economy.
2. Financial economy.
3. Economic distribution of industries.
4. Economic distribution of commerce.
5. Abatement of speculation.
6. Abatement of plutocracy.
7. Equitable diffusion of wealth.
8. Incidental benefits.

The railroad as a private institution can not be expected to grant popular rights. Private ownership invites private control and thereby compels war-

(U. S. Railway Statistics for 1904, pages 414-432.)

This \$278,785,928 must have been expended for betterments and extensions of roads and terminals. Adding this to saving in interest and dividends we have \$496,208,988.88.

But this is not all. Density of traffic adds capacity for earnings. Increasing population, therefore, appreciates railroad property.

That it has been rising rapidly in value is a fact of common knowledge. But the extent of such rise is scarcely appreciated. I introduce a table compiled from the market reports of September, 1901, and September 18, 1906. It covers the first ten railroad stocks quoted on the latter date and also quoted in report of September, 1901. Average values of stock are computed by adding the price of the different classes and dividing their sum by number of classes issued:

	1901.	1906.
Chi. & N. W.	160 1/2	295
Col. & Southern	12 3/4	51 1/2
Det. & Hut.	109 1/8	226
Denver & Rio Grande	42 3/4	64 3/4
Erie	19 7/8	65 1/2
Illinois Central	146 7/8	172 3/8
Louis. & Nash.	104 1/4	150
Missouri Pacific	49 1/2	97 1/2
New York Central	128 3/8	143 3/4
N. Y., Ont. & West.	20 5/16	49 1/2
Total	\$91,688	\$1,228,458
Average	\$9,168	\$122,845
Average increase		42.677
Increase per cent.		53.224

This showing indicates a gain of more than 10 per cent per annum on stocks.

**Annual Appreciation in Value.**

But I will assume a yearly appreciation of only 2 per cent on the entire value of railroad property of the country:

The latest official estimate made in 1904 places actual value then at \$11,244,852,000. Two per cent upon this is \$224,897,040. Adding this to the sum obtained by uniting betterments, extensions, saving of interest, dividends, etc., we have \$721,106,028.88 as the total annual financial economy promised by government ownership.

Not is this all. There are other items upon which there are no available data to base an estimate.

Millions upon millions are believed to be expended in campaign contributions, in lobbying, in legal retainers, and in various methods of corporate control of the laws.

The sum of \$47,276,109 is reported under the head of "Other Deductions." An official report upon the stand in Minnesota, testified that the money used in Wisconsin toward the defeat of La Follette was charged to operating expenses.

Wages yet remain to increase expense of government ownership over private ownership. Whether or not this would interpose to offset the enormous saving otherwise indicated, can only be conjectured. The public service has always been attractive.

The wage scale of the army and navy is probably lower than any scale paid by a private corporation for a service of corresponding skill and efficiency.

As already suggested, any single management whether government or private would save largely by elimination of duplicate service.

But let us overlook this, and assume an increase of 25 per cent in labor cost.

Total labor cost for 1904 was \$417,598,819. Twenty-five per cent of this is \$208,799,409.50. Subtracting this from \$721,106,028.88, we have a net saving of \$512,306,619.38.

**Distribution of Industries.**

There is a spot where the elements of industrial economy unite. That is, there is a place where a particular crop, or manufacture, can be produced more cheaply than elsewhere.

Under free and natural conditions, the manufacture of iron, for instance, will be carried on where a preponderance of these elements unite. Cost of labor and proximity of mines, power and market are the factors of economic control.

But whether private interests now obstruct this law more than political influence would do under government ownership, is a question which can not be answered authoritatively in favor of government ownership.

**Economic Distribution of Commerce.**

What has been said of distribution of industry may be said with equal force in regard to commerce.

Political influence might prove as strong a factor in discriminations against cities and communities as private interests now are. We can judge only by the postal service and appropriations for rivers and harbors, etc. That a fair distribution of these is being made and that adequate service has been rendered will not be disputed.

**Abatement of Speculation.**

Government ownership would remove railroad stocks from the stock market. They are a subject of more gambling than all other stocks combined. I have before me the stock market report of September 18, 1906. The stocks of 55 industrial concerns are quoted; and of these 36 are railroads, as against 19 for all others.

