

# Opposes Government Ownership

To the Editor:—Government ownership may be supported as C. P. Strain, assessor of Tillamook county, says, upon "negative grounds" and it may be possible to urge "positive advantages" as being in its favor, but the average reader will be unable to discover any argument in Mr. Strain's article in last Sunday's Journal proving either statement. He enumerates eight prominent points of advantage to accrue from government ownership, but fails to demonstrate wherein these advantages are to be achieved through it. He begins by making the usual cheap clap-net statement that railroads "cannot be expected to grant popular rights," because private control invites warfare between public and private interests. Were it not that a great many who have not coveted those things which the others have there would be any reason for this warfare, and in fact it would never exist. Yet this warfare is simply the natural result of man's ambition and desire to advance.

Mr. Strain says that rate regulation does not go to the root of the disease, but the question is, is what we are aiming at really a disease? Is it something to be entirely eradicated or is it simply a disease to be modified? If a disease, then it should be entirely eradicated and that would mean the absolute abolition of rates of every character. If it is a matter simply for modification then it is not a disease, and herein lies the crux of the question. Our government ownership advocates declare that private control (which means under almost any circumstances and condition a certain inequality in rates as between comparative points and larger and smaller shippers) is a disease, which to be cured at all, must be entirely done away with by striking at the "root," as they call it, and which they pretend to be the matter of private ownership itself.

The ordinary man of affairs and business ability, however, recognizes that all things cannot be equal and that it is necessary that certain physical and political conditions be taken into consideration in the formation of prices and values on the different articles on which they may be based.

**Capital Is Owner's Servant.**  
Capital is sure to be the servant of its owner and is sure to serve the interests which own and direct it; and any public opinion which would compel resistance of this principle becomes anarchistic and is entirely out of keeping with our institutions, our laws and our ideas of right and justice.

The question of popular rights is rather a broad one and one which is becoming entirely too popular for the demagogue and the politician to rant about. It is a term of about as much value as they use it, as is that other term, "the common people," which I note, by the way, that Mr. Strain makes what he presumes to be effective use of where he says that "plutocracy employs foul means in the exercise of privilege." Mr. Strain declares that a distinction should be made between corporate investment and private investments because the corporation is purely a money-making device. In this Mr. Strain certainly shows a great lack of knowledge of corporation and general business principles, because while it is perhaps a money-making device, if you please, what is any other business investment? He pretends that a private investment is simply that investment which would buy a house and furnish it for one's family, which he says is a possession unsusceptible of sentimental association, and here Mr. Strain drops into poetry

and tells how the artistic side of man's nature may "blossom from the buds of his tree or vine." But, suppose that this same man enters into the manufacture of hard or cotton cloth. How much less of the sentimental to him is there in his investment in that particular? And again, why should his business be considered any the less a money-making device simply because he has entered singly into this manufacturing enterprise than if he were to join hands with two others or more in order that they might, by combining, supply sufficient capital for their purpose and even form a corporation for their purpose?

**Why Not Extend Claim?**  
While the home may truly be said to be too delicately sacred to permit of public interference, why should we not also claim that the land factory and the cotton mill were of the same character; the same private capital goes into all other investments no less than in the home. Mr. Strain, however, here departs from this line of reasoning and compares the railway and the wagon road, declaring that there is no fundamental difference between the two and that they are merely extensions of the public highway. All the distinction he does find is that the individual using a wagon road supplies his own equipment, while government railways relieve him of this and charge a fee in lieu of it. And here, fortunately for Mr. Strain "space forbids the demonstration." In fact, Mr. Strain would have had to strain a good deal to have demonstrated the point which he pretends to have made in this particular. In the first place wagon roads have never required the great amount of expenditures which has been required for the laying of the steel rails which now thread our country, and they have been, unlike the railway, the development of years. They begin by the entrance of the settler into new territory, who, for his own convenience, bows out a way over which he can move his wagon and thus haul to his newly established home those supplies which are necessary to support the life of himself and family. It would not be possible to lay a railway to supply this man's farm and his small demands nor for the public to build him a macadam road. In the course of time a neighbor joins him, and they together improve half dozen courses on this road to make it passable for their teams, and passable, only, perhaps. As time goes on, however, the new country becomes settled, the wagon road becomes more and more the scene of traffic and then a little money is spent occasionally to maintain the road, but how incompetent would this man and his neighbor be, both physically and financially, to build a railroad into that country and maintain it. Again, government ownership precludes the construction of railway lines into newly opened and undeveloped territory because of the very reason which Mr. Strain advances for government ownership, and that is the construction of roads where they are not needed, or where the apparent income does not warrant the investment. He pretends that rival interests duplicate facilities. But the writers defies Mr. Strain or any other man to show wherein the country has been damaged by this duplication of facilities. On the contrary one may go into Germany where these facilities are owned by the government and find readily the lack of development in certain portions of that country due entirely to refusal on the part of the government to extend railway lines into the remote districts

because the Diet cannot see "where it will pay." Again, there is forever that spirit of discrimination of local rivalry, and it will not down.

