

TRIUMPHANT PLUTOCRACY

The Story of
American Public Life
from 1870 to 1920

By

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Formerly United States Senator
from South Dakota



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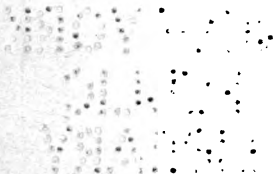
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VII. RAILROADS

Predatory power in the United States centers in three institutions—the bank, the trust and the railroad. In previous chapters I have described my relations with the money power and with the masters of organized industry. During my two terms in the Senate I had many a struggle with the representatives and bankers and trust magnates. I also had numerous encounters with the spokesman of the railroads, which were, perhaps, the most powerful and aggressive of the vested interests during the last two decades of the nineteenth century.

Before I went to the United States Senate in 1889, I had built and operated a railroad from Sioux Falls to Yankton, S. D. I also began to organize and build the Midland Pacific Railroad, from Sioux Falls, S. D., to Puget Sound. For several years I had engineers on the road locating the line through to Seattle, crossing the Rocky Mountains near the mouth of Yellowstone Lake. Consequently I was thoroughly familiar with the costs of railroad building and operation.

When I entered the Senate I was of the opinion that the highways of the United States should be owned and operated by the Government, for the benefit of the people of the United States—operated for service and not for profit. At the beginning of my term I knew very little of the general operation of the railroads by the great combinations which then controlled them, but a short time in the Senate clinched this conviction by showing me that the railroads were robbing the Government as well as the people of the United States.

For instance, I found that J. L. Bell, who was Second Assistant Postmaster-General, had been a railroad employee at a salary several times as great as that which he received as Second Assistant Postmaster-General, and that he had resigned his position with the railroads to become Assistant Postmaster-General, and in that capacity to direct the railroad mail service. Thus

the railroads had taken charge of the Post Office Department just as they have taken charge of the courts and the Interstate Commerce Commission—by the simple expedient of putting their man in control. This railroad man commissioned in the public service to look after railroad interests invariably proceeded to exploit the public in the interests of the special interests for which he was working.

Nowhere did I see this principle more amply illustrated than in the case of railway mail pay. For carrying the mail, during the time I served in the Senate of the United States, the railroads received ten times as much per pound as the express companies paid for carrying express matter on the same train, and generally in the same car. In addition, when the railway mail-cars were established, the companies rented to the Government for \$6,000 per year cars that cost less than \$3,000, so that the annual rental was double the value of the car. To complete the work, the railroads and their attorneys in both houses of Congress franked great quantities of Government publications and shipped them through the mails, back and forth, all over the United States, during the thirty days of each year when the mail was being weighed for the purpose of determining the amount of compensation that the railroads were to receive. From an investigation of the matter in the early years of my service I know that this practice was continued during the twelve years that I was a member of the Senate, and that millions of pounds of Government documents were shipped back and forth every year under a frank of some member of Congress or member of the Senate, during the thirty days the mail was being weighed to determine the compensation of the railroads, and that J. Laurie Bell, Second Assistant Postmaster-General and his successors, employee of the railroads rather than of the Government, superintended the job.

This abuse was so open and so flagrant that I offered an amendment to the Post Office Appropriation Bill,

reducing the compensation for carrying the mails twenty per cent, and an investigation verified the facts that I have stated; yet the committee would not report in favor of reducing the pay of the railroads one cent. Two-thirds of the Senate and House were lawyers—very many of them in the direct pay of the railroads on a salary, or a fee, and nothing whatever could be accomplished.

When the Senate investigated this question and brought the employees of the Second Assistant Postmaster-General before the Committee, they deceived the Committee in the interest of the railroads whom they were serving. I quote some of the evidence from the Congressional Record:

Mr. PETTIGREW: "I will read first from the report of the Postmaster-General under the head of 'Weighing the Mails,' from the report of 1896:

"The Department takes every precaution at its command to insure honest weighing of the railroad mails. But this has not prevented one or two attempts on the part of the railroad officials to pad the mails during the weighing season.'

