

THE RAILROADS AND THE PEOPLE.

Over-Capitalization and Stock-Watering. -By Edward Rosewater, Editor Omaha Bee.

America's railway systems now comprise 210,000 miles, capitalized, approximately, for \$13,200,000,000 nearly equally divided between bonds and stocks. An idea of these stupendous figures can be formed by instituting some comparisons.

The high water mark of our national debt three years after the close of the civil war was slightly in excess of \$2,844,649,626, less than one-half of the bonded debt of the railroads at this time. The aggregate national debt and the aggregate debt of all states, all the counties, all the school districts and all the cities of the United States will not exceed at this time \$2,200,000,000, or one-third of the bonded debt of the railroads and one-sixth of their total capitalization, which is now computed to be equal to one-eighth of the wealth of the whole nation, including the railroads.

It goes without saying that if the bonds and stocks that represent the capitalization of the American railway system had been issued dollar for dollar for the money actually expended for the tangible properties of the railroads, the capitalization of railroads would present no problem, either at this time or in the future. It is a matter of notoriety, however, that the present capitalization of American railways has been enormously inflated. The excessive valuation affords an excuse for imposition of transportation tolls that would otherwise have been justifiable and is also a constant menace to our entire financial fabric, whose basis must always be confidence and credit.

The periodical financial convulsions to which the country has been subjected by reason of railroad overcapitalization has wrought wreck and ruin in ever commercial and industrial center of America.

Cause of Disastrous Panic.

It is a matter of history that the disastrous financial panic of 1873 was precipitated by the collapse of the Northern Pacific railroad, financed by the late Jay Cook. To be sure, other elements beside fictitious railroad capitalization and railroad stock jobbing entered into the crash of 1873, but they were comparatively of secondary importance.

Within one year after the crash of 1873 scores of railroads which had been excessively capitalized were driven into bankruptcy and had to be operated by receivers. The disastrous effect of railway overcapitalization was even more marked in 1893 than it had been twenty years previous.

A striking illustration of the methods pursued in the capitalization of railroads is presented in an argument by former Comptroller of the United States Treasury Charles G. Dawes before the Nebraska legislative committee in 1891 relative to the extension of the Burlington system in Nebraska, then covering a distance of 1,493 miles of road, which was constructed and equipped for a total of \$32,518,645.20, for which bonds were issued aggregating \$32,183,480.84 and sold for \$33,040,388.84, or an average of \$22,325 per mile. In addition to this the company received from land grants and municipal and county bonds \$7,670 per mile.

A Tax Upon the Country's Products.

Practically, therefore, the mortgage and subsidy covered the cost of the road, and the stock issued, at an average of \$25,000 per mile, represented no investment whatever, but was simply a capitalization of the railroad franchise. Assuming that the franchise value of the Burlington in Nebraska, which was converted into stocks, represented honest investment, the enormity of the recent conversion of that stock into bonds of the Great Northern and Northern Pacific Railroad company at the rate of \$2 in bonds for \$1 in stock, must be apparent. These bonds bearing 4 per cent interest have become and will continue to be a charge, in other words, a permanent tax upon the products of the country tributary to the Burlington system and the Great Northern and Northern Pacific systems, inasmuch as fixed charges representing the interest upon the bonded debt constitute the foundation for the tolls charged by railroad for the transportation of freight and passengers.

Nobody who has given the American railway problem serious consideration will contend that the capitalization of railroads should include only the original cost of the roads minus the amount of subsidies received by them from the government, the states, counties, townships and cities. That would not be a fair valuation, because the value of every railroad is materially enhanced by the increase in the value of its right-of-way and terminals, as well as by the betterment of its equipment and gradual improvement of trackage, roadbeds, bridges, etc., but all these elements of value, in fact, the entire physical property of American railroads, would scarcely more than equal their bonded debt, which averages about \$32,000 per mile.

The relation which the bonded debt of the railroads bears to the public in general, and the patrons of the railroads in particular, can best be understood when it is born in mind that a railroad mortgage covers not only the right-of-way, roadbed, trackage and rolling stock of the road, but in reality constitutes a blanket mortgage upon the products of the country tributary to it, which means a strip of country from ten to twenty miles in width on each side of its roadway.

Must be Paid by the Public.

In the very nature of things, the "fixed charge," that is, the interest on the bonded debt of every railroad, must be paid by the people who patronize it, willingly or unwillingly, and it is for this reason that railroad promoters find no difficulty in securing loans for the entire cost of the railroad and sometimes in excess of its cost, while owners of other property, whether it consists of farming lands or city lots and buildings, can only secure mortgage loans equal to 30 per cent to 50 per cent of the total value of the property mortgaged.