**Results in Germany.**  
Mr. Strain says that under free and natural conditions there will be a distribution of industries and economic distribution to commerce, but history proves quite the contrary. Thus in Germany it has been absolutely demonstrated that government ownership not only does not distribute commerce or the industries but concentrates them, as it also concentrates trade and population.

Hugo R. Meyer, an authority on government ownership and government regulation, Mr. Sympher, who, as a representative of the German government in 1901, spoke of the well-known fact that such manufacturing enterprises as were not established in the immediate vicinity of coal and iron mines were forced to seek location upon the waterways because the water ways enabled manufacturers to obtain their raw materials at prices not materially higher than those current in the coal and iron districts. "One of the leading objects of Prussia's nationalization of the railways," says Meyer, "was the desire to abolish or minimize railway discriminations. This should result according to the Diet's understanding and effect in decentralizing trade and industry, as well as putting large and small shipments on a footing of equality. There was the immediate object of doing away with certain railway practices and there was the ultimate object of attaining thereby certain essential economic results. The evidence now before us shows that Prussia has succeeded on the whole in the first, but has failed completely in the second." They have not only failed to produce decentralization, but the very opposite condition has been intensified. Mr. Strain talks about carrying out the manufacture of iron, for instance, where a preponderance of these elements exist, but Mr. Strain overlooks the fact that the existence of the elements in any particular place is not the basis of economic control. He further says that the cost of labor, power and market are the factors, but many things manufactured from iron require other elements which must be often times transported, and which, being more bulky than the iron, are transported with greater difficulty, making it necessary to take the iron ore where other elements can be more readily secured. Then, again, the location of the iron and coal mines is not usually, or in fact, is seldom the most convenient location for manufacturing institutions.

**Concentration, Not Distribution.**  
Therefore, the results will be, and are bound to be, as in the past, that industry, instead of being distributed, will be concentrated at points of feasibility, of concentration of population, so that the labor may be easily secured, and where may be had the best possible transportation facilities, looking to the quickest distribution of the manufactured products. Thus, that city from which two or more railways act as distributors will stand the better chance of being a manufacturing center than a place confined to but one route of transportation, even though the latter is at the point of production of the raw material. If, in addition, there are two lines parallel with each other, or nearly so, they offer still better attractions to the manufacturer that where one single route has the power to make and control the roads, even though this route

may be owned by the government, as for example in Germany. No one pretends that the government railways fail to make discrimination in rates where the waterways touch the same points of shipment. This matter of discrimination is sure to be considered by any railway as a necessary feature in business and for this reason competitive rates with roads where railway lines and water routes touch the same fields.

**Physical Economy.**  
Again, touching the matter of physical economy, Mr. Strain contends that the duplication of facilities, depots and terminals are not only expensive in material and labor, but that they raise rates in the end, because they pile up capital to be supported and divide traffic with existing roads. Does Mr. Strain pretend to say that the states of Oregon and Washington will not be benefited greatly by having a railway along both banks of the Columbia river? Yet I am willing to believe that had we government ownership at this time such a thing would not only be improbable, but would really be impossible, as the representatives of the government in Washington city for the state of Oregon would certainly oppose transferring any portion of the traffic which now passes through Oregon to the rival state across the river. Likewise, the representatives of Seattle, Tacoma and Spokane would be heard on the floors of congress vehemently protesting against the construction of any further railway lines into the city of Portland.

Again, does Mr. Strain believe that under government ownership of railway lines the Union and Central Pacific railways would have been paralleled across what Daniel Webster was pleased to call an absolutely barren and desert waste by at least six or seven other lines? Does he believe for a moment that it would have been possible to have secured government appropriations of sufficient capital to have built railways into countries today rich in their output of agricultural products, but which before the advent of the railway lines had not a house wherein the hunter or trapper could seek shelter from the inclemency of a northern winter? If he does, let him read his history and he will find evidence that should make him recognize the contrary to be a fact.