That sales made upon the stock market are little short of ordinary gambling is a fact of common knowledge. It scarcely needs proof. But should any desire confirmation, they can find it in the violent fluctuations of stocks.

Any market price, based upon legitimate business, will not materially change under uniform conditions.

Yet some fluctuations of railroad stocks occur without change of management, earnings or prospects.

Government ownership would, of course, retire these stocks and substitute United States bonds.

**Abatement of Plutocracy.**

That plutocracy fattens upon privilege and that it extends its power from the proceeds of privilege is self-evident. That it employs foul means in this exercise, the common people believe.

That the private railroad is the king of American plutocracy, few will deny. Then would that plutocracy, through government ownership, of the railroads by the people for themselves, cut off plutocracy from its main source of supply?

Would it not admit the common people into the rich pastures heretofore, and at present, the exclusive privilege of the rich?

**Equitable Diffusion of Wealth.**

The distinction between equal division, and equitable division of wealth is wide.

That the two often become confused is owing to a vicious subterfuge employed by "talented" wealth in self-defense. Reformers, whether La Follette Republicans, or Bryan Democrats, demand equitable diffusion; that is, a share for each of the total product, equal to individual contribution toward the creation of that product.

In this respect Socialists are wholly misrepresented by plutocracy. Not one of them, who understands the theory, desires an equal division of the output of wealth.

But lazy louts dream of such a realization.

But no man of conscience can object to the withdrawal of privilege from plutocracy for the equal benefit of all.



C. P. Strain, Assessor of Umatilla County.

fare between public and private interests.

Rate regulation does not go to the root of the disease.

The fundamental nature of a law should not invite its own violation.

Rate regulation does this. Capital is the servant of its owner. Private capital in railroads will serve private interests.

Public opinion may compel occasional resistance of this principle.

It may elect a president now and then in sympathy with itself. But so long as the motive for a wrong remains, laws against it can not be wholly successful in any case.

When a motive for resistance is held by a powerful element of the community, chances of success are accordingly less.

**A. Distribution.**

A distinction should be made between corporate investments and private ones.

A corporation is merely a money making device.

But when a person invests in a home, he attaches to himself something more than a profit getting machine. He acquires a possession susceptible of sentimental association.

The artistic side of his nature may blossom from the buds of his tree or vine. His ethics may thus indirectly find expression in the happiness of his family.

Whether his children go forth into this world or whether they pass beyond it, they leave sweet memories associated with every attribute of the home.

Such a possession should be private. It is too delicately sacred to admit of public interference.

**Nearly Public Highways.**

There is no fundamental difference between wagon roads and railroads. Public railroads are merely an extension of public highways.

The chief distinction is that the individual, using a wagon road, supplies his own equipment, while government railroads relieve him of this outlay and charge a fee in lieu of it.

Space forbids the demonstration, but I have ascertained by a conservative comparison, that free public roads cost the people of this country at the rate of 10c per load of produce, all other uses being free; that toll roads could not afford to charge less than 50c per load for the same service.

**Physical Economy.**

Rival interests, under private ownership, often duplicate facilities. That is, two roads are built where but one is needed.

Duplications of depots and terminals also result.

The North Bank road down the Columbia, and the projected Harriman road from Portland to Seattle are cases in point.

These roads are not economically needed. The traffic which the North Bank road is destined to carry could be transferred by bridge across the Columbia in Umatilla county, and thence carried over the tracks of the O. R. & N. to Portland. This would save two or three hundred miles of road and many millions of capital.

Duplications are not only expensive in material and labor, but they raise rates in the end. They pile up capital to be supported and divide traffic with existing roads. Little traffic and much capital furnishes a legal excuse and a financial necessity for high rates.

Government ownership would eliminate future duplications of construction and existing duplications of operation.

That it would do so is proven by absence of duplications of public roads, public school buildings, etc.

**Financial Economy.**

Government bonds, being safer than other security, and affording also a basis for national bank currency, command purchasers at lower interest than any other class of bonds.

The interest bearing indebtedness of the United States in 1904, the latest statistics just now at hand, bore an average of but 2 1/2 per cent. Railroad bonds of the same date bore 4 1/2 per cent, or 1 1/2 per cent more.

Government bonds could not be exchanged for these railroad bonds at once. But the comparison serves to indicate a large probable future saving of interest. A saving of 1 per cent upon the present outstanding railroad bonds amounts to \$68,732,257.50 per annum.

The average return in dividends and surplus upon railroad stocks was 4 1/2 per cent. A saving of 1 per cent could certainly be made by exchange of bonds for these. This would amount to \$63,398,993.29 per annum.

These assumed savings of 1 per cent are based on government bonds at 2 1/2 per cent and at 2 3/4 per cent respectively. They could probably be floated for much less.

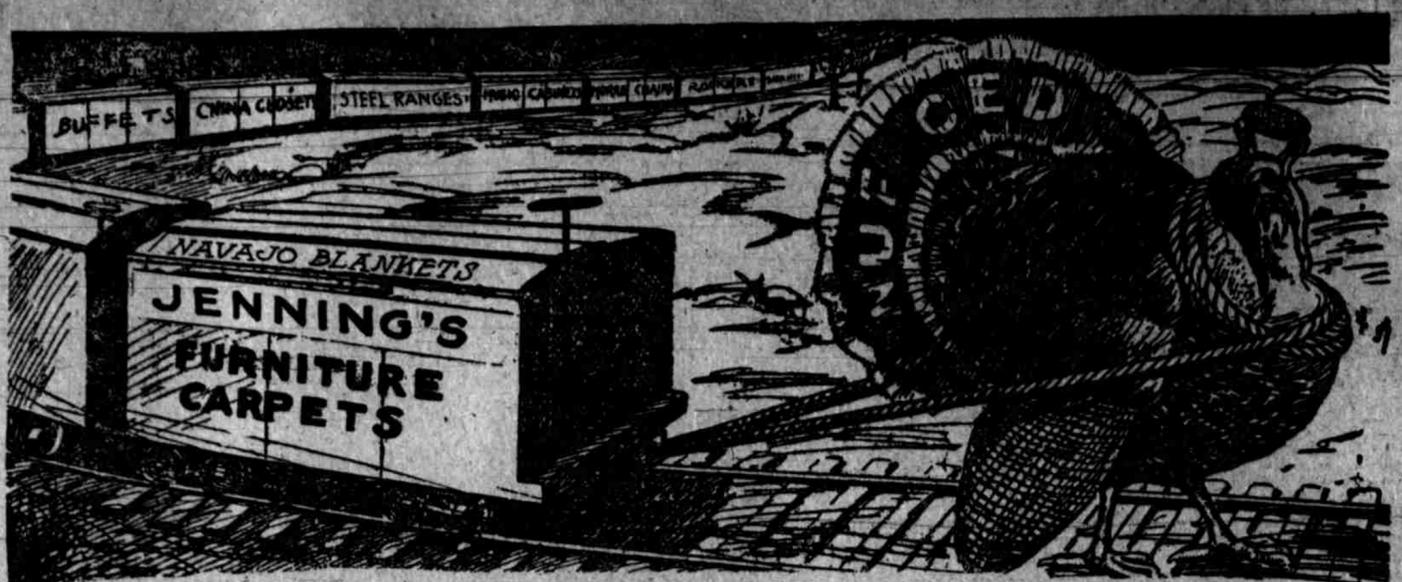
The capitalization upon which they are based exceeds actual value by \$1,968,372,519.

A saving of 4 1/2 per cent on this is \$85,291,518.09. The sum total of \$68,732,257.50, \$63,398,993.29 and \$85,291,518.09 is \$217,422,068.88, which equals the net savings from government financing in interest, dividends and surplus.

**Cost of Betterments.**

But this is not all. We must add cost of betterments and extensions paid for out of railroad earnings.