According to the latest report of the Interstate Commerce commission 32 1/2 per cent of the earnings of American railroad represents fixed charges or interest upon the bonded debt, while the remainder goes for operating expenses and dividends.

From this source it is also gleaned that the bonds issued by American railroads represents from 40 to 61 per cent of their total capitalization, while the stocks represent from 45 to 59 1/2 per cent of the total capitalization. In dollar and cents, the bonds range from \$21,855 per mile to \$62,217 per mile, while the stocks range from \$18,557 per mile to \$59,274 per mile.

The increase of bonded debt for 1904 aggregates \$355,000,000. While all the bonds outstanding have for the last three years paid interest on their face value at from 1 per cent to 8 per cent, 50 per cent of the stock representing \$3,500,000,000, paid dividends in 1903 and 1904 at the average rate of 5 1/2 per cent, while in 1896 only 30 per cent of the outstanding stock paid dividends, which for 1904 exceeded in the aggregate \$200,000,000, and the total amount of dividends distributed within the last fifteen years, which includes a period of depression, is in excess of \$1,800,000,000. The bulk of this sum, representing as it does more than double the present national debt, was exacted from American patrons of railroads as dividends for fictitious capitalization.

The Thing in a Nutshell.

In a nutshell, the 210,000 miles of railroad in the United States, stocked and bonded at an average of \$63,000 per mile and capitalized on the aggregate for \$13,250,000,000, or thereabouts, contains \$4,500,000,000 of water, computing the average value of American railroads at \$40,000 per mile. On this vast overcapitalization the American people are compelled to pay at least 4 per cent, or \$1,800,000,000, a year in the shape of freight and passenger tolls.

How is the water to be wrung out? That is one of the problems which the future alone can solve. Periodically, or at least once every twenty years, the water wrings itself out, but it is pumped in again almost by the same process by which it was originally injected, and the process will keep on repeating itself for generations, growing more dangerous to our financial system as the years go by, unless the nation and the states shall assume and exercise supervisory power over railroad capitalization.

HAS THE BIG HEAD.

Seth Bullock's Opinion of New York.

NEW YORK, March 18.—Captain Seth Bullock, who, with his band of cow punchers, were here a couple of days seeing the sights, told what he thought of New York, and the story is not likely to contribute any pleasure to New Yorkers, but will be extremely edifying to those dwellers west of the Alleghenies who from time to time have journeyed hither and have come to the same conclusion as Bullock.

Bullock has been in New York before. He knows New York as well as though he lived here. He pays his own way when he is here, and feels entitled to his opinion of the place, though he never felt warranted in making any voluntary criticisms. But a criticism was demanded of him yesterday. He leaned back in his chair, thrust his hands far down into his trousers' pockets, turned his cold, gray eyes quizzically on his questioners.

"Do you want to know what I think of this town?" he asked in his quiet, chilled-steel way. "Now, mind, I know as well as you that there are good people in New York City. But, taken altogether, you are the most provincial outfit in the whole country. You've got so much you think you've got it all. You think the Creator stopped work when he filled the Hudson River with water, and all the rest of the country out beyond just happened so. Nothing counts unless it is done in New York and by New York except to laugh at."

"Now, out in our country we know New York is a good town. We know we're all right, too. We think the coast is pretty good grazing. We're proud of the whole country. But New York is proud of itself, and thinks the rest of the country is luck to be on the same continent. I'm not speaking in harshness or bitterness. But sometimes I think you miss a lot of the joy of being Americans."

"And another thing. A man from out our way can't help seeing the way a lot of sheepfaced along these subways and street cars of yours crowd the women and stamp on their feet to get ahead of them. Great God A'mighty! I came over from Washington yesterday on the Congressional limited, and things they called men pushed their way by women who were there before 'em into the dining-car, and when they were through with dinners, these same critters sat there and smoked their cigars and let the women wait."

"Now, you don't see doings like that out in our country. If that's typical of the Eastern gentlemen, then the real American gentlemen are to be found out West."

"Let me tell you, I don't think it is typical. I think I recognize some of these critters. For many years the West has been shipping hogs East to Chicago, and I can't help thinking I see a lot of those same blanket-blank hogs romping around here in New York with two of their legs missing—having passed Cincinnati and the scalding vats."

Unfortunately, there is ample evidence of the truth of Mr. Bullock's charge that New York men show no consideration for women.

In the struggles to get on and off the subway trains at Forty-second and Fourteenth streets this morning and last evening the wildest disorder prevailed, and in some instances out-and-out fist fights. Blood was spilled and clothing torn. Women and young girls were helpless. Some of the men after they had been thrown free of the crowd, continued their fighting in the clear spaces of the station platforms.