There are in Germany today two great iron producing districts; one in the north and the other in the south. Midway between is an undeveloped district, said to be rich in iron ores, awaiting transportation; but when it was proposed in the Reichstag that this district be opened by the construction of railway lines, this was vehemently and conclusively opposed by the delegates from both these districts. Do we doubt that the same spirit of local competition would not have its effect on the American congress under like conditions?

Another thing which has operated against developments in Germany and which would be pretty sure to find its counterpart here is the failure on the part of the government to provide the most modern equipments through an effort to keep the surplus earnings sufficiently above the cost of maintenance, that the railways would be able to maintain their share of the government. In the first place taking over railway property by the government would mean

immediate and absolute loss of taxes to every state, county and city through which these lines would pass, yet they would demand a greater government outlay of money constantly and, therefore, the burden would fall again directly upon the people. It is easy enough to talk about issuing government bonds, but government bonds are only valuable as long as they can be realized on the same as other securities. The United States, even, might overburden itself with debt. The one thing also which has made the difference in interest rates between government bonds and railroad bonds in this very matter of local taxation, and the saving of 1 per cent to which Mr. Strain refers would only be apparent because that 1 per cent would have to be made up in taxes on other properties by the various states, etc., in which the bonds are owned. Mr. Strain finds that railway property has been increasing in value through increasing population, but does Mr. Strain pretend that this increase in value does not mean an increased wealth in the whole country? But, there have been years when railway properties did not increase in value and this might also be taken into consideration. For example, in 1892, when 15 per cent of all railway bonds failed to pay any interest, and in 1894, when the non-paying bonds amounted to 17.29 per cent.

Again, the amount of railway stocks which have not paid dividends has always been very large. Thus, in 1895, 1896 and 1897, to exceed 70 per cent of all the railway stocks of the United States failed in dividends. It is true that since 1891 there has been a constant increase in value of railway stocks, because in 1900 the percentage of non-paying stocks was only 44 per cent of the whole, while in that same year but 4 1/3 per cent of the bonds failed to pay their interest. These are statistics which any student may gather for himself if he will but read the reports of the interstate commerce commission.

**Birth of Prosperity.**  
Today we are at the zenith of our prosperity, but it is only a few years since many of our business men suffered reverses which had their effect on the transportation lines and sent a great many of them into the hands of receivers. It was at this time so large a percentage of railway lines found it impossible to earn even operating expenses, to say nothing of paying dividends on their stocks or interest on their bonds. These things should be taken into consideration by the student of commercial economy because they are not only liable but almost sure to occur again.

So far as the matter of speculation is concerned, take away the power of speculating in railway or other industrial stocks or bonds and the speculative instinct will find its vent in real estate speculation, mining speculation or buying and selling of wheat, other products of the soil, etc. Any effort to remove the speculative feature of commerce will prove a failure because man is ever prone to take the long chance. We find it in Portland even today, where men are buying lots, not because they have need for the little plots of ground enclosed within their imaginary lines, but because of the desire for speculation. To earn money without labor is a natural instinct, and it will continue to be a part of man's makeup. Sales on the stock market are not more short of ordinary gambling nor less than are these efforts to make money through buying and selling of properties, and thus giving to these properties fictitious values. Mr. Strain worries about plutocracy fattening upon the privileges which proceed from our American railway system. Should he not look also upon our rapidly growing official aristocracy formed in by the rules governing our civil service? Would not the national-

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ization of our railway service only add to that, and thus give us another class of aristocracy for the one which he is attempting to do away with? I think so.

The question of the division of wealth is a truly great one, but what would constitute an equitable division is as difficult to say as it would be to secure an equal division. Every man is born equal only in his right to the pursuit of happiness, and many have proven the fact that they are not born equal in business ability, or in those qualities which would lead to amassing a fortune or to the directing of great enterprises. The "privilege," another very euphonious word, by the way, to which Mr. Strain refers, at the beginning of life is as much a part of one as it is of the other, as is evidenced by the fact that many of our so-called plutocrats of today were born without even a pewter spoon in their mouths, let alone silver.

Their capabilities and their recognition of opportunities have gone hand in hand to aid them in the development of great enterprises which have also developed this wonderful country of ours, and have made life worth the living for all the people of this part of the twentieth century. They have lived lives of strenuousness, but these lives will come day terminate and the scattering of their amassed fortunes will begin at the hands of their sons.

So far as Mr. Strain's suggestion that the postal savings bank and the issuance of government bonds would require the private banker to "increase his capital to the amount of his loans" is concerned, the writer prefers to leave this without taking up your valuable space, because he feels that there is no necessity of attempting to show the fallacy of his suggestions there. They are too apparent to be opposed by any writer. ISAAC A. MANNING.

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