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RAIL COSTS HIGHER THAN UNDER FEDERAL CONTROL

DURING the days when William G. McAdoo as director of the railroads in war time, was successfully carrying on the herculean task of rushing troops and supplies to our east coast he was subjected to much "petty larceny" criticism by parties who had axes of their own to grind. One pet criticism was that the railroads lost money under federal control.

It is now possible to get a comparative estimate of the cost and the efficiency of railroad service under federal control and since that time. The facts set forth in the following story constitute a real tribute to the genius of "Bill" McAdoo.

BY RICHARD LINTHICUM,
(Special Correspondence.)

WASHINGTON, March 4.—The "Story of the Railroads" as told by former Director-General William G. McAdoo in his testimony before the Interstate Commerce Committee of the senate, was an emphatic and dramatic refutation of the criticism directed at his administration of the transportation lines during 1918—the critical period of the war. Not only did he knock his critics into a cocked hat but he demonstrated that it was the efficient control and operation of the roads by the government that made possible the short and decisive victory by promptly supplying the needs of the allies in the greatest crisis of the whole conflict.

One great outstanding fact of interest to shippers and to taxpayers generally is that since the roads were returned to their owners, based on statistics available to November, 1921, they have cost the public at the rate of \$657,296,772 per annum more than under federal control.

Properly divided into three periods—the pre-federal control period, the federal control period, and the post-federal control period, and reduced to its vital essentials of facts and figures of record, Mr. McAdoo's testimony may be summarized as follows:

PRE-FEDERAL CONTROL PERIOD

The collapse of the railroads in the fall of 1917 under the burden of war traffic had almost cut the line of communication between the American army at the front and its base of supplies in this country. The weakness of the railroads made them the strongest ally of the German kaiser.

The railroads were operating in 1917 with the same equipment they had in 1915, which accounts for the congestion of traffic and breakdown in transportation in the fall of 1916 as well as a year later. In the fall of 1917, the condition of traffic, particularly in the East had reached a point of almost complete congestion.

Under the railroad war board, appointed immediately after our entrance into the war, the conditions of the railroads grew steadily worse, despite the activities of its members.

Not only did the roads lack equipment in order to function effectively, but they lacked the money or credit to get it. The passenger traffic was as badly demoralized as the freight traffic.

"This breakdown did not occur overnight," says Mr. McAdoo. "It resulted not alone from lack of unification, but from the impaired physical condition of the roads extending over a period of years, and from long deferred maintenance and improvements."

Such was the deplorable condition of the railroads on January 1, 1918, when William G. McAdoo took over their direction under federal control.

What authority other than Mr. McAdoo is there for the foregoing statements? The Interstate Commerce Commission records and testimony of the railroad officials themselves.

The railroad war board, composed of Fairfax Harrison, Julius Kruttschnitt, Samuel Rea, Hale Holden and Howard Elliott, made a report December 27, 1917 that "the railroads needed approximately 2900 locomotives and 150,000 cars in addition to those then on order, the cost of which was placed at \$500,000,000; they asked government aid to secure for them the capital on their individual credit. The railroads had on order then 1,992 locomotives and 42,857 freight cars, so that by their own confession they needed in order to be a well equipped machine, as they now claim they were, 3592 locomotives and 139,656 freight cars.

The board also reported that "the railroads are finding it increasingly difficult to keep their equipment in repair on account of the shortage of skilled labor, etc."

Mr. Rea in a letter to Director General McAdoo, January 9, 1918, in answer to a complaint of his failure to get a larger transportation output, wrote:

"Until severe weather occurred we handled 30 per cent more traffic with practically the same railroad plant as in 1915.

The demoralization of passenger traffic is shown by a check on the arrival and departure of trains at the Washington Terminal, which was typical of other stations, for December, 1917, when there were 2340 arrivals and departures on time and 4511 late, making total delays on all trains in the one month of eight months, 15 days and 15 hours.

The Interstate Commerce Commission on December 1, 1917, submitted to congress a special report on the critical railway situation which faced the country. Of this report Commissioner Altheimer said:

"The conclusion which we all reached was that existing conditions were intolerable and constituted a menace to public safety."

Samuel Rea, president of the Pennsylvania system, said before the Interstate Commerce Commission, March 22, 1917:

"We realize that the condition of the railroads today presents a menace to the country, not alone to the owners of the property, but as affecting directly the international situation."

When Mr. McAdoo took control as director general January 1, 1918, there were 145,000 cars of freight in excess of normal in the territory east of Chicago and St. Louis and north of the Ohio and Potomac rivers—an evidence of extraordinary congestion in that territory.

On January 1, 1918, there were 945 less locomotives in the service than on June 30, 1914, three and a half years previous.

Senator Cummins, chairman of the Interstate Commerce Commission, on February 11, 1918, filed a minority report on the bill known as the Federal Control Act, in which he said:

"In bringing forward the minority views here submitted it must be clearly understood that no objection is made to government possession and operation. It must have been obvious from the beginning that transportation would necessarily be withdrawn from private control and assumed as a public function."

Chairman Hall and Commissioners McChord and Clark both endorsed the taking over of the roads.

Julius Kruttschnitt, no wacussed of being an unfair critic of federal control operation, said at the committee hearings:

"I only said what I did say before from the opinion I have gathered from general intercourse with railroad executives, that they have all accepted the situation as the best thing to be done (federal control)."

Mr. McAdoo quoted hearings as far back as 1910 to show the lack of railways in functioning effectively.

The physical collapse of the roads in 1917 is shown by abundant testimony. Of the advisability and necessity of federal control there has never been serious question.

FEDERAL CONTROL PERIOD

When Mr. McAdoo took control as federal director, the railroads at his request submitted budgets for expenditures which showed improvements immediately required and chargeable to capital account aggregating \$1,329,060,000.

In addition to motive power and cars, these included bridges, trestles, culverts, main and yard trackage, stations and office buildings, shop machinery and tools, engine houses, electric power plants, etc.

months of 1918, the railroad executives operating the roads for the government showed a deficit of \$182,439,694; the last seven months of 1918 under direct federal control showed a deficit of only \$53,656,920.

The outstanding accomplishment of federal control is thus stated by Mr. McAdoo:

"The outstanding fact is that after private operation of the railroads had resulted in bringing them in 1917 to such a deplorable condition as to be a menace to the country, the government operated these roads for the year 1918 with 'practically the same plant' as in 1915—the same lack of locomotives, the same poorly repaired freight cars, the same inadequate facilities and terminals and out of date roundhouses and repair shops—and broke up the congestion of traffic; met every demand upon the transportation system of the country; paid a living wage to labor; paid to the owners over \$390,000,000 in rentals, which they could not possibly have earned under private control.

"It is unfair and stupid, if not worse, to challenge the efficient operation of the railroads during 1918 under the stress of war conditions, because after paying more than \$90,000,000 to the owners in rentals there was a deficit of about \$216,000,000, all of which, on a fair comparison and adjustment was incurred by the railroad executives in the first five months of 1918. Putting aside the fact that this deficit would have been met and overcome by the increase in rates which went into effect about the first of July, had these increases been in effect from the first of January, a money value cannot be put on the great achievements of the railroads under government control in meeting the desperate emergency of the war and making certain the ultimate defeat of Germany."

POST-FEDERAL CONTROL PERIOD.

Although the railroads in 1918 were managed with but one primary object, to assist in winning the war, and no consideration of cost of operation was permitted to interfere with this fundamental purpose, a favorable comparison is drawn by Mr. McAdoo with the results of private operation. He says:

"The railroads as public utilities cost the people of the country whatever amounts are paid for the transportation of freight and passengers plus whatever direct appropriations or grants are made from the public funds by the congress after deducting assets remaining in the hands of the government. During the 26 months of federal control, the gross revenues paid to the railroads directly by the public amounted to \$11,036,572,500. Director-General Davis recently estimated that the ultimate cost arising from appropriations by congress would be \$1,496,231,961. Adding this to the direct cost in revenues, we have a total cost to the public amounting to \$12,532,804,470, covering the entire 26 months of federal control.

"Since the termination of federal control, statistics are available for 26 months of private control or until November 1, 1921. These show a total operating revenue paid by the public to the railroads of \$9,972,305,818. To this must be added the amounts which must be paid by the public under the 4 months guarantee period. The Interstate Commerce Commission estimates that this will be \$525,412,135. This sum added to operating revenues makes a total cost to the public of 26 months of private control amounting to \$10,497,717,953. Reducing the cost of each to a comparatively monthly basis, gives the following result:

"Cost to the Public Per Month.

"Railroad Administration	\$470,437,404
"Private Control	525,412,135

"Expressed in terms of dollars and cents, therefore, the cost of operating the railroads under private management has been \$54,774,791 per month more than it was during federal control or \$657,296,722 per annum."

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28 YEARS AGO

(From the Daily East Oregonian, March 4, 1894.)

Mrs. William McBride and her little daughter came to Pendleton this morning from Adams to do some shopping.

