

railroad strikes illegal and practically impossible. With illegal strikes, plainly the courts of equity and the courts criminal have long dealt efficiently. With this fundamental right of the public to continuous service, the forces most active and vociferous in Washington show little disposition to deal in any hopeful fashion. The perspective of the railroad presidents is perhaps indicated by the fact that they have submitted an elaborate bill of eighty sections, dealing in detail with the return of the railroads to corporate management, their consolidation into so-called rate-group systems under Federal charters, and the restoration of railroad credit — and containing on page 85, in fine print, the statement: 'Note. Provision as to Labor Controversies to be added.'

These and most of the other capitalistic forces now contending in Washington regard the relation of dollars to railroad service as primary, and the relation of the human workman to railroad service as of but minor and secondary significance. But railroad transportation now bears a relation to the safety and comfort of the American people fairly commensurate with the relation of the crew of a ship on the ocean to the safety and comfort of the passengers thereon. A strike of the crew of a ship has always been mutiny — crime.

The right of the individual employee to leave the railroad service should remain inviolate. But the present legal right of the mass of the employees, by combination and conspiracy, to take the country by the throat until it assents to their demands, just or unjust, must be taken away. No people can be really free while their right to a life of peaceful activity lies subject to the control of extra-governmental bodies. Labor unions to-day are extra-governmental bodies. They have the powers, but not the responsibilities, of government. Their domination is as intoler-

able as the capitalistic 'invisible government' that we have been fighting for a generation, until the Germans diverted our attention to world-affairs. Our dominating forces must be governmental, official. Then, when they do not suit us, we may change them through orderly political processes. Thus only can there be evolutionary democratic progress.

Assuming, then, that it is an essential part of any sound and constructive railroad policy that strikes be made illegal, how may this be effected justly and as matter of practical politics? It can be done in one way and in one way only: the management and control of our transportation industry must be turned over to such forces as ought to command and will command the confidence of the mass of the employees that they will hereafter receive just and human treatment. Giving up the right of strike, they must have a substitute which will effectually ensure them justice and which they will recognize as ensuring them justice. This weapon of economic war cannot be taken away, as a matter either of justice or of practical politics, without giving to railroad labor an entirely different status from that which has obtained under capitalistic domination of our transportation industry. Any attempt of capitalistic forces to ride rough-shod over several million organized voters will fail.

Probably no plan can be suggested for making strikes illegal which will not command the opposition of most of the prominent labor leaders of to-day. These men are now in the seats of power. For a generation capital has taught them lessons in arrogance and in disregard of paramount public right. It may be that they have learned these lessons. Some recent occurrences indicate that they have. But the solidarity and power of our labor unions are more dependent upon pressure from without

than attraction from within. It is the pressure of outside injustice which drives men in the mass into organizations having purposes and control that many of them dislike. Intelligent citizens, such as constitute the mass of our railroad employees, will welcome a self-respecting status that will release them from the obligation to strike under orders.

II

In measuring the forces at work and the way in which the problem must practically be dealt with, some important historic facts should not be overlooked. In the light of those facts, the cause for surprise is, not that union labor in the railroad industry has been so strong, but that it has been so weak. Only the four brotherhoods have ever been sufficiently organized to affect substantially their wage and other labor conditions; other railroad labor has been shamefully underpaid and exploited.

The popular impression as to railroad wages, both before and during Federal control, is largely the result of misrepresenting propaganda. Until action was taken under the report of the Wage Commission appointed by Director-General McAdoo on January 18, 1918, wages were astonishingly low. In the report, dated April 30, 1918, of this bi-partisan commission, of which Secretary Lane was chairman, is the following summary of wage conditions: —

It has been a somewhat popular impression that railroad employees were among the most highly paid workers. But figures gathered from the railroads disposed of this belief. Fifty-one per cent of all employees during December, 1917, received \$75 per month or less. And eighty per cent received \$100 per month or less. Even among the locomotive engineers, commonly spoken of as highly paid, a preponderating number receive less than \$170 per month, and this compensation they have attained by the

most compact and complete organization, handled with a full appreciation of all strategic values. Between the grades receiving from \$150 to \$250 per month, there is included less than three per cent of all the employees (excluding officials), and these aggregate less than sixty thousand men out of a grand total of two million. The greatest number of employees, on all the roads, fall into the class receiving between \$60 and \$65 per month — 181,693; while within the range of the next ten dollars in monthly salary there is a total of 312,761 persons. In December, 1917, there were 111,477 clerks receiving annual pay of \$900 or less. In 1917 the average pay of this class was but \$56.77 per month. There were 270,855 sectionmen whose average pay as a class was \$50.31 per month; 121,000 other unskilled laborers whose average pay was \$58.25 per month; 130,075 station service employees whose average pay was \$58.57 per month; 75,325 road freight brakemen and flagmen whose average pay was \$100.17 per month; and 16,465 road passenger brakemen and flagmen whose average pay was \$91.10 per month.

Not only were railroad wages unconscionably low before the government took over the railroads, but the ghastly burden of industrial accidents was until a few years ago left to rest almost entirely upon labor. The compensation acts, enacted against violent opposition by most of the railroads, have now to some degree ameliorated the fate of the victims of our numerous railroad-employee accidents. But the fellow-servant doctrine, the assumption-of-risk doctrine, the contributory-negligence doctrine, all had their origin or greatest operation in the field of railroad-employee accidents. Broadly speaking, the old railroad management treated labor as a commodity to be bought in the lowest market and junked when shattered in service.

Labor has not, and has no reason to have, confidence in getting a square deal if the railroads are returned to corporations operating them for private

profit and dominated by the financial cliques that have of recent years controlled our great railroad systems. For that matter, neither have the security-holders. Labor is embittered by generations of ill-treatment and exploitation. The representatives of labor say, and with substantial truth, that the forces which, until December 26, 1917, dominated our transportation industry, are representative neither of the rights of the millions of human beings who have done the essential transportation work, nor of the rights of the other millions who have furnished the money to pay for the transportation facilities.

Accordingly, railroad labor has prepared a programme of its own. As might be expected, it asks more than it ought to have. The 'Plumb plan' provides that the government shall take by eminent domain the railroad properties. This is fair enough to the owners; indeed, far more favorable to security-holders than most of the plans urged by capitalistic forces. The owners of property taken by eminent domain generally get more, not less, than they ought to have. The Plumb plan proposes that the roads thus nationally owned shall be operated by a corporation controlled by directors, one third appointed by the President, one third elected by the railroad operating officials, and one third by classified labor. It claims to put an effective check upon such directorate's making undue increase in railroad wages by providing for an excess-profits fund to be divided between the operating officials and classified labor and the public, the officials, who are initially to make wages, to have a dividend at twice the rate accruing to employees. The argument is that the desire for large dividends will give the operating officials a sufficient incentive to economy and consequent dividends for themselves to ensure reasonable railroad wages. But the fact would remain

that two thirds of the directors would represent employees and not the public served, or owners of the property used.

Manifestly, the American people ought never to accept a management of their transportation industry controlled by, and in reasonable prospect largely in behalf of, the employees. The railroad business is a public business. It must be controlled by and in behalf of the public. Labor is entitled to a full and fair representation in the management; it is not entitled to control.

But, viewed in proper perspective, the opportunity of the holders of bonds, or of stock, or of both, to participate intelligently in the selection of the management of a great industry is very much less than the opportunity of the employees in that industry. The mass of us bondholders or stockholders know practically nothing about the industries in which we are thus part-owners. In large corporations, stockholders exercise no more selective power over directorates than do bondholders. Employees of an experienced, intelligent type, like the mass of the railroad employees, know very much about the industry in which they labor. They may, and must, if the industry is to be progressive and efficient, have an incentive and an opportunity to contribute to sound and efficient management.

But our national highway-carrier industry must be dominated, not by those who live out of its treasury, but by those owing no duty except to the general public served, or else by a system of such checks and balances between labor, capital, and the public, as to give reasonable prospect of a management just, efficient, economical, and progressive. Such meagre representation as two directors out of from eleven to fifteen, given by the bill under consideration by the Senate Committee, known as the Cummins bill, will not, and I think ought not, to satisfy la-

bor's just demands. The Cummins bill leaves the full control of the railroad industry where it was prior to Federal control, in the hands of capitalistic interests. To put two labor directors into a large board would give labor little or no influence in determining proper wage and other labor conditions. Such labor directors would be almost certain to find their efforts futile; they would be disregarded and discredited. Discord and distrust between a management so constituted and the mass of the labor forces would be fairly certain.

Moreover, viewed in proper perspective, to give labor strong and self-respecting representation in the management of our transportation industry is not to extend a privilege, perhaps not even to recognize a right; it is, rather, to place responsibility where, in the public interest, responsibility belongs. As already indicated, railroad labor as now organized has great — too great, almost dominant — power, without proper legal responsibility for the use of that power. Labor must hereafter be so related to the management and continued and efficient operation of our public utilities as to take its full share of responsibility for their continuous, economical, and efficient operation. In my view, this can be done only by ousting capital from the dominant managerial control it has hitherto had. Capitalistic control in the management of our railroad industry is a failure. The combination of capitalistic control with national and state regulation is a failure.

III

Few people are in a position to know how bad our railroad management has been. Most of those who do know are in no position safely and frankly to tell. This indictment does not run against the operating management; most of the men directing actual operation are

faithful and efficient. But no body functions well without a head. Good arms, legs, and trunk are valueless until coördinated and directed by a good head. The railroad arms, legs, and trunk are fairly good; the head is muddled, incompetent, non-coördinating — determined to pervert the uses of the body from their normal and wholesome functions. We ought either to put our railroad industry fully under public direction, or to try the experiment of a balanced administration — making, say, one third of the directors public directors, probably appointed by the President and confirmed by the Senate, one third capitalistic directors chosen substantially as hitherto, and one third labor directors. I think it clear that in the management of a public business like the railroad business, labor is as much entitled to representation as capital, and that neither is entitled to control. The control must, directly or indirectly, be by the public for the public.

Even with such full and self-respecting representation of labor in the management, wage and other labor controversies would surely arise. These must be settled by some competent, courageous, permanent, and therefore trusted, tribunal — organized with an efficient staff for the purpose of keeping in close touch with labor conditions, and receiving salaries equal to those paid the Interstate Commerce Commissioners, or other persons holding important positions in the management and control of our railroad industry. Nothing could be more unfortunate than to minimize the importance of such a tribunal by providing, as does the Cummins bill, for a labor court, the members of which are to be paid \$4000 each, while the salaries of the Interstate Commerce Commissioners are raised to \$12,000. Labor will certainly look askance at a proposition to put \$4000 men in control of the rights of

human beings in this hazardous industry, while \$12,000 men are required to fix proper rates for carrying coal and calves. Confidence in a square deal is not promoted by such propositions.

Doubtless, as the railroad presidents contend, if private capital is to furnish the money requisite for needed railroad development, new credit based on radically changed financial conditions is necessary. But new management grounded on a radically changed attitude toward the human factors is far more essential. Money can be obtained on the public credit if necessary or desirable. Continuous, efficient, and economical service is impossible so long as our railroads are run by or for absentee landlords engaged in rack-renting schemes. The tenants will not work for such landlords.