"What are the facts? The Seaboard Air Line procured 16 tons of public documents franked by some member of the House of Representatives or of the Senate. They can secure them without the connivance at all of the persons who frank them. They ship them back and forth to their station agents. They ship this franked matter during the weighing season to a station, and have their agents take out the packages from the bags, redirect them, and mail them again. So they kept these 16 tons of frankable matter going for thirty days. The Department determined to have a reweighing. They had a reweighing for thirty days more, and then the railroad company secured an extra edition of a newspaper that weighed 5 tons; they shipped that back and forth along the line, and distributed it over

the line during the thirty days, and when the Postmaster-General complained, they asked him what he was going to do about it. And Mr. McBee, the manager of the road, asked the Postmaster-General why the Seaboard Air Line had been singled out as a subject for criticism for stuffing the mails during the reweighing period, when it was well known that all railroads practiced the same fraud upon the Government. So it is the general practice. There is no doubt about it. Everybody knows it. We do not need to investigate the matter much to learn that fact. . . .”

There is a great profit in carrying the mail which pays 2 cents postage, and so the railroads have organized on their own hook a postal system which defrauds the Government out of hundreds of thousands, and I believe millions, of dollars a year because that branch of the service, the carrying of letters, is profitable.

The railroads did not stop with the exploitation of the Government—they were criminal in their treatment of the public. The railroads gave very low rates to their favorites, and very high rates to the rest of the people. They determined which men should prosper and do business and which men should be made bankrupt by their discriminations. They also determined, through their rates, which town should grow and which should languish. A prosperous town could be destroyed and its industries closed by giving to its rival town a railroad rate of one-half or less, and this was done constantly. The Interstate Commerce Commission was created for the purpose of correcting this and similar abuses. Eleven years after the law was passed creating the Commission, I find this statement in the annual report (1898) :

“We are satisfied from investigations conducted during the past year and referred to in another portion of this report, as well as from information which is perfectly convincing to a moral intent, . . . that a large part

of the business at the present time is transacted upon illegal rates. Indeed, so general has this rule become that in certain quarters the exaction of the published rate is the exception. From this, two things naturally and frequently result: First, gross discriminations between individuals and gross preference between localities; and these discriminations and preferences are almost always in favor of the strong, and against the weak. There is probably no one thing today which does so much to force out the small operator, and to build up those trusts and monopolies against which law and public alike beat in vain, as discrimination in freight rates. Second, the business of railroad transportation is carried on to a very large extent in conceded violations of law. Men who in every other respect are reputable citizens are guilty of acts which, if the statute law of the land were enforced, would subject them to fine or imprisonment."

Further on, the report of the Interstate Commerce Commission says: "Discriminations are always in favor of the strong and against the weak. This condition the law seems powerless to control." Thus the railroads were above the law. The United States judges, generally selected from the ranks of the corporation and railroad attorneys, go upon the bench to construe the law, which they do in the interest of their former employers.

A prominent oil refiner of Pennsylvania, writing under date of October 4, 1899, after setting forth his complaint against the railway discrimination in favor of the Standard Oil Company, gives his experience as follows:

"I manufacture 35,000 barrels of oil per month. Seventy per cent. of that is marketed in Europe where the railroads are controlled by the governments. We have no difficulty in

competing with the Standard Oil Company in those countries, because our tonnage is carried as cheap by the Government as that of the Standard Oil Company, although the Standard Oil Company ships one thousand times more to the interior of the several countries than I do. The reason that I am obliged to send 70 per cent of my oil across the Atlantic Ocean to be marketed is because I cannot transport it over the railroads of the United States at the same rates as the Standard Oil Company."

How much influence the railroads exerted in building up the trusts may be readily inferred from the following instance:

The Tin Plate Trust was endeavoring to make terms with an independent producer; he replied that he felt no desire to change his methods; his company was making money, doing well in fact, and were quite satisfied with their plant and its ownership. The promoter of the trust advised the president of the company that it would be better to sell out; but finding his offers of no avail to secure the property he proceeded to threats. "You are enjoying certain concessions in your freight rates," he said. "All your profits would cease if these freight rates were withdrawn; if you will not sell to us, we will see what we can do." In a few days the manager of the railway wrote the independent mill owner that the rates conceded the company would have to be withdrawn, because," etc. The mill-owner called a meeting of the stockholders and bondholders, explained the situation, and in two weeks the mill was turned over to the trust.

