

evitably eliminate dwellings that are undesirable.

The tax exemption of improvements on homesteads to the amount of \$3,000 proposed in New York, will not materially disturb existing tax conditions; because the number of such homesteads is at present comparatively unimportant as revenue producers. But the encouragement to builders will induce rapid improvement of the nearby and soon-to-be-available land within the greater city, by the wholesale erection of tax-exempt houses.

BENJ. DOBLIN.

EDITORIAL CORRESPONDENCE

GOVERNMENT RAILWAYS IN AUSTRALIA.

Melbourne, Australia, March 3.—The alleged extract from an alleged Australian press-organ, "The Melbourne Review," which American journals, many no doubt in good faith, are republishing, is deceptive. For purposes of explanation I quote it:

"Not a single Australian government has made a success of its railways. They have always nearly been bankrupt and get deeper and deeper into the mire every year, while in some of the States they are years behind the times. If the lines were run by private companies, with no general taxpayer to draw upon, they would have been wound up years ago."*

There are two facts connected with this statement which seem to point to its being part of an organized campaign of misrepresentation. One is that no such journal as "The Melbourne Review" exists or has existed for twenty years. The second is, that the statement—either wholly invented or attributed to a wrong source, because the true one is not avowable—is in itself an absolute perversion of fact.



It is untrue that Australian railways are unsuccessful; it is untrue that they really have been bankrupt; it is equally untrue that their financial position is or has been growing worse.

All these statements, moreover, can be easily proved to be malicious inventions by the publication of the official statistics. The following figures, as far as they apply to Australia, constitute part of the elaborate and carefully audited balance-sheet for

*This extract, purporting to have been taken originally from "The Melbourne Review," was extensively published in the United States last Fall by newspapers opposed to government ownership of railways. We forwarded it with a request for a report upon it, to Mr. Max Hirsch, of Melbourne, a man of distinction in the Australian Commonwealth, whose veracity cannot be questioned and whose reputation as a political economist and publicist is established. He is the author of "Democracy versus Socialism," published by the Macmillans, a work which takes ground in opposition to socialism. Mr. Hirsch responds to our request in the present letter. His report, a demonstration of the success of government ownership in Australia, is the most complete and convincing presentation of facts upon the subject that has yet been published in the United States.—Editors of The Public.

1907, published by every state-railway system in the Australian Commonwealth. I owe them, as well as the comparative figures for other countries, to the kindness of the government statist of the Commonwealth, who has been good enough to furnish them to me in advance of publication and has thus saved me the enormous labor of extracting and combining them. These then are the true facts:

Country.*	Capital Cost Per Mile, £.....	Net Return on Capital Cost, Per Cent.....	Working Expenses, Per Cent. of Gross Revenue, Per Cent.....	Per Gross Revenue, Pence	Train Mile. Working Expenses, Pence	Mile. Net Revenue, Pence
Australian Commonwealth ...	9,669	4.35	57.18	86.57	49.50	37.07
Great Britain and Ireland...55,798		3.45	67.21	62.73	42.17	20.56
United States ...13,735		5.01	66.77	99.00	66.10	32.9
Canada12,994		2.87	69.52	89.50	62.25	27.25

	Mileage Open for Traffic.	Per Mile Area in Square Miles.	Open for Traffic. Population.	Per Mile Killed and Injured.
Australian Commonwealth	14,190	200.9	281	0.168
Great Britain and Ireland	23,063	5.26	1,912	†
United States	217,341	13.6	387	0.438
Canada	21,353	175.4	290	0.065

	Working Expenses.	Interest Charge.	Net Revenue.	Surplus Over Working Expenses and Interest Charge.
Australian Commonwealth. £7,968,374	£4,975,341	£5,968,288	£992,947	

The foregoing figures show that the net returns from the Australian state railways is higher than those from the privately owned railway systems of the United Kingdom of Great Britain and Ireland, and of Canada, and approximates very closely to that of the railways of the United States.

If, then, the Australian system is "really bankrupt," those of Canada and of the United Kingdom are worse than bankrupt, and that of the United States is nearly so. Yet they are privately owned.

Moreover the Australian system shows the lowest percentage of working expenses and the highest revenue per train mile; it shows a smaller percentage of accidents than the United States, and, crowning glory of all, its cost of construction per mile is lower, much lower, than that of any of the privately owned systems with which it is here compared.

The statement published in the United States and now under review is thus seen to be a slanderous falsehood with regard to every allegation which it contains.



The foregoing facts, inclusive as they are, by no means exhaust the case in favor of public ownership of the railroads of Australia. Permit me to point out a few more.