The railroads lost their credit largely because there was no confidence that the management would use honestly, and in the public interest, the proceeds of increased rates if granted. Generous rates might well have been allowed if railroad management had shown any sign of using the proceeds, above a fair return to security-holders, with conscientious regard for public right, or even for the interests of their widely scattered stockholders. Outside the manipulations and speculations of the stock market, and such wreckings as the New Haven, Rock Island, and Frisco, the Interstate Commerce Commission has been compelled to face possible serious results to the public, arising out of the constitutional claims urged upon them by highly paid railroad counsel concerning rates and valuation. These counsel claim a constitutional right to capitalize any excess earnings (thus making the rate-payer furnish both capital and a return thereon), as well as unearned increment in land (an important factor in the values of the terminals in our rapidly

growing cities), going-concern values, besides other sorts of intangible and artificial so-called values representing in no part investors' money put with honesty and reasonable prudence into the public service, but rather ingenious legal schemes of public extortion. To the creation of our railroads, the public has contributed about \$700,000,000 of public moneys and a land area about equal to that of Texas. The value of these lands to the railroads cannot now be estimated, but it is enormous. For this tremendous contribution of public property to railroads privately owned, the public now has nothing to show.

Under such circumstances, no tribunal having any justice-loving instincts or regard for the public interests could allow increases in rates not demonstrated as necessary. No such demonstration was or could be made by the railroads, whose management has persistently refused to adopt modern book-keeping methods in charging maintenance and depreciation in the annual expenses, so as to show with approximate accuracy the real cost of the product sold. The only rate base presented to the Commission has been 'property accounts' bearing no sound relation to original cost, to reproduction cost less depreciation, or to any other arguably sound value of the property used in the public service. A worse or more inadequate system it would be hard to create, or even conceive.

Nor should we forget the national scandal of the interlocking directorates, now made illegal by Section 10 of the Clayton Act of October 15, 1914. The real object of these interlocking directorates was the despoilment of the railroad corporations for the benefit of the other concerns with which they interlocked. Otherwise stated, many of the railroad directors represented adverse interests, and operated from within, to the great damage of their trust estate.

These criticisms, necessarily general, should not be applied too broadly. It is, of course, not true that all, or nearly all, of the men who have served and are serving as railroad directors and as railroad presidents have been engaged in schemes of graft and conscious breaches of trust. But the system under which our great railroads have for a generation been controlled has, as it were, offered a premium for so-called 'honest graft' and breaches of trust. The Pennsylvania management to-day may be as honest and high-minded as any court in the land; a year hence the road may be in the hands of spoilers, who will wreck it as the Alton and New Haven were wrecked. The point is that the present system offers no security either to the investing or to the railroad-using public.

Some of the opponents of a real national transportation policy have humorously expressed a fear that thus 'the railroads might get into politics.' They have never been out of politics. For half a century they have been the most corrupt and corrupting influence in American political life, except possibly the liquor interests, with which they have been found in frequent coöperation. Their degradation of our newspaper press has been a menace of hardly less importance. Genuine democracy and a venial press cannot permanently coexist. Gratitude — 'a lively expectation of favors to come' — accounts for the gross misrepresentation in the current newspaper press of the achievements of the Federal War Control of our railroads and of the real significance of most of the plans now being urged upon Congress.

The fact is that the forces represented by the Association of Railroad Presidents have even now accepted, only under compulsion and with mental reservations, the proposition that the railroad business is really public business. Their, perhaps unconscious, atti-

tude is like that of the clergyman who said confidentially, 'The curse of my profession is that one has constantly to pander to the moral sentiment of the community.' Such pandering by our railroad magnates is a present distressing necessity from which they are struggling to be relieved by plans of reorganization little comprehended by the American people. A few years ago many of these same men were advocating rebating as but the exercise of a 'constitutional right to use our own money as we please.' As well depute the task of rebuilding the social and political structure of Continental Europe for real and effective democracy to the Hohenzollerns and Hapsburgs and their Junker clans as turn back our national highways to the exploiting forces that have controlled them for a generation. The talk about 'returning the railroads to their owners' would be nonsense if it did not connote a hidden menace both to the 'owners' and to the American people. The 'owners' have had nothing to do with managing the great railroad properties for thirty years.

IV

Next in importance to providing a new status for labor which will make it both just and politically possible to take away the right to strike, is the question whether we shall retain the competitive theory in our railroad organization and management, as an assumed incentive to efficiency and progressive development. Several chambers of commerce have advocated what is called 'competition in service' a taking phrase. The Cummins bill provides that it shall be the policy of the United States as soon as practicable to consolidate the railroads, in ownership and for operation, into not less than twenty, or more than twenty-five, separate and distinct systems. For such meagre

and utterly inadequate coördination the American public is to submit to seven years of 'voluntary consolidations,' as Jacob served seven years for Rachel. Failing such results from seven years of financial manœuvring, compulsory consolidation is to ensue.

The Cummins bill also provides that 'competition shall be preserved as fully as possible.' But on analysis the contention for what is called competition seems to be almost entirely delusive. What is really wanted is not competition, but an incentive to efficiency, economy, and progressive development. Under such regulation as is proposed, there can be nothing fairly called competition. The essence of competition is the right and opportunity of the managers of a property to get business on their own terms and make all the profits they can. There is general agreement that competition must be eliminated from rate-making, and that the Interstate Commerce Commission shall have the right to prescribe minimum as well as maximum rates, so as to eliminate such vestiges of rate-competition as have survived the regulation of the last thirty years. With rates made by public authority, the selling price of the product of the railroad industry is put out of the management's control. Wages, which cover more than half the cost of the transportation product, are also expected to be made by other than the nominal employer. The railroad presidents do not expect, probably do not desire, to take the burden of dealing with the wage question. National control over railroad labor conditions was asserted by the Adamson Act. It will never revert to the boards of directors of privately owned and managed railroad corporations. New securities are to be issued only after public approval. Common use of terminals is to be determined by paramount public interests, as obvious-

ly it ought to be. Extensions, whether for new business or demanded in the public interest, — and whether profitable or not, — are to be made only under public approval or pursuant to public mandate. If, perchance, any competition survives under such extensive regulation, — so that two railroads are found competing for the same line of business, — then pooling of earnings is, under public approval, intended to end such competition.

Adequately to discuss the pros and cons of the competitive theory as applied to the highway-carrier industry would require a book. But it is safe to assert that the great weight of sound and informed opinion is that competition in railroading has, certainly for a generation, done the American people more harm than good. The wastes of competition in railroading are great and obvious; the economies delusive and theoretical. Some other incentive for efficiency must, and I think may, be found in a plan for guarded and limited profit-sharing.

Moreover, the Cummins bill, as does also the bill presented by the railroad presidents, provides that the Interstate Commerce Commission shall divide the railroads into 'rate-making groups,' having 'in view the similarity of transportation and traffic conditions therein. There is no such thing as a rate-making group of railroads. The Interstate Commerce Commission cannot perform this task. It is impossible of performance.

v

The conclusion is that we shall never have any railroad transportation system worthy the name of 'system' until the roads are unified. Every road worth talking about is a factor in interstate commerce. Railroads are interrelated national highways. They are bounded only by the ocean — hardly by our

national boundaries either on the north or on the south. Until this fact is recognized, we shall make little sound progress toward a national highway-carrier system.

Unification and federalization are both absolutely essential. To continue the struggle under the competitive theory, and under the absurd and complicated provisions of state charters and inconsistent and hampering state laws, is to invite failure.

Paradoxical as it may at first seem, the unification of our railroads under a single Federal charter makes far easier of proper and satisfactory solution the problem of local and state control over transportation problems that ought to be locally controlled. When our national highways are operated under a Federal charter, the Federal government may safely delegate in large measure to state authorities the enforcement of Federal rights — such as commutation rates around our large cities, the elimination of grade crossings, and local questions of train service and safety appliances. As the agency is a Federal agency, the Federal government can retain for itself full reviewing control over all questions having real national significance — such, for instance, as the building of an expensive station in Boston, Buffalo, or Denver.