So much for the attitude of the railroads toward the Government and towards the people of the United States. Now, a word as to another phase of their activity—the financing.

The railroads of the United States when they were constructed were bonded for more than they actually cost, and then those who were manipulating them issued common and preferred stock for considerable more than the amount of the bonds. Thus both bonds and stocks are simply gambling chips which can be used to swindle the American public.

Railroad securities should be the most stable of all securities because the railroads are the highways of the nation, and their service is absolutely essential and reasonably uniform. Yet for many years these railroad securities have been the football of gamblers.

While I was in the Senate the price of the leading railroad stocks fluctuated from 30 to 300 per cent in a single year, and the price of the bonds from 5 to 100 per cent. At the same time, the bulk of the stocks paid no dividends, and large numbers of the bonds paid no interest. To show how largely fictitious these stocks and bonds were considered, I take the following table from the report of the Interstate Commerce Commission:

Per cent paid	Stocks	Per cent of total stock	Funded debt (exclusive of equipment trust obligations)	Per cent of total funded
Nothing paid ..	\$3,570,155,239	66.26	\$ 852,402,622	15.82
From 1 to 2...	142,496,300	2.65	176,996,988	3.28
From 2 to 3...	118,096,361	2.19	162,789,940	3.02
From 3 to 4...	96,348,397	1.79	673,945,852	12.51
From 4 to 5...	385,381,689	7.15	1,766,290,104	32.77
From 5 to 6...	409,778,699	7.60	928,046,512	17.22
From 6 to 7...	198,603,262	3.69	562,732,833	10.44
From 7 to 8...	244,736,724	4.54	229,716,648	4.26
From 8 to 9...	127,852,050	2.37	27,762,600	51.
From 9 to 10...	6,898,055	.13	5,014,300	.09
10 and above...	88,121,545	1.63	4,236,300	.08
Total.....	\$5,388,268,321	100.	\$5,389,934,599	100.

We see from this statement that three and one-half billion of the five and a half billion of railway stock paid no dividends, while nearly a billion of the bonds

received no interest, and six hundred millions more of stock and bonds paid only a return between 1 and 3 per cent. These facts are only noted in order that the notion of the total value of railways may not be erroneously inferred from a merely nominal capitalization.

The situation is well summed up in the case of the Union & Central Pacific Railroads which were conceived in the womb of the Republican Party; were born into the world as the full-fledged children of corruption and iniquity, and which never for one day drew an honest breath. Ames and his associates (who were, like Ames, the most prominent bankers and business men of their day) organized the Credit Mobilier, came to Washington, and acted as midwives for the Congress of the United States while it gave birth to these twins.

Ames and his associates distributed the stock of the Credit Mobilier among the Senators and members of the House of Representatives, every Republican member with a particle of influence receiving a share, while almost all of the prominent Democratic leaders were taken care of in the same manner. Thereupon laws were passed by which the Government of the United States gave these two roads a land grant of half of all the land ten miles wide on each side of the track from Omaha to San Francisco, and in addition furnished a sum of money more than sufficient to build and equip the roads. In exchange for this grant of money, the Government received a second mortgage. The roads never paid any interest to the Government, and in 1896 when the second mortgage fell due the managers of the roads selected a reorganizing committee of professional exploiters to devise ways and means to swindle the Government out of its money,—principal and interest. This reorganization committee consisted of Marvin Hughitt, President of the Chicago and North

Western Railroad, Chauncey Depew, President of the New York Central, and Louis Fitzgerald, T. J. Coolidge and Oliver Ames, who represented the Goulds of New York and the Ames crowd of Boston.

I met this proposal of the reorganization committee by introducing a resolution directing the Secretary of the Treasury to proceed at once to foreclose the mortgage held by the Government on the Union Pacific and the Kansas Pacific companies; to pay off the prior liens and the floating indebtedness; to assume control of all the property of the two roads, including the Federal land grants; to take possession of the roads, and to pay the necessary costs by the sale of three per cent bonds.