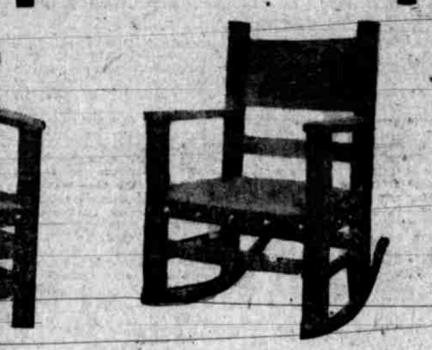
The total earnings and income for 1904 were \$2,188,168,051, while the total fixed charges and cost of operation were but \$1,909,322,155. Subtracting, we have a difference of \$278,785,928.



For Thanksgiving Day—It is the ambition of every good housekeeper to have the home looking its very prettiest for Thanksgiving, and it is often made the occasion for the introduction of some new furniture. If you are going to get anything new this year now is the time to do it. Come in, take your pick.

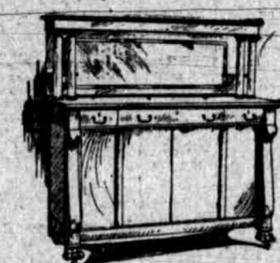
## Mission Furniture

This is the rage and we have all the new shapes of rockers and chairs. The new designs are unique. See them on the first floor.



## Cook Your Thanksgiving Turkey on a New Rival Range

This make of range is built right—it retains an even degree of heat—takes little fuel and little looking after to keep up the fire. Your turkey will be done to a nice brown if roasted in a New Rival Range. We will put it up for you tomorrow or any day in time for Thanksgiving turkey.



## Buffets

A nice buffet sets off the dining room. It takes little money here to get one. There are many designs to select from and if you want credit you can have it.

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Whatever policy denies privilege to a plutocracy, accords it to all.

If it be true that the private railroad constitutes an important factor of plutocracy, then its withdrawal from them through government ownership, will transfer its benefits from them to all the people and thereby promote, to that extent, a general and equitable diffusion of wealth.

**Incidental Benefits.**

Among important incidental benefits which may be expected to follow government ownership, I name these:

1. Postal savings banks.
2. Safer investment of trust funds.

A strong objection to postal savings under present conditions, consists in a limited field for their legitimate employment.

The latest official statement at hand places the interest bearing portion of the public debt at \$905,277,000.

This is not sufficient to absorb any considerable portion of money now on deposit, even though all government bonds were available for popular investment; and the government should not enter the loan market. It should not extend credit to individuals.

Introduction of postal savings banks coincident with government ownership of railroads would largely draw deposits away from private banks. It would, of course, render a large sum of money available to the government—for the purchase of the railroads.

But government ownership would require a greater sum than that available from deposits.

It would require a bond issue probably large enough to equal withdrawals of deposits from private banks.

In this way, the individual depositor would not only get his interest, but he would escape all danger of bank failures.

**Private Citizen Shares Profits.**

He would transfer the banker's profit to the government's credit, and being

crease their capital to the full amount of their loans.

Yet I am not sure but what this would be a benefit even to them.

They could draw interest twice. Say 3 per cent from the government, and 3 per cent from borrowers. They would be relieved from responsibility for other people's money.

The increase of banking capital upon this hypothesis would insure a fine demand for government bonds. It would not introduce the government as a banking competitor through the postal savings bank. The government's own debt would more than absorb deposits held by it, and hence it would not compete upon the loan market.

Lastly, government bonds being safest of all securities, government ownership, would provide a large field for the safe investment of trust funds, which include charitable and educational endowments, accumulations of fraternal and old line life insurance, various sinking funds and inheritances of minors, or incapable heirs.

Great Auction Sale

Of Japanese and Chinese curios, consisting of old Bronze, Silver, Cloisonne, new Brass, Satsuma, fine decorated Tea Sets, Lacquered Ware, Ebony Carved Furniture, Embroidered Screens, Oriental Rugs, etc. Owing to the overcrowded condition of our small store, we are compelled to dispose of our great stock at auction. The public is cordially invited to attend this sale. Unprecedented bargains are certain to be had.

SALE AT 2:30 AND 7:30 P. M. DAILY.

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To enable patrons to visit ocean beaches during the Thanksgiving and Christmas holidays, the O. R. & N. Co. will on November 23 and 29, December 24 and 25, and January 1, sell round trip tickets to all north beach points at a rate of \$2.50. For further information ask at city ticket office, Third and Washington streets, Portland, Oregon.

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