

CHAPTER VIII

THE TRANSPORTATION EMBARGO

ENGLAND and France discovered, when the war broke out, that they could not trust their transportation systems in private hands when the life of the nation was in the balance, and both countries immediately took over the operation of the railroads. There was no hesitation, no delay, no two minds about it. After generations of fervid insistence that the railroads must be left in private hands, even those who had been loudest in protest declared that they must be run by the state.

We can no more have a properly functioning social organism, with its transportation agencies in private, profit-making hands, quarrelling all the time with the public, with Congress, with the courts, the Interstate Commerce Commission, forty odd State railroad commissions, with cities, chambers of commerce, farmers, shippers, and consumers all over the country, than we can have a properly functioning human being with his circulatory system in outside hands. And we cannot assure adequate protection to the farmer or the consumer, we cannot secure fair prices until the whole business of transportation, warehousing, and storage becomes a

government function as it is in almost every other civilized state.¹

And this should be done immediately if we are to protect the farmers who are responding to the call of the President to plant, to bring forth wealth from the ground. For they may see their labor and expenditure go for naught, and the consumer a few miles away go hungry for food because of the breakdown of the transportation agencies which have failed in their undertakings. The submarine blockades the British people, but the railroads of the United States are blockading the people of the United States.

For over twelve months—in fact, for a half dozen years—industry, agriculture, and the life of the country has suffered far more seriously than any one knows from the shortage of cars and the congestion of roads and terminals. For a year there has been a famine in fuel in many sections of the country. Individual industries have been compelled to suspend operations because of car shortage or congestion at terminals. Many factories have been forced to run at from one-third to one-half of their capacity because of lack of fuel. Coal-mines have been closed. The bituminous coal-miners of the Middle West have been reduced to two or three days' work

¹ As indicative of how the railroads, when publicly owned, cooperate to encourage agriculture and build it up, see chapters on Australia and Denmark.

a week. The same has been true in the anthracite region. This was one of the reasons for the demand for large increases in wages by the miners. Automobiles have been driven from the factories to market by the tens of thousands on their own power.

The farmer suffers from the car famine along with the manufacturer. So do food dealers. They were unable to market their produce. The cost of food has been greatly increased as has the price of other commodities. Hundreds of millions of dollars is a conservative estimate of the loss which the country has suffered by reason of the failure of our transportation facilities and the inability of the railroads to utilize what facilities they have. In addition—and this is one of the unseen costs of private ownership of the railways—the productive capacity of the country is in a state of semiparalysis which costs the nation far more than the immediate loss on existing shipments or the high freight charges.

And this has been a continuing condition for many years. Some years ago the farmers of the Northwest saw the result of their year's labor rotting on the fields because of the shortage of cars. This is one explanation of the high cost of living, of the prohibitive price of food and of fuel. Food and fuel cannot reach the market, or when they do reach the market the terminals and other agencies are inadequate to receive them.

The most recent announcement of the railroads

was to the effect that conditions in April, 1917, when there was a shortage of 140,000 cars, were the worst in history, but that even graver congestion was in prospect.

This admission was made when the effective conduct of the war, the support of England and France, the supplying of munitions, the equipment of our own army and navy, and the feeding of our people were involved. We have directed millions of farmers to plant and harvest food, to give their labor to the nation, and when the harvesting has been done, the whole nation—yes, the whole allied world—may see the successful conduct of the war, which has cost millions of men and untold billions of wealth, imperilled and possibly brought to naught by the breakdown of transportation facilities, not on the sea but on the land.

This embargo on food is a continuing condition. It recurs each year. It affects the wheat, corn, and cereal crop of the West as it does the cattle-raisers. The railroads admit this. Every industrial centre in the country knows it. The Interstate Commerce Commission has stated the peril in the strongest possible words. In its report of January 13, 1917, on the "Car Supply Investigation," the commission said:

"The present conditions of car distribution throughout the United States have no parallel in our history. In some territories the railroads have

furnished but a small part of the cars necessary for the transportation of staple articles of commerce, such as coal, grain, lumber, fruits, and vegetables. In consequence, mills have shut down, prices have advanced, perishable articles of great value have been destroyed, and hundreds of car-loads of food products have been delayed in reaching their natural markets. In other territories there have been so many cars on the lines of the carriers and in their terminals that transportation service has been thrown into unprecedented confusion, long delays in transit have been the rule rather than the exception, and the operation of established industrial activities has been made uncertain and difficult. These conditions have made necessary a far-reaching investigation by the commission and now urgently demand prompt, decisive action."