I will let the Congressional Record tell the rest of this story:

Mr. PETTIGREW: "Mr. President, I wish to call the especial attention of the Committee on Pacific Railroads to this resolution, for I think it outlines a method by which to solve this much-discussed question in a businesslike manner, and in the only way it can be solved with credit to the Government. We have only the interests of the whole people to consider. There are no equities in this case in favor of the present stockholders of these roads, and I will show that the reorganization committee of the stockholders of the roads are entitled to no consideration whatever, as they represent the heartless and unscrupulous scamps that have been robbing the Government and the public for a generation, casting reproach upon our Government and our people that must make every honest citizen blush with shame.

"The stockholders and owners of the first mortgage bonds on the Union and Kansas Pacific Railroads have appointed a committee to reorganize the road and to settle with the Government for its second mortgage upon the property. This reorganization committee proposes to issue one hundred million of

fifty-year 4 per cent bonds on about 1,900 miles of road—that is, the road from Omaha to Ogden, which is the main line of the Union Pacific, and about 400 miles of road from Kansas City west, which is the Kansas Pacific Railroad. . . .

“This 1,900 miles of railroad can be reproduced for \$23,600 per mile, and yet the Government of the United States is asked to go into partnership with a party of dishonest men, and bond and stock the road for \$123,600 per mile, and the public whom this road serves is to be called upon to pay interest on this vast sum. . . .

“But they go further than this, and tell us how they will distribute this vast amount of stocks and bonds. They propose that the Government shall take \$34,000,000 of the bonds, which is just equal to the principal of the Government’s claim against the roads, and shall take \$20,000,000 of the preferred stock in full payment for all the defaulting interest; that the first-mortgage bonds, which amount to \$34,000,000, shall be taken up and a like number of these new bonds issued in their place; and for every \$1,000 of bonds issued to the present holders of the first-mortgage bonds of these roads, \$500 of preferred stock shall be issued as a bonus, the remainder of the stock and the remainder of the bonds to be the property undoubtedly of the conspirators in this stupendous transaction.

“Let us see who are the men who compose this reorganization committee of the Union and the Kansas Pacific railroads. This reorganization committee is composed of five members, Louis Fitzgerald, T. J. Coolidge and Oliver Ames being three out of the five members of the reorganization committee (who represent the old management of the road, the Goulds of New York and the Ames of Boston), the other two being Marvin Hughitt and Chauncey Depew. While every one of the receivers who are now man-

aging and operating the road is in the interest of this gang of highwaymen who have plundered the public with this instrumentality in the past, three of the receivers, namely S. H. H. Clark, who was formerly manager and for years president of the road, has been and is the representative of the Gould interest; Mr. Mink, of Boston, was comptroller of the company and has been for years its vice-president, and is also an executor of the will of the late Fred L. Ames, and is of course the direct and immediate representative of the Boston crowd of highwaymen who, through the use of this highway—the Union and the Kansas Pacific Railroads—have robbed the public and the Government for the past thirty years. The third receiver, who has always acted with this interest, is E. Ellery Anderson, who has also been for several years a Government director, and was placed there for the purpose of protecting the Government's interests, but has never undertaken to protect the Government's interests, and has always acted in the interest of the old and dishonest management. The other two receivers of the road, Coudert and Doane, seem to have a leaning in the same direction, for they have been Government directors, and have never remonstrated against the frauds which have disgraced the management of these roads, and of which they must have had knowledge.

