CHAPTER VI

NATIONALIZING THE RAILROADS

The part the railways played in making a monopoly of the Standard Oil Company was not exceptional in the business life of the country. It was simply the completest and best advertised illustration of their powers. So keen was the competition for freight on rail lines that large shippers were usually able to make their own terms, obtaining not only discriminatory rates but also the use of side tracks and other special accommodations. Such allowances were oftentimes sufficient of themselves to drive competitors from the field. Nor was it the big shippers alone who secured favors. Smaller manufacturers who could bring influence to bear, threaten or cajole, also received special treatment. Sometimes this was accorded "from a desire to relieve individuals from the consequences of previous unfair concessions to rivals in business."[1]

The system, if such it could be called, was never accepted even by the railroads as anything but an unsafe and, in the end, unsatisfactory way of doing business. The secrecy which they enjoined in granting favors evidenced their uneasiness as to what would happen if the shipper who considered himself wronged should appeal to the courts. "There was not the least doubt,"

[1] Interstate Commerce Commission, Annual Report for 1887, 5-6.

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said the interstate-commerce commission in its initial report in 1887, "that had the case been properly brought to a judicial test these transactions would in many cases have been held to be illegal by the common law. . . . ." It added, however, that "proof was in general difficult, the remedy doubtful or obscure, and the very resort to a remedy against the party which fixed the rates of transportation at pleasure, . . . might prove more injurious than the rebate itself."[1] Parties affected by it, therefore, generally preferred to direct their efforts to securing similar favors for themselves.

But, as in the case of the Standard Oil Company, not all shippers acquiesced. There were always some left over from each battle who pulled themselves together and prepared for a new attack. Popular sentiment was, to an increasing extent, with them. This was due to sympathy with the underdog; to resentment at the arrogance of the railroads; and to a profound conviction that, though the ownership of rail stocks and bonds was private, the roads themselves were public highways created by the state for public use and with an obligation to carry persons and freight on equal terms.[2]

Though the most discussed complaint against the railroads was their alliance with Big Business, it was not the only one.

[1]Interstate Commerce Commission, Annual Report for 1887, 7.

[2]For the so-called Granger laws, passed in the 1870's and based on this principle, and for the action of the Supreme Court in upholding such legislation, see Allan Nevins, The Emergence of Modern America (A History of American Life, VIII), 174-176.

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l.c. Among the grievances tabulated by the Cullom Senate Committee in 1886 were the charges that rates were fixed without regard to the actual cost of service, being based on "what the traffic will bear" and on the necessity of paying dividends on "watered stock and interest on bonds improperly issued"; that local rates were too high as compared with through rates; that both local and through rates were unreasonably high at noncompeting points; and that unreasonable discriminations existed between localities similarly situated. Condemning the management of the railroad business as "extravagant and wasteful," the committee pointed particularly to the costly practice of granting passes and to the heavy expenditures entailed in the "reckless strife for competitive business." It held that

> the effect of the prevailing policy of railroad management is, by an elaborate system of secret special rates, rebates, drawbacks, and concessions, to foster monopoly, to enrich favored shippers, and to prevent free competition in many lines of trade in which the item of transportation is an important factor.

Such favoritism and secrecy, it said, "introduