

bott suggests, be found making furniture in Grand Rapids, digging coal in Pennsylvania, or hammering on some anvil, or following a plow. Indeed, it is at some such work that we should expect to find him, for it was in a kindred vocation that he labored for a living when he was here. But we should not expect to find him a man of wealth. Though mere men may be rich without therefore being personally evil, it is as inconceivable, while the wealth of the wealthy is made up of the losses of their brethren, that truth and justice incarnate should be a man of wealth, as that truth and justice incarnate should own slaves.

#### BASIS OF RAILROAD RATES.

The fact that the University of Pennsylvania supports a professor of transportation, will come to the attention of most people as a novelty; but to anyone who understands the University of Pennsylvania it will be no novelty to learn that, inasmuch as the university has such a professor, he is a special pleader for railroad monopoly. That he should be anything else and continue to hold his place, would be inconceivable. Special pleas, however, are always interesting, be they never so irritating to a well-ordered mind, and this professor's argument in support of the doctrine of rates known as "all the traffic will bear," and its corollary which Vanderbilt frankly phrased as "the public be damned," is no exception.

The Pennsylvania professor admits that upon the face of things it would seem that railroads should fix charges in accordance with cost of service. But this he says would be impracticable because "it is impossible to determine accurately the elements which enter into the cost of performing the particular transportation service"—the cost, that is to say, of carrying each particular parcel or passenger. Value of service, therefore, he regards as the more desirable basis of rates; meaning by value of service what the service is worth to shippers and passengers,—“all the traffic will bear.”

Any thoughtful man would be apt to inquire why it is that dry goods stores are able to fix their charges

in accordance with cost of service if railroads are not. How is it any more feasible for storekeepers than for railroad companies "to determine accurately the elements which enter into the cost" of handling each particular yard of goods? And the inquiry would be pertinent.

The truth is that in fixing prices or rates both the dry goods store and the railroad are governed both by the value of the service to those to whom it is rendered and by the cost of rendering it. No one will pay more for a service, either by a dry goods store or by a railroad, than it is worth to him; and nobody, be he storekeeper or railroad company, can permanently render service for less than cost. Between cost of service, therefore, and its value to the persons served, the rates of service, whether for the service of dry goods stores or of railroads, must be fixed. But at what point prices or rates will rest between these two extremes, depends upon competition. If competition be normal, prices and rates will tend from the value of the service to the persons who receive it downward to its cost to the persons rendering it. And if normal competition continue, prices and rates will ultimately rest at the cost of rendering the service for which they are charged. This is what is meant when it is said that prices are governed by cost of production.

Let the principle here briefly stated be once grasped, and it is easy to understand why dry goods stores are able to fix their charges in accordance with cost of service. If they could, they would fix them at the value of the service to the persons served, in accordance with the doctrine of "all the traffic will bear," but competition forbids that. And steadiness of competition forces their charges down permanently to the point of cost of service, below which they cannot go. It must not be understood, however, that the storekeeper fixes his prices by entering into elaborate calculations, assigning to the price of each piece of goods he sells so much for rent, so much for taxes, so much for freight, so much for superintendence, so much for interest on purchase price of the goods, so much for the wages of the clerk in selling the particular piece, and so

on. His calculations in these respects are based upon the cost in general of conducting his business, and they are stimulated by the forces of competition which press against him on all sides. No committee, with all dry goods stores under its control, could fairly regulate his prices for him, either upon the basis of cost or upon any other basis. The work of such a committee would of necessity be arbitrary. But storekeepers, left free to fix prices in accordance with their business instinct but subject to the pressure of competition, do serve the public at prices which roughly but fairly correspond to cost of service.

If now, it be asked why railroads do not render their service upon the same principle, instead of charging all the traffic will bear, the answer is obvious. While they, like the storekeeper, naturally seek to charge for their service all that the service is worth to the persons served, they are not held in check, as is the storekeeper,—their prices are not forced down to the point of cost, as are his,—simply because they do not operate under the same pressure of competition. Railroads are monopolies. They control highways, and people desiring their kind of service must employ particular railroads. Even where there is competition it is so weak that pooling becomes possible, and the shipper if not subject to one railroad is made subject to a railroad pool. Consequently, railroad rates, left unrestricted by law, do not tend naturally as do store prices, to fall from the highest extreme of "all the traffic will bear," to the lowest extreme of cost of service.

And when legal regulation is introduced, the regulators find themselves in the position they would be in if empowered to regulate store prices without the aid of free competition. They are confronted with the necessity of making calculations which it is beyond the power of any man or set of men to make. It is true, as the professor of transportation of the Pennsylvania university says, that railroad companies cannot possibly determine with accuracy the elements which enter into the cost of service, and so regulate their charges in accordance with cost; but the reason for this the professor carefully conceals,

if he knows what it is. It is because railroads are monopolies. If roadbeds were maintained as public highways, as they ought to be, and railroading were thus made competitive, railroad rates, like dry goods store prices, would very quickly adjust themselves to the cost of service. But if that were done, there would be no further demand for professors of transportation, especially in the University of Pennsylvania.

## NEWS

At the time of writing last week Admiral Sampson's fleet had left Key West under sealed orders, Commodore Schley's was awaiting orders in Hampton Roads, and the location of the Cape Verde fleet of the Spaniards was a mystery, though rumors of its appearance off Martinique, in the West Indies, were numerous. These rumors were authoritatively denied, however, as reference to page 10 of last week's issue will show. They were in the category with the rumor noted on page 11, that Sampson had annihilated the Spanish vessels and on the 11th of May was bombarding San Juan, on the Spanish island of Puerto Rico. As to the bombardment of San Juan, the rumor was only one day ahead of time. Admiral Sampson, with nine ships, faced San Juan, before sunrise on the morning of the 12th. Word had been sent ahead that the place would be bombarded, and women, children, aliens and non-combatants were notified to leave. The Iowa opened fire and was followed by the Indiana, after which the bombardment became general. Fort Morro, on the point at the entrance to San Juan Bay, was soon in ruins. The bombardment lasted three hours, and when Sampson drew off he said that he was satisfied with the morning's work; that he could have taken San Juan, but had no force to hold it; and that he had only administered punishment, having come for the Spanish fleet and not for San Juan. The extent of damage done to the Spanish is still unknown. The Americans lost two men. One of them was killed; the other died from the intense heat. Seven were wounded. Only two Spanish shells exploded on the American ships—one on the New York and the other on the Indiana. Admiral Sampson's official report of the bombardment was as follows:

St. Thomas, May 12.—A portion of

the squadron under my command reached San Juan this morning at day-break. No armed vessels were found in the port. As soon as it was sufficiently light I commenced attack upon the batteries defending the city. This attack lasted about three hours and resulted in much damage to the batteries and incidentally to a portion of the city adjacent to the batteries. The batteries replied to our fire, but without material effect. One man was killed on board the New York and seven slightly wounded in the squadron. No serious damage to any ships resulted.

SAMPSON.

Hardly had the report of the bombardment of San Juan been received when dispatches from London confirmed the rumors of last week regarding the sighting of the Cape Verde fleet of the Spanish off Martinique, by telling of its arrival, on the 12th, at the port of Fort de France on that island. The Furor, a torpedo boat destroyer belonging to the fleet, took on coal at Fort de France and immediately put to sea. Our scout, the Harvard, one of the fast liners which have gone into the service for the war, was in the harbor at the time, and has remained there ever since, undergoing repairs. The real reason may be that upon leaving she might be pounced upon by some part of the Spanish fleet. The Spanish torpedo boat Terror, also of the Cape Verde fleet, which put into Fort de France with the Furor, has likewise remained. She is reported as badly injured and without money to pay for repairs. It may be, however, that she is awaiting an opportunity to follow and destroy the Harvard.

The whereabouts of Admiral Sampson's fleet since the bombardment of San Juan has not been known, except that it was near Puerto Plata, Hayti, on the 14th, that it passed Cape Haytien, Hayti, on the 15th, and was near there on the 16th. On the 17th it was reported from Washington, with apparent authority, that Sampson had gone south through the Windward Passage, between Hayti and Cuba. One thing was certain, that Sampson had been doing his utmost to find the Cape Verde fleet ever since the latter was reported from Martinique. For two days the Cape Verde fleet covered its tracks. By leaving some of its ships near Martinique so as to give an impression that it was still there, or by starting rumors to that effect, it caused its reported arrival at Curacao, nearly 600 miles southwest of Martinique to be doubted. But the Span-

iards, or the body of their fleet at least, had slipped over to Curacao, arriving there on the 14th. This was regarded as a disclosure of the Spanish admiral's intention to elude Sampson. On the 15th the Spaniards left Curacao, going west. It was supposed that they were endeavoring to make a landing in Cuba, either at Cienfuegos or Havana, which would account for Sampson's having gone down through the Windward Passage. They were not heard of again until the 18th, when they were reported from Kingston as having been seen late that afternoon from Morant Point, at the extreme east of the island of Jamaica. They were then said to be heading for Santiago de Cuba, and moving with great speed.

As soon as the Cape Verde fleet was known to be in American waters, not only did Sampson's fleet set out to meet it, but Com. Schley's flying squadron at Hampton Roads was ordered out with the evident purpose of cooperating in some way with Sampson. On the 13th the flagship Brooklyn, with Com. Schley aboard, the torpedo boat destroyer and scout Scorpion, and the battleships Massachusetts and Texas, accompanied by a collier, left Hampton Roads, and moved southward. On the 14th all the ships of the squadron except the cruiser New Orleans, had left the Roads, and on the 15th the squadron had anchored off Charleston, S. C. When it was announced that Sampson's fleet had gone south through the Windward Passage, it was also stated that Schley's squadron was off the Florida coast proceeding toward Havana; but on the 18th Schley was at Key West.

Spain's whole fleet is not on this side the ocean. Some of her staunchest ships are at Cadiz, Spain, unless they have secretly left. Many rumors have been flying around about this detachment. Sometimes it was preparing to go to the Philippines to drive out Dewey, while at others it was ready to make a dash across the Atlantic and shell American cities. On the 16th, for example, the report was to the effect that this reserve fleet had left Cadiz on the 13th, and was due at the Canaries on the 16th, its object being to cut across and ravage the American coast while Cervera made a demonstration to draw the American fleets into the Caribbean sea, and on the 17th it was reported that the same fleet would be ready for