“If this reorganization plan is carried through with the assistance of the Government the road will have to earn 4 per cent of \$100,000,000 of bonds and 5 per cent at least on \$75,000,000 of preferred stock, and the people along the line of the road will be charged a rate sufficient to accomplish this result, even if no dividend whatever is paid upon the \$60,000,000 of common stock. This interest charged, then, will amount to \$7,750,000 a year, which would be an unjustifiable burden upon the people who are served by the road. The only reasonable and proper

thing for the Government of the United States to do is to take possession of the road, issue its own bonds bearing 3 per cent interest as provided by the resolution which I have offered, pay the first-mortgage bonds of \$34,000,000, refund to the Government of the United States the \$53,000,000 now due to the Government from these companies, take up and pay the floating debt of these roads of \$12,000,000, and thus get possession of the bonds and stocks which are held as collateral security for this floating debt, and thus acquire title to \$98,000,000 par value of the branch lines' bonds and stock, the market value of which is at least \$42,000,000 at the present time, thus taking possession of all the branch lines of these roads, amounting to 4,000 miles of track, and operate the whole as one great system.

"In this way the Government would realize every dollar these roads owe it. The interest charged would be only 3 per cent on \$100,000,000 of bonds, or \$3,000,000 per annum, instead of \$7,750,000 under the plan proposed by the reorganization committee. The rates for carrying freight and passengers would therefore be much less. There would be no incentive for discrimination in favor of persons or places; every man and every town would have an equal opportunity, and the scandal of our Government connected with the Union Pacific management would disappear from the pages of our history."

I have devoted more space to the Union & Central Pacific than I would were it not for the fact that their history, management and method are a true picture of the railroad situation in the United States.

Before I leave the subject I should like to quote an interesting passage from the autobiography of Charles Francis Adams, who was made President of the Union Pacific Railroad in 1884. Mr. Adams, in referring to the dealings between the Union Pacific and the Government with regard to the second mort-

gage which the Government held on the road, on page 192 writes:

"I was sent over to Washington to avert the threatened action of the Government, and then and there I had my first experience in the most hopeless and repulsive work in which I ever was engaged—transacting business with the United States Government and trying to accomplish something through Congressional action. My initial episode was with a prominent member of the United States Senate. This senator is still (1912) alive though long retired. He has a great reputation for ability and a certain reputation, somewhat fly-blown it is true, for rugged honesty. I can only say that I found him an ill-mannered bully and by all odds the most covertly and dangerously corrupt man I ever had opportunity and occasion carefully to observe in public life. His grudge against the Union Pacific was that it had not retained him. While he took excellent care of those competing concerns which had been wiser in this respect, he never lost an opportunity of posing as the fearless antagonist of corporations when the Union Pacific came to the front. For that man, on good and sufficient grounds, I entertained a deep dislike. He was distinctly dishonest—a senatorial bribe-taker."

Early in my term of service in the Senate, the railroads began to combine and to pool the freight and to agree upon rates. The combination of the railroads was in violation of the Anti-Trust Law, but the law had been framed to make it as easy as possible for the corporations to evade its provisions, and the railroads cared nothing about the Anti-Trust Law because their lawyers were in the executive offices and on the bench. When the Joint Traffic Association was organized in violation of the Sherman Anti-Trust Law, and suit was brought by the Government to dissolve it on that account, it was found

that the Association was a combination of thirty-two of the leading roads in the United States to pool the business, agree upon the division of traffic, and have uniform rates, so far as the public was concerned; that Hobart, Vice-President of the United States, was one of the arbitrators and drew a salary as such arbitrator for this Joint Traffic Association, and when the suit was brought before the United States Court in New York, Judge Lacombe announced from the bench that he was disqualified from sitting on the case because he owned the stocks and bonds of the defendant railroads, and he said: "I am of the opinion that there is no judge in this Circuit but that is suffering a like disqualification."

In 1874, the Senate of the United States, in response to a general demand, appointed a Special Committee on Transportation, composed of William Windom, of Minnesota, John Sherman, of Ohio, Roscoe Conkling, of New York, H. G. Davis, of West Virginia, T. M. Norwood of Georgia, J. W. Johnson, of Virginia, John H. Mitchell, of Oregon, and S. B. Canover, of Florida. The committee occupied the entire summer of 1874 in making an exhaustive examination of the subject, and in their report we find the following:

"In the matter of taxation, there are today four men representing the four great trunk lines between Chicago and New York, who possess, and who not unfrequently exercise, powers which the Congress of the United States would not dare to exert. They may at any time, and for any reason satisfactory to themselves, by a single stroke of the pen, reduce the value of property in this country by hundreds of millions of dollars. An additional charge of five cents per bushel on the transportation of cereals would have been equivalent to a tax of forty-five millions of dollars. No congress would dare to exercise so vast a

power upon a necessity of the most imperative nature, and yet these gentlemen exercise it whenever it suits their supreme will and pleasure, without explanation or apology. With the rapid and inevitable progress of combination and consolidation, these colossal organizations are daily becoming stronger and more imperious. The day is not distant, if it has not already arrived, when it will be the duty of the statesman to inquire whether there is less danger in leaving the property and industrial interests of the people thus wholly at the mercy of a few men who recognize no responsibility and no principle of action but personal aggrandizement."

All of these facts convinced me that the only possible remedy was the Government ownership of the railroads. I therefore prepared and introduced a bill for this purpose (Senate Bill No. 1770) on the 18th day of December, 1899. This bill provided that the railroads should be operated under the Post Office Department, and operated for service and not for profit, and that the owners should receive United States bonds for the actual value of the property. At that time the roads would have cost the Government between four and five billions, although they were capitalized at from eight to nine billions, including the stocks and the bonds. I also included in this bill a provision that all rates should be absolutely uniform, alike for everybody in proportion to the service rendered; that passenger fares should not exceed one cent per mile, and I showed conclusively that passengers should be carried in this country at a profit at one cent per mile, provided no passes were granted. I knew the extent of the pass abuse. I knew that every politician and every lawyer of any prominence, and every judge, and every congressman, and everybody else that had any pull, rode

upon a pass, and that the public was charged two prices for riding, in order to pay the railroads for carrying free those people who could best afford to pay their fare.

I also provided for a Commission of Transportation in this law, under the Post Office Department, to operate the roads and to remove the control, as far as possible, from political influence. The bill also provided that the express business should be done by the Government, and I showed that the express business could be done at a cost to the public of less than one-half the price charged by the express companies if done by the Government through the Postoffice on Government railroads.

When I introduced the bill and had it printed, some of my friends came to me and said: "Well, what will your friend James J. Hill think of your introducing a bill for the government ownership of the railroads?" I said: "James J. Hill is a big man; he is one, out of the whole railroad system, that is not a stock gambler, and I sent him the first copy of the bill that was printed." Some months afterward, when I met Mr. Hill, the first thing he said was: "I received your Railroad Bill, and you are entirely right about it. If the railroads are going to combine—and" said he, "they are going to combine—the only way the public can be protected from robbery is to have the Government own the railroads."

Needless to say, my bill received scant consideration and little support from the champions of privilege who dominated the House and Senate, nor need I add that its introduction marked me as a man who should be eliminated from public life at the earliest possible moment. I am now of the opinion that the Government of the United States should take the railroads and cancel all the outstanding stocks and bonds without making any payment to the holders

of the same. There are no innocent owners. The railroads are the highways of the nation and have been built and paid for more than once by the American people, but are now in the hands of a gang of gambling scoundrels who are using these highways to enrich themselves and their favorites and to rob and exploit the whole population. To take the roads without paying anything to these thieves is not confiscation or robbery, but simply returning the stolen property to its rightful owners.

The Interstate Commerce Commission has just issued a report showing that, out of 627,930 stockholders in the various railroads of the United States, the majority of stock is owned by only 8,031 persons or 1.3 per cent of all the stockholders.

The Commission, through its Bureau of Statistics, has discovered that of a total of 97,475,776 shares of all the railroads, 50,873,322 shares are held by the small minority, an average of 6,130 shares each. The balance of 46,602,454 shares is owned by 649,629 stockholders, an average of 75 shares each. The 8,031 stockholders who own the majority stock include holding companies of railroads, as well as other corporations. It also includes the stock held by voting trustees and estates. The Interstate Commerce Commission's Report distributes these holdings as follows:

	Shares
Held by other railway companies	24,638,407
By other corporations or partnerships . .	11,565,838
By voting trustees	5,307,043
By estates	1,333,961
By individuals (males)	6,945,205
By individuals (females)	1,082,868

The report shows that of 100,000 stockholders in the Pennsylvania Railroad, the largest twenty own 8.9 per cent of the total stock outstanding; that of the 27,000 stockholders in the New York Central,

25.1 per cent is held by the largest twenty stockholders. The largest twenty shareholders in the Illinois Central own 41.6 per cent; in the Southern Pacific 23 per cent; in the Southern Railway, 37.7 per cent; in the Chicago & Northwestern, 20.9 per cent; in the Great Northern 18.5 per cent; in the Northern Pacific, 19.8 per cent; in the Chicago, Milwaukee & St. Paul, 18.5 per cent; in the Lehigh Valley, 18.1 per cent; in the Baltimore & Ohio, 17.4 per cent; in the New York, New Haven & Hartford, 15.3 per cent; in the Erie, 19.7 per cent; in the Atchison, Topeka & Santa Fe, 14.3 per cent.

One hundred per cent of the stock of the Pennsylvania Company, which owns all the Pennsylvania Lines west of Pittsburgh and Erie, is owned by 17 shareholders, including the Pennsylvania Railroad Company, which is the holding concern. The entire stock of the Philadelphia & Reading, one of the principal coal roads, is owned by thirteen stockholders, including the Reading Company; and 99.5 per cent of the stock of the C. B. & Q. is owned by the twenty largest shareholders out of a total of 326 shareholders.

The largest blocks of stock of the Erie; Philadelphia & Reading; Wabash; Southern; Chicago, Milwaukee & St. Paul; Great Northern; Northern Pacific; Chicago, Rock Island & Pacific and Union Pacific are held by corporations or partnerships other than railways.

Of the Wabash stock, 46,000 shares are held in Amsterdam, Holland, and 36,000 shares by fourteen New York and one Boston concern. Of the Chicago, Milwaukee & St. Paul, 216,000 shares are held by eleven New York concerns; the bulk of the stock of the Virginia Railway is held by the Tidewater Company; the stock of the Bessemer & Lake Erie is owned by the United States Steel Corporation.

Virtually all the corporations that are among the

largest shareholders of the various railroads do business with these railroads and obtain special advantages.

The earlier reports of the Interstate Commerce Commission show that the largest industrial monopolies of the country were favored by the railroads to the extent of hundreds of millions of dollars in rebates, drawbacks and differentials; and that the railroads were managed largely in the interest of these monopolies as against the interest of rival concerns and the public generally. This is particularly true with reference to Standard Oil, as disclosed by reports of the Interstate Commerce Commission and by the testimony of witnesses before Congressional Investigation Committees.

The par value of railroad stocks is generally \$100 a share, which means that the 97,475,776 shares of the railroads are estimated to be worth \$9,747,577,600. The total value of the bonds issued by the various railroads up to December 31, 1916, is estimated at \$11,202,607,096.

It is obvious from this record that the control and ownership of the stocks of the railroads of the United States is concentrated in the hands of those who enjoy excessive private fortunes and there is no doubt that a similar or more acute state of concentration exists in all other monopolistic corporations.

It is quite evident, from the facts above adduced, that the Morgan and Rockefeller groups own the controlling interest in the railroads of the United States. The common people who own stocks and bonds in the roads are so few in number that they have neither voice nor power in the management.

THE "WIDOW AND ORPHAN" CRY IS AN OLD "WOLF" CRY OF THE BANKERS AND SPECULATORS WHO HAVE STOLEN THEIR CONTROL OF THE TRANSPORTATION SYSTEMS OF THE COUNTRY. IF THERE ARE ANY CONSIDER-

ABLE NUMBER OF WORTHY WIDOWS OR ORPHANS OR "COMMON PEOPLE" HOLDING STOCKS IT WERE BETTER TO PENSION THESE PEOPLE FOR LIFE AND PROCEED TO TAKE OVER THE RAILROADS.

After many years of investigation devoted to this subject, I am convinced that the highways of the nation should be taken over by the Government and operated for the good of the people.

The Government of the United States took over and operated the roads for a little over two years during the war, at the request of the railroads, under terms and conditions that were absolutely infamous, by which the government was plundered out of billions of dollars. But before the roads were turned over to the Government to operate, these scamps (who ought to occupy cells in our penitentiaries), and I mean by that the bankers of New York, the Federal Reserve Board, the managers and owners of the railroads, and the great industrial trust combinations, organized companies to take over the shops of all of the great railroads controlled by them. These companies were incorporated under the infamous laws of New York and New Jersey and all of the shops of the great railroads were conveyed to those companies, not only the repair shops, but the great factories where they manufacture equipment for the railroads of every kind and sort, so that after the Government began the operation of the roads they had to hire all of their repairs, and buy all of their equipment of these great combinations, and they paid from four to ten times as much as the service and material was worth that they bought of these inside corporations controlled by the biggest stockholders of the railroads.

They also organized terminal companies wherever the terminals were of great value, in all the great cities of the United States, and separated the terminals from the railroads, and then they charged as rent for the

use of the terminals, a rental in many instances, as high as one hundred per cent per year on actual cost of the terminal. For these terminals were conveyed to these companies for the purpose of swindling the Government during its operation and to make it appear that the operation by the Government of the roads did not pay, and owing to the enormous prices which these men compelled the Government to pay, not only for terminals and switching facilities, but for repairs and new equipment, accounts for the failure of the roads to be properly operated by the Government. But the roads were not really operated by the Government at all. Ostensibly they were. That was the talk, but the fact is that the management remained in the hands of the old crowd.

I know very intimately the president of one of the great railroads. He was president during the entire time that the Government pretended to operate the roads, and he is still president of the road at a salary of fifty thousand dollars a year. The president of that road is the operating man, and he continued to operate the road just the same as he always had, while the Government had control, and he assured me that that was the case with practically all of the roads. They were simply using the camouflage of government ownership and operation to plunder the Government and the public generally, and he said to me, "We have no interest in making government control popular." But while it was an infamous transaction to turn the roads over to the Government, the crowning infamy was the Cummings bill, by which the railroads were taken back from the Government, to whom they had never been conveyed, and the Government guaranteed dividends on their stock and interest on their bonds.

THE REMEDY IS FOR THE GOVERNMENT OF THE UNITED STATES TO TAKE OVER ALL THE RAILROADS WITHOUT PAYING ONE CENT FOR THEIR STOCKS OR BONDS. The railroads have

been paid for by the American people over and over again, and they are the property of the American people. They are the highways of the nation. They are in the hands of a small number of gambling bankers who use the stock and bonds as chips in the gambling game to swindle the public. There are no innocent purchasers of their stocks, and if any of the stocks are owned by widows or orphans, they are widows and orphans of a gambler, and if they are impoverished by the cancellation of these stocks and bonds and the taking over the railroads by the people of the United States, and are unable to work, I am perfectly willing that an asylum should be built to take care of them as long as they live.

The owners of the railroads are entitled to no consideration whatever from the American people. They have forfeited all right to any consideration whatever.

It is now nearly twenty-five years since I introduced a bill in the Senate of the United States to take over and operate the railroad companies for service, and not for profit; operate them by the Postoffice Department. I showed in an argument in the Senate that the railroads could reduce their freight rates one-half and still be operated at a profit, if all favors granted to big trusts and combinations were eliminated and the service granted to all the people on equal terms. I showed that the practice was for the big stockholders to become interested in some manufacturing enterprise and then cut rates to less than half what they gave to the public, to the favored enterprises. I showed that these people who could afford to pay their fare rode on a pass, and that the common people paid three to four cents a mile, and I provided in this bill that passenger fares should hereafter, under government ownership, be one cent per mile for everybody, and no passes granted to anyone. I showed that express could be carried on government owned railroads for one-third what the public was now paying for this service. I

then proposed to buy the roads and pay for them by using Government bonds, a sum equal to their actual physical value. But since then the conduct of the railroad managers has been such that there is no justification whatever in buying the roads. They should be taken over as the highways of the United States and operated for the general welfare and their stocks and bonds cancelled and destroyed. This is not confiscation or robbery, it is restoring stolen property to its rightful owners and it would be well to put the thieves in jail so that they cannot steal something else.