

Railroad Rate Increases and the Family Purse

By FRANK H. FAYANT, Assistant to the Chairman, Association of Railway Executives.

If the cost of living is raised more than 2 per cent by the \$1,500,000,000 increase in the freight charges, it will be plain evidence that middlemen and retailers are taking an unfair advantage of the public. An increase of 2 per cent in average prices would be the maximum cost of the rate advance if there were no change in other forces acting on the price level. But the general tendency of prices is now downward. It is reasonable to believe, therefore, that prices will fall rather than rise after the new rates are in effect.

The fact is that in the production of most articles of common daily consumption, the transport charge is so small that an increase in rates has no appreciable effect in the family budget. In bulky articles like coal, of course, where transportation is a very large part of the process of production and distribution, an increase in freight rates necessarily means higher prices. But even these comparatively large increases in particular commodities may be absorbed as a result of other forces working for lower prices.

The increase in passenger rates, while producing a very much smaller amount of additional revenue than the new freight rates, will strike more directly at the average man's pocketbook. But the new passenger rates will raise travel expenses less than \$2 per capita a year, or less than one cent a day. Suburban residents, who travel thousands of miles a year for the pleasure of living in the country while working in the city, will pay much more than this average.

The \$1,500,000,000 of additional freight and passenger revenue to be paid by the public for railroad service under the new rates will not go into the treasuries of the railroads nor into the pockets of the owners. Practically all of this additional revenue will go directly to the two million railroad workers whose wages have been established on a new level after the most careful consideration of all the facts by a government wage board.

The recent wage award in Chicago gave to the railroad employes an additional \$65,000,000 a year or an average of more than \$200 to each employe. During the two years of government operation of railroads, because of the increase in the cost of living, the Railroad Administration raised wages by more than \$1,000,000,000 a year. The total increase in wages, therefore, since May, 1918, when the Lane Wage Board made its first award, is more than \$1,600,000,000 a year, or considerably more than the new freight and passenger rates will produce.

The increase in rates made by the Government in 1918, which produced about \$800,000,000 additional revenue, were practically all absorbed by the increased prices for fuel and materials consumed in railroad operation. As a very large part of the increased cost of coal and materials purchased by the railroads has been due to the more than 100 per cent rise in wages paid workers in these other industries, it is plain that the great bulk of the \$2,400,000,000 increase in railroad rates in the past three years goes to the wage earners.

Under the new scale of railroad wages, the average annual earnings per employe will be \$1900, as compared with \$830 at the beginning of the war. This is an increase of 129 per cent. The railroad payroll today

is on the basis of \$1,600,000,000 a year, or \$2,900,000,000 more than it would be if the employes were being paid at the pre-war rates.

These plain facts show that the railroad owners do not receive \$1,500,000,000 or any appreciable part of it. For some time to come there is not likely to be any considerable increase in the returns paid to the owners of railroad securities. The effect of the award of the Commerce Commission is to enable the railroads to pay fair wages to their employes

and to continue to make the modest return to their security owners that they did before the war. Larger returns to the owners will only be possible as a result of intensive work on the part of the managements to increase efficiency.

The workers have fared very much better than the owners, because their wages have been raised to make up for the decreased purchasing power of the dollar, while there has been no corresponding increase in the pay for capital. The workers who earned

\$1000 a year before the war now receive \$2300, and his wages will buy more, because they have advanced more than the cost of living. On the other hand the investor with \$10,000 of 5 per cent railroad bonds, gets the same \$500 a year he received before the war, but he finds that his \$500 will buy only half as much as before the war.

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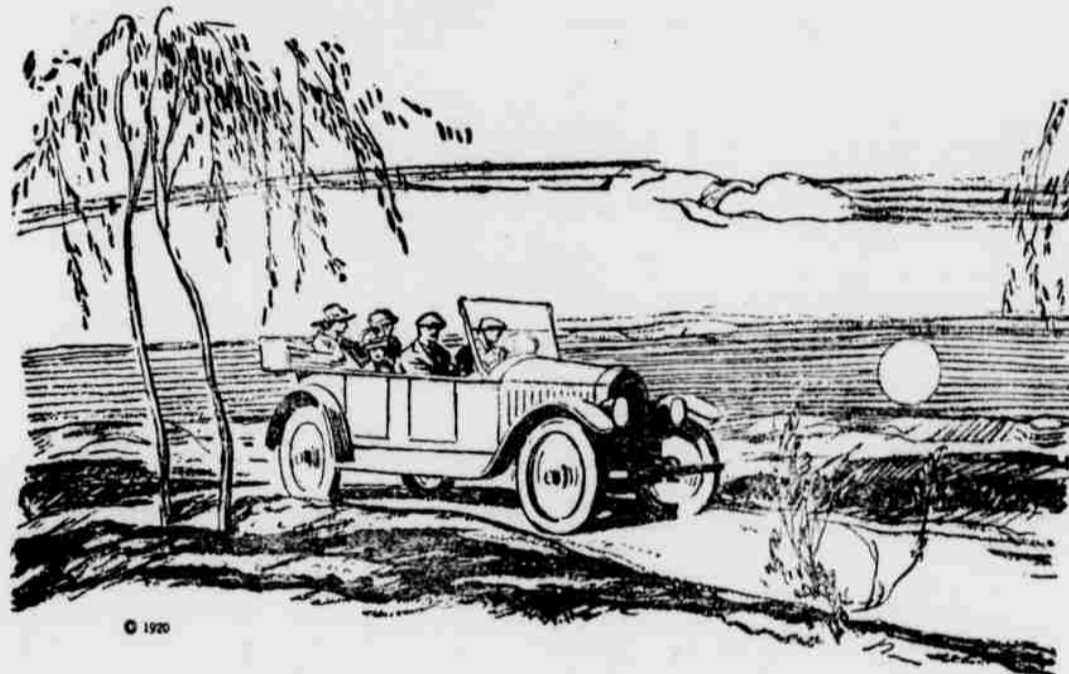
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