Dr. Ernest J. Lederle, ex-Health Commissioner, pulled himself free of a group of tussling men, struggling to get aboard a down town express, and then watched the scene about him.

"Not another city in the world would stand for such scenes," he said. "There in the Grand Central Police Station, at the head of the stairs, 30 feet away, was a Captain and two Sergeants and a large force of police. Here grown-up men were manning women and fighting each other, cursing, swearing, and with none even to attempt objection. Just a few trained men could have handled the crowd."

It Saved His Leg.

P. A. Danforth, of LaGrange, Ga., suffered for six months with a frightful running sore on his leg; but writes that Bucklen's Arnica Salve wholly cured it in five days. For Ulcers, Wounds, Piles, it's the best salve in the world. Cure guaranteed. Only 25 cts. Sold by Chas. I. Clough, druggist.

Still Flocking into Canada.

The immigration of Americans into Western Canada, which has now been going on steadily for a number of years, is to continue this year as large as ever, if we are to believe the reports that issue from Winnipeg. A correspondent of the Toronto News writes from Winnipeg as follows:

"Hitherto the great bulk of the influx from the United States has been from along the international boundary and the great central states; but now settlers are preparing to flock into our west from all parts of the republic to the south. The bulk of the newcomers this year will probably continue to be from the great wheat and corn states, but the east, south and west will contribute a greater share than hitherto, and the proportion bids fair to increase in the future. New settlers will be arriving this season from far-off states, such as the Carolinas and Texas; but the most prominent new district from which people are beginning to move west is the New England states, which fact has recently moved the government at Ottawa to appoint special agents at Boston and Pittsburg. The immigration from the United States has increased from 18,000 in 1900 to 45,000 in 1903-4, and the indications are that the figures for the present year will far exceed past records. The best immigration agents that we have are the large number of settlers who have already migrated. The reports that these people send home to their relatives and friends are the best possible inducement to bring along more and more newcomers; and this is what is daily occurring, until it has become difficult to estimate the proportions of this mighty army of our American cousins which in the next few years will move across the border to this greater America of ours."

A Million Dollar Baby.

George Tremble, one of the richest residents of Leadville, Colorado, has received word from his daughter, Mrs. Willie Edwards, of San Francisco, that he is about to become a grandfather, as the stork is hovering about the Edwards home in the Bay City. Upon the birth of this child it will fall heir to \$1,000,000, the princely sum offered by Millionaire Tremple to the first baby born to his children. The Colorado mining magnate is opposed to race suicide, and is an ardent admirer of President Roosevelt's often-announced policy of large families. Several years ago he stated that first-born would be forthwith given a check for \$1,000,000, and since that time there has been considerable speculation as to which of his children would be first to claim the prize. When Willie Edwards married Tremble's daughter, some thought that the prize would be paid to the Edwards couple in trust for their baby, but later a serious misunderstanding occurred between the two while they were living at Colorado Springs, and it looked as though the pair would forfeit the prize. The couple patched up their difficulties, and although it was thought that owing to the disagreements between the two the wife's father would withdraw his offer, he maintained that he will carry out his agreement. Baby Edwards will thus enter the world with a million dollar bank account, and will have the unique experience of being so gladly welcomed that it will be a million dollar infant, that enormous sum being paid for this lucky babe.

Tragedy Averted.

"Just in the nick of time our little boy was saved" writes Mrs. W. Watkins of Pleasant City, Ohio. "Pneumonia had played sad havoc with him and a terrible cough set in besides. Doctors treated him, but he grew worse every day. At length we tried Dr. King's New Discovery for Consumption, and our darling was saved. He's now sound, and well." Everybody ought to know, it's the only sure cure for Coughs, Colds and all Lung diseases. Guaranteed by Chas. I. Clough, Druggist. Price 50c. and \$1.00. Trial bottles free.

There is more Catarrh in this section of the country than all other diseases put together, and until the last few years was supposed to be incurable. For a great many years doctors pronounced it a local disease, and prescribed local remedies, and by constantly failing to cure local treatment, pronounced it incurable. Science has proven Catarrh to be a constitutional disease, and therefore requires constitutional treatment. Hall's Catarrh Cure, manufactured by F. J. Cheney & Co., Toledo, Ohio, is the only constitutional cure on the market. It is taken internally in doses from 2 to 5 drops to a teaspoonful. It acts directly on the blood and mucous surfaces of the system. They offer one hundred dollars for any case it fails to cure, and for circulars and testimonials. Address: F. J. CHENEY & CO., Toledo, O. Sold by Druggists. Beware of cheap imitations.

A young couple at Newport find it impossible to live on an income of \$300,000 a year. The fact that poverty is relative has just been illustrated by the beef trust.

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