The law should also require the Federal directors to provide to the utmost practicable degree for local administration. A centralized administration of a single Federal railroad company, under a statute requiring regional administration to the full extent practicable, is far easier of management than are complicated systems such as the Pennsylvania. These great railroad systems are now as bureaucratic as the most over-grown government bureaus. Besides, they have all sorts of troubles arising from conflicting state charters, state laws, and state regulating commissions. In

other words, unification is a condition precedent to effective local control over local interests in an essentially national highway system.

It hardly need be pointed out that the much-discussed problem of the strong and the weak roads vanishes when we have unification. This problem can be solved in no other way. All other proposed solutions either play into the hands of speculators and exploiting interests or utterly fail to meet the difficulty.

Over this question whether the railroads shall be incorporated under Federal charters is raging a violent conflict between contending capitalistic forces. The railroad presidents advocate Federal incorporation, voluntary for a period and thereafter compulsory, somewhat as does the Cummins bill. But a fierce attack is made upon this proposition by the representatives of the railroad security-holders, the proponents of the so-called Warfield plan. They allege that compulsory Federal incorporation is unconstitutional, and buttress their allegation by the learned opinion of eminent counsel. They contend that the railroads should continue under state charters. They have become, for present purposes, ardent supporters of state rights; and would gain political support from the natural state jealousy of Federal encroachment, and the desire of state commissions to continue to make intro-state rates, with little regard to the paramount rights of interstate commerce to move on equal and undiscriminating terms.

These two great financial forces — the railroad presidents, representing in a general way the old régime, and the National Association of owners of Railroad Securities, represented by forces that desire to get into the seats of power and pleasing profits — are engaged in violent and acrimonious controversies as to the respective merits and demerits,

the constitutionality and unconstitutionality, of their opposing schemes. Perhaps they are rendering a valuable public service by showing up the unsoundness, if not the unconstitutionality, of each other's plans. The plans of both contestants are essentially private-interest-serving and not public-interest-serving. It is manifest to the outside and detached observer of their contest, that they are carrying on an old-fashioned railroad fight, where the gist of the question is which of two sets of exploiting forces shall get control of the financial and political situation for purposes of private profit.

The Cummins bill resembles in some important respects the plan of the railroad executives. It endeavors to deal with the problem of the strong and the weak roads by taking from the strong roads the excess earnings above a fair return (whatever that may be held to be), and turning one half thereof into a labor-welfare scheme, and turning the other over to the contemplated transportation board for the purchase by the nation of equipment, or for loans to other carriers for the purpose of equipment and other transportation facilities. While this plan attempts to avoid the alleged vicious exploiting features of the Warfield plan, in that the excess profits of the strong roads are not thus diverted to the purpose of putting value under watered or otherwise unsound stocks, it is attacked by the railroad executives as being unconstitutional. Only a decision by the Supreme Court, probably rendered after years of confusion, uncertainty, and litigation, can determine that question. No such question should be left open.

VI

But no one has yet suggested that the United States has not a plain constitutional right to charter a Federal

corporation with power to issue its stock in exchange for the stocks of existing corporations, and to take by eminent domain for national transportation purposes any property fit therefor. The very simplicity of this plan seems to be one — perhaps the controlling — reason why it is not acceptable to the forces that profit by chaos and contention.

If the views thus crudely outlined — that we must have a new management for railroads in which labor is an efficient and responsible part, and that our railroads must be unified into a single national system — are sound, what are the rights of the security-holders and how shall a plan for reorganization and unification be most easily accomplished?

Manifestly, no such eminent domain proceedings as are provided by the Plumb plan are necessary or desirable. Railroad-security-holders are to-day in a trading mood. Good railroad securities are selling on a basis of eight to ten per cent return from dividends regularly paid for the past five years. No security-holders who are intelligent and informed desire to return to the old régime, perhaps to share the fate which befell the security-holders of the New Haven, Boston & Maine, Frisco, Rock Island, Cincinnati, Hamilton & Dayton — not to mention others in the not remote past. It is entirely clear that railroad-security-holders need and are probably entitled to have their just rights protected by the Federal government, which has for years regulated, and now controls, the operations of the railroads owned by these security-holders. The bonds outstanding in the hands of the public and bearing an average interest rate less than that paid by the government on the Victory Loan should, with certain exceptions for present purposes negligible, be paid according to their tenor. Pending payment, they should be guaranteed, prin-

capital and interest, by the Federal government. As to the stockholders in receipt during the past five years of regular dividends, plainly they would be justly, even generously, treated if given an opportunity to exchange their stocks for stock in a Federal corporation on which standard dividends should accrue at such a rate as to give them as much as, or even somewhat less than, the regular dividends paid during the past five years. The plan is as simple as the consolidation of any great railroad system. It is merely a stock-swapping proposition.

If the railroads were once unified under Federal charter, with a statute permitting the new corporation, and requiring the Interstate Commerce Commission, to make rates adequate to pay a standard dividend of not less than five or more than six per cent, then the relations of these stockholders to the Federal government would be substantially like those of the Boston Elevated to the Commonwealth of Massachusetts. In the new stock certificates there should be a provision that the Federal government may at any time expropriate the stockholders at par and accrued standard dividend. This would insure the government in its right at any time to change the plan of organization and control, as experience might dictate. Such a provision in the stock certificates would affect to no substantial degree the market value or other rights of the stockholders.

Such exchange of stock would not, of course, take care of wrecked, embryonic, or otherwise unfortunate railroad properties. The rights of the owners of such properties might have to be determined by due process of law. But as soon as the Federal government was in control, not only, as now, of the rate-making power, but also of the actual ownership in a single Federal corporation of all the great systems and

trunk lines, the owners of the remaining railroad properties would be in no position to force exorbitant prices from the Federal government. The question would be, what, in justice, should the new railroad company pay such owners for their rights and interests in the odds and ends of railroad properties not included in the great consolidation which would be effected without litigation and as matter of trade.

Whether the Federal government should guarantee a minimum dividend of, say, four per cent on the stock of such unified railroad company, would be a question for fair discussion. Probably such guaranty would improve credit, reduce the cost of capital, and thus the ultimate cost of transportation, while costing the government nothing.

Railroad rates should be so adjusted as to make the railroad users pay the real cost of transportation, including interest on the bonds, standard dividends on the stock, and the full cost of maintenance of the properties. An incentive to efficiency, economy, and progress might well be furnished by providing that any excess profits made in fat years above the standard dividend should be divided into thirds — one third to go as a dividend on wages on a classified schedule to be worked out under the approval of the Interstate Commerce Commission; one third to stockholders to be used in fat years up to a reasonable maximum dividend, probably not exceeding seven per cent, any balance to be put into a reserve fund to meet possible deficiencies in standard dividends in lean years; and the other third for public uses, perhaps to amortise capital investment or to provide for government equipment.

Many of the plans now before Congress contemplate some such species of profit-sharing as an incentive to efficiency, economy, and progress. Competition has utterly failed to give us these

results; profit-sharing is an experiment worth trying.

It is perhaps not surprising that the forces now active in Washington are essentially private-interest-seeking forces and not *public*-interest-serving forces. Our railroads have always been purveyors of perquisites and of special privileges. Our railroad fights have almost always been contests to see which of two financial cliques should have the chance of exploiting either the railroad-using public, or the railroad-owning public, or both. This general characterization is in the main applicable to the present Washington situation. The railroad presidents represent the dominating financial forces whose mismanagement is illustrated, perhaps in extreme degree, by the fate of the New Haven, Rock Island, and Frisco.

In the view of the railroad presidents the whole question of railroad reorganization is a question of railroad credit. They say, in effect, 'Raise rates twenty-five to fifty per cent, and put us back into our comfortable seats of power, with salaries ranging from forty to one hundred thousand dollars a year, and all will be well.' They demand railroad rates sufficient to provide a six per cent return on the full value of the railroad property (whatever that may be), plus three per cent more to be ploughed into the property, so as to take proper care of maintenance, depreciation, and expenditures for non-revenue producers, like grade-crossing elimination, ornate stations, etc. They are probably correct in their claim that for many years most of the companies have been charging too much to capital account. In part, this is due to the rules of the Interstate Commerce Commission, and in part to the fact, already adverted to, that railroad managers have persistently refused to keep their books so as to show their actual expenses. This muddled and inadequate

book-keeping system is here adverted to as but another illustration of the sort of management that has brought our railroads to their present financial slough, and that is almost certain to result from tying up the national highway business with Wall Street and profit-seeking manipulation.

But rates based on nine per cent for capital will create no enthusiasm among shippers when the days of war-profits have passed.

Whether out of this chaos of conflicting interests the Congressional committees — on which are serving many men of superior abilities, large experience, and unquestionable desire to perform their duties in statesmanlike and effective fashion — will succeed in working out this year a sound and effective railroad system may well be doubted. The year preceding a presidential election is rarely a time for strong and constructive statesmanship. Rather is it a time for manoeuvring for political position; a time when men in office are afraid to deal boldly and radically with great problems of which any attempted solution is sure to offend some influential political interest. The temper of the times does not seem constructive.

Haste makes waste. It would be a calamity to the nation and to railroad-security-holders to have the roads turned back to corporations under any plan now under apparently serious consideration. Moreover, out of the present urgent desire to 'do something, even if crude and merely tentative,' arises another danger too serious to be passed unmentioned. That danger is that the Interstate Commerce Commission will be ruined by being over-burdened, not only with an intolerable mass of work, but by imposing upon it functions which it is not, by training, tradition, organization, or personnel, fit to perform. That Commission has done work of great value to the country. It com-

mands and deserves public confidence. It is our only present national transportation instrumentality. But, like other human institutions, its capacity is limited. It cannot successfully run the railroads or solve problems of organization which require bold and far-reaching legislative enactments. It must be kept to its quasi-judicial and administrative tasks, under statutes capable of intelligent and coherent construction and covering all essential principles for rate-making, security-approving, and other properly delegated, regulatory provisions — else it will break under the burden.

It is broadly true that we have our present railroad chaos because the national legislature has failed to meet and deal with problems that only it can deal with. If now, in haste and confusion, the burden of solving the insoluble is thrown, in indefinite, incoherent fashion, upon the Interstate Commerce Commission, a bad situation will be

made worse. Congress will destroy the only effective national transportation institution that the country now has.

If by the time this article is published some measure much sounder and more constructive than any yet formulated is not well on its way toward enactment, the best thing that can happen to the American public — and especially to the railroad-security-owning public — is an extension of Federal control until after the next presidential election. This may be done either by the President under the authority of the present act, or by joint resolution of Congress. The responsibility obviously ought to be taken in part by Congress, and not be borne by the President alone. If the roads are turned back under any of the pending plans, most of them will be in the hands of receivers within six months; manipulators, speculators, and exploiters will flourish at the expense of the railroad-using public and the railroad-owning public.

THE CONTRIBUTORS' CLUB

GRAM NEGATIVE DIPLOCOCCI

(The laboratory of an American Base Hospital in France)

I WAS working intently over my microscope, searching amid the débris of a stained slide for lurking cocci. Back and forth, through a labyrinth of red and blue fibres, I wandered: here a cell — here another; red-stained leucocytes, these. No organisms here. Good. More cells — a group this time; still nothing suspicious. I lifted my focus a trifle: two tiny red spots —

A knock at the door interrupted me,

and I looked up, calling, 'Come in.'

No one entered. It was very quiet in the laboratory that afternoon — Christmas afternoon. A fire hummed in the iron stove; a coal settled quietly down into place. Over in the far corner a mouse had discovered my precious cake of chocolate, and was gnawing away at the paper wrapper. Rain poured down in a dismal patter on the roof and swished against the windows. No one was stirring. Probably I had been mistaken: it was only the wind rattling the paper windows in the door. I bent again to my red spots. Intra-cellular Gram