J. M. Bentley took the train Sunday night for Portland. A couple of United States prisoners went with him.

A. P. Frost and Miss Lizzie Overacker were married at Centralia, Wash., on February 27. They will reside in Fresno, Calif., the home of the bride. Mr. Frost was recently with Hanson and Son, of Pendleton. He has recently attained his majority, and comes into the possession of a fortune aggregating \$100,000.

Minneapolis Grain Market
MINNEAPOLIS, March 4.—Wheat, May \$1.46 3/4; July, \$1.34 1/4. Marley, 58 @ 62c. Flax, No. 1, \$2.60 @ 2.56.

New Victor RECORDS for March

45276 Smile Through Your Tears.....	Lambert Murphy	
The Hand of You	Lucy Isabelle Marsh	1.00
45286 Chip of the Old Block	Royal Dadmun	
Give a Man a Horse He Can Ride.....	Royal Dadmun	1.00
45285 Washing Baby	Marie Cahill	
Shopping	Marie Cahill	1.00
18844 I'll Forget You	John Steel	
The World is Waiting for the Sunrise.....	John Steel	.75
18847 Weep No More My Mammy	Peerless Quartet	
I'll Be Glad to Get Back to My Home Town.....	American Quartet	.75
18848 That's How I Believe in You	Henry Burr	
I Want You Morning, Noon and Night.....	Charles Harrison	.75
18854 Granny	Yvette Rugel	
Ka-Lu-A	Edna Brown-Elliott Shaw	.75
18855 In My Heart, On My Mind, All Day Long.....	Stanley-Murray	
Boo-Hoo-Hoo	Alfreen Stanley-Billy Murray	.75
35714 Coppelia Ballet	Victor Concert Orchestra	
Malaguena	Victor Concert Orchestra	1.25
18849 Dream Kiss Waltz.....	Frank Ferera-Anthony Franchini	
Laughing Rag	Sam Moore-Horace Davis	.75
18852 Boating on the Lake, (2) Skating, (3) Walzer	Victor Orchestra	
La Bergeronette, (2) Waltz, (3) Scherzo	Victor Orchestra	.75
18853 To a Humming Bird, (2) Elfenspiel, (3) The Witch	Victor Orchestra	
Knight of the Hobby-Horse, (2) The Clock	Victor Orchestra	.75

DANCE RECORDS

18850 Bow Wow Blues—Fox Trot.....	Original Dixieland Jazz Band	
Railroad Blues—Fox Trot.....	Benson Orchestra of Chicago	.75
18851 Snailin—Fox Trot.....	Green Bros. Mellorimba Orchestra	
Somewhere in Naples—Fox Trot.....	All Star Trio and Orch.	.75
18856 Dear Old Southland—Fox Trot	Whiteman and His Orchestra	
They Call It Dancing—Fox Trot	Whiteman and His Orchestra	.75
66022 Serenade	Whiteman and His Orchestra	.75
18857 Wimmie—Medley Fox Trot	Club Royal Orchestra	
Good Bye Shanghai—Fox Trot	Club Royal Orchestra	.75
18858 When Shall We Meet Again.....	Hackett-Berge Orchestra	
By the Old Ohio Shore—Waltz	Green Bros. Mellorimba Orchestra	.75
18859 On the 'Gin 'Gin' 'Ginny Shore	Whiteman and His Orchestra	
Marie—Fox Trot	Whiteman and His Orchestra	.75

RED SEAL RECORDS

66027 Bless You	Frances Alda	\$1.25
87333 Don Giovanni-Vedral, Carino.....	Lucrezia Bori	1.25
898644 Song of the Flea	Feodor Chaliapin	1.75
88645 The Two Grenadiers	Feodor Chaliapin	1.75
88646 When the King Went Forth to War.....	Feodor Chaliapin	1.75
64776 Ultima Rosa	Giuseppe de Luca	1.25
74487 Faust—Salve, dimora (in Italian)	Beniamino Gigli	1.75
66022 Serenade	Jascha Heifetz	1.25
87324 My Ain' Folk	Louise Homer	1.25
66023 Paradise (Viennese Folk Song)	Fritz Kreisler	1.25
66028 Sweet Peggy O'Neil.....	John McCormack	1.25
74727 Mazurka—Viola Solo	Erika Morini	1.75
74728 Polka de W. R. (Rachmaninoff).....	Piafiorite	1.75
74729 Salome's Dance—Part 1	Sergei Rachmaninoff	1.75
74730 Salome's Dance—Part 2	Philadelphia Orchestra	1.75
86025 Chimes of Normandy—With Joy My Heart	Philadelphia Orchestra	1.25
.....	Renato Zanelli	1.25

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