The circulatory system of the nation *must* function freely and adequately. Failure to do so not only increases the cost; what is far more important, it destroys production. It discourages the farmer and the manufacturer. Probably no single agency, except the private monopoly of land and mineral resources, is as responsible for monopoly, for curtailed production and the high cost of living, as the private ownership of the railways, with the car shortages, discrimination, and high cost of service. This is true of coal, of oil, of raw materials, of food and the necessities of life.

In spite of the orders of the Interstate Commerce Commission and the agreement of the railroads to

correct the evils, the car shortage, and with it discriminations, have not been relieved. Probably the evil is beyond relief by the railroads. It is inherent in private ownership.

There are hundreds of railroads in the country each one of which is run as a separate business. They ought to be run as a single agency. Their efficiency would possibly be doubled if the colossal waste now involved in the struggle for individual business and the best business were ended. To-day one railroad has its eastern terminals filled with cars waiting for return freights, while a terminal a few blocks away is clamorous for empty cars. The same is true of locomotives. Needless trains are run just to maintain competition. Empty trains pass one another on different railroads for the same reason. Terminals all over the country are inadequate to handle the freight when it reaches them. They are glutted with cars, some held for weeks and months by lack of terminal facilities. This is one explanation of the shortage of cars. Nor can the railroads meet this situation. The cost of bringing the railroads up to our needs is colossal. While railroad securities have been watered until the roads are capitalized at \$75,000 a mile, billions and billions are needed just to meet present needs, not to speak of future development, which is only less urgent. And only the government can provide this capital.

In addition, thousands of different railroad officials, each one of whom is interested in *carrying the freight that brings the highest return and that insures the longest haul over his particular road* are determining for us what commodities shall be carried and what not. *There is little thought of the needs of the whole nation or concern for the industrial and agricultural life of the whole people. Railroading is run for the railroads. It must be run for national service—possibly for national existence.*

This is not a fanciful condition. In hearings recently held by the Federal Trade Commission, witnesses stated that the railroads diverted coal-cars from the transportation of fuel to the transportation of commodities upon which higher rates were obtainable. Coal-cars were diverted to the carrying of automobiles, and as a result the price of bituminous coal increased \$2 a ton at the mine in one year's time. It doubled and trebled the price in many cities. One witness stated that the railroads made use of the alleged car shortage to coerce the mine-owners to sell coal to the railroads on the road's terms. He stated that the railroads refused to carry coal for ordinary commercial purposes in order to crowd down the price charged for their own use by creating a glut at the mines. A coal operator on the Chesapeake and Ohio road said that one-half of the 40,000 coal-cars owned by that railroad were being used for the transportation of other commodi-

ties at higher rates. Another operator said that the mines could supply 40 per cent. more coal if they had means of shipping it, and that one-third of the bituminous coal mined in his district went to the railroads at a price arbitrarily fixed by them.

And what is true of coal is true of other industries; it is true of food, of agricultural produce, and of other commodities which do not yield the highest rate to the roads. And this is true in spite of the efforts of the Interstate Commerce Commission to correct it, after the most direct and explicit orders to the railroads.

The life of the nation rests in the hands of the railroads. Formerly they gave preferential rates to communities and industries. Now they favor commodities that pay the highest rates and starve commodities that pay low rates. The whole producing power of the nation may be strangled by reason of a discrimination against fuel, while the workers may hunger for food and the farmers lose the product of a year's effort because there is more money to be made by the railroads in transporting luxuries than by transporting food supplies or fuel. The farmers are patriotically responding to the call to feed America and her allies. Yet their efforts may go for naught and their service be in vain because the transportation agencies cannot or will not socialize their efforts and serve the nation's needs.

This is another reason for immediate public ownership. The railroads cannot be trusted at any time, certainly they ought not be trusted at this time, to determine for the nation and the allied cause what freight shall be hauled and what not. The railroads might be trusted in this matter were it not for the fact that it is to their interest in many cases to decide wrongly. That is what is happening to-day, for it is this wrong decision that has caused the famine in fuel all over the country.

For the railroads must make money. That is the first obligation on the directors and the president. Their patriotism may carry them a long way, but they dare not cripple their property or permit its earnings to fall. And much of the freight that is most important to the nation is the freight that yields the smallest revenue. Every temptation exists to make the wrong decision. Food and fuel are carried at lower rates than are non-essentials. It is, therefore, to the interest of the operators to neglect low-class freight and favor the high-class freight that yields the big returns and also to accept, for the same reason, that freight which gives them the longest haul.

It is imperative that the government should decide what freight is most urgent. This cannot with safety be left to be determined by private profit, even though the railroads are acting under a pooling arrangement and are endeavoring to serve the nation.