*Australian Commonwealth for 1907. Great Britain and Ireland, and Canada, for 1906, except that "Killed and Injured" is for 1905. United States for 1905.

†Not available.

The Continent of Australia has a population of only 4,146,000 persons (1907), whereas its area comprises 2,972,906 square miles. This gives only 1.40 persons per square mile, whereas even the United States has a population of 24 persons per square mile, and in European countries the population is of course far more dense. The slightest reflection will show that one of the most important factors determining the profitability of railway traffic is density of population. For, other things being equal, density of population determines the amount of traffic; and the larger the traffic the more cheaply can each unit be handled. On this ground every railway expert would expect a smaller net return from Australian than from American and European railways.

A second cause tending in the same direction, is to be found in the fact that in the large area of Australia—almost equalling that of the United States—there are no permanently navigable rivers. In fact two rivers only are navigable at any time, one, the Murray, being navigable on an average for six months in the year, and the other, the Darling, while never navigable for a longer period, being quite useless for navigation during frequently recurring years. Railways, therefore, form the only means of transport in Australia and must be constructed in advance of settlement. Other new countries, and notably the United States, relying largely on water-transport, can abstain from doing so until settlement has advanced to a considerable extent. It is for this reason that the Australian States have been compelled to build railways to the extent of one mile for every 281 persons, whereas in the United States there is only one mile to every 337 persons, and in the United Kingdom only one mile to every 1,912 persons.

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The foregoing consideration opens up the most important factors to be taken into account. What are railways built for? What is their object? Is it to make profits for their owners, whether the owner be the public or private persons, or is it primarily to subserve the convenience and the industry of the population?

The Australian States have decided this question in the latter sense. While aiming at making their railway systems self-supporting, they do not desire that they shall earn large profits. They prefer that they shall develop the country for settlement and shall carry goods and passengers at the lowest possible rates. Hence railways, of which it is known that they cannot pay for some years to come, either in themselves or as feeders for the general system, are cheerfully built, provided they open up country for settlement which promises to make them pay ultimately.

Though this system tends to reduce the rate of net earnings of the railways, it does not necessarily impose any burden upon the general revenue. For the value of land through which these railways pass increases immediately; and in so far as it is unalienated, the State benefits by the enhanced price, though this is not credited to the railways. Of course private owners share in the enhanced value, frequently to a greater extent than the State, but part of the advantage is secured for the public by a system of betterment taxation, under which private land required for the railway is handed over to the

State free of cost, at the joint expense of the benefited owners, who also guarantee to pay any difference between working expenses and receipts should the latter fall short of the former.

Moreover, in further pursuit of the established policy that public railways are not to be regarded as profit-earning concerns, but as public conveniences, rates are reduced whenever a profit is shown. Thus, taking the railways of the State of Victoria alone, reductions were made in fares and freight rates in 1906 and again in 1907-1908, which are estimated to save the users of the railways on normal traffic returns not less than £264,000 per annum.

In pursuance of the same policy, the Australian States do not treat their railway employees as mere adjuncts to a dividend-earning machine. While the discipline is fairly strict, employment is permanent during good behavior; against punishment, whether by fine or dismissal, appeal is allowed to a Board of officers and employees, sitting in public, before whom the appellant may appear, assisted by the lawyer for his union; advancement is according to merit as nearly as can be secured; wages are somewhat higher than in private employments requiring similar grades of skill, and nearly all employees work only 48 hours per week. As a consequence, employment on the railways is regarded as a prize by all youths of the working classes, and applications exceed many times the posts to be filled.

One other consideration has to be taken into account, which applies to all comparisons between railways publicly and privately owned. Public enterprise is no more free, and frequently is less free, from mistakes than private enterprise. This is true of railway building as of everything else. If, however, a privately owned railway does not pay, it goes into bankruptcy and is purchased by some new owner at a price which will enable interest to be earned. The loss, falling on the previous shareholders, is written off. But if public authority builds non-payable railways, there is no writing off of the loss. The capital cost remains a burden on the system, and interest has to be paid on it in full. There are a fair number of lines in the Australian system which are of this character, built at a time when no safeguards had been developed, and which now clog, and may clog for a long time, the earning power of the whole system.

Further advantages arising from the ownership of railways by the Australian States, may be summed up in a few words. Rates are uniform. No shipper is favored over another. No locality is blackmailed before a railway is extended to it. The States have not parted with huge areas of land and vast sums in cash, in order to pay for railways owned by private persons. The cost of the railways to the taxpayers is much more than saved to them by the value of the railway property belonging to them.

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The foregoing considerations will convince any unbiassed reader that a mere comparison of net earnings fails to reveal the true relative position of the Australian and other railway systems. Even if earnings of the Australian railways showed a deficit as compared with working expenses and interest payments—as they have done at various periods in the past—the advantages which they confer upon the

people, over and above those which privately-owned railways would give them, are so great as to make this a minor consideration. But as they show no such deficit; as, on the contrary and in spite of natural drawbacks, their earnings have exceeded all expenditure for years past, all these advantages are obtained free, that is, without any draft on the pockets of the taxpayers.

The Australian States can make no claim to perfection in railway management. Serious mistakes have been made, probably as serious as any made by private companies. Nor could it be otherwise. Governments and representatives have indulged constituencies by giving them railways before their time or by unduly extending facilities, and ministers have filled the railway service with their supporters. This was inevitable in a democratic community, but in this case as in others democracy found the remedy by experience.

It will no doubt interest your readers to learn by what arrangements the Australian democracy has tried to exclude, and largely has excluded, political interference from its railways. I will therefore describe the methods employed in the State of Victoria. With slight differences they exist in all the States.

Railway construction and management are separated from each other. When the Government is pressed to build a line and approves of the project, it moves that such a line be referred to the Parliamentary committee on railways. It can bring in such a motion with regard only to one line at a time. If both houses of Parliament approve, this standing committee begins action. It is composed of members of both houses and of all parties, and is elected for the duration of Parliament (3 years) by both houses. This committee inspects rural routes, has surveys made, and hears evidence in public for or against the line, inclusive of that of the railway managers, who of course object, for prudential reasons, to being saddled with non-payable lines. If the committee comes to the conclusion that the line should not be built, the project lapses during the life of that Parliament. If it reports in favor of the line, it gives its reasons with the estimated cost and return. The Government then brings in a construction bill, which must be passed by both houses before construction can begin. The line is then built by the public works department, having no connection with the department of railway management, and upon completion is handed over to the latter.

The department of railway management is entrusted to three commissioners, one of whom, the Chief-Commissioner, bears full responsibility. These commissioners are professional experts, appointed for a term of years, and are independent of Parliament and Government. The latter bodies can refuse to reappoint them, but may not interfere with their management. This has become such a confirmed rule that the commissioners have established the practice of refusing to receive members of Parliament who call upon them upon railway business.

These common-sense methods have sufficed to exclude political interference and corruption from the Australian railway system and to make it self-supporting. No one can claim, I repeat, that its management is perfect. Probably there are railways more ably managed. But nowhere are railways freer

from corrupt practices; no where are they conducted with a more single-minded devotion to the interests of the country as a whole. What better proof could be asked than the fact, for fact it is, that there is not a single representative who would dare to suggest the sale or lease of our government railroads to private corporations. Anyone seriously doing so would find his political life at an end with the next election.

MAX HIRSCH.

NEWS NARRATIVE

To use the reference figures of this Department for obtaining continuous news narratives:

Observe the reference figures in any article; turn back to the page they indicate and find there the next preceding article on the same subject; observe the reference figures in that article, and turn back as before; continue until you come to the earliest article on the subject; then retrace your course through the indicated pages, reading each article in chronological order, and you will have a continuous news narrative of the subject from its historical beginnings to date.

Week ending Tuesday, April 28, 1908.

The Cleveland Traction Peace.

Mayor Johnson's long fight in Cleveland for a traction system operated at cost and with a view to municipal ownership, as yet impossible under the Ohio law, is virtually at an end. The only obstacle at the time of the last report of this controversy (p. 84) was the price to be allowed the old company for surrendering its existing property rights inclusive of unexpired franchises. Mayor Johnson estimated the value at \$50 a share, while Mr. Goff estimated it at \$65, an amount he afterwards consented to reduce to \$60. At this point the negotiations came to an end and Mayor Johnson and the City Council proceeded to grant franchises to the 3-cent fare company along streets through which the franchises of the old company had expired. On the 20th Mr. Goff wrote Mayor Johnson that he had a further suggestion which he would be pleased to submit to the Council in committee of the whole, if the Mayor would call a meeting. Mayor Johnson promptly called a meeting for the 21st. The meeting drew a large crowd. Mr. Goff appeared before it and in behalf of the old company offered to settle for \$55 a share. Mayor Johnson said in response:

This proposition of Mr. Goff's deserves careful consideration. I am for peace—not because I am afraid of war, but because it is for the public welfare. The public owes much to Mr. Goff. His proposition is fairly before us—whether the price is to be 50 or 55. We should consider it and pass upon it. I have reported 50 as the highest price I could recommend. It is now up to you. Talk it over now or at some later meeting.

Councilman Zinner followed:

This fight has been the people's fight. They should be heard before any final step is taken. I suggest that every councilman sound the sentiment of his constituents before we meet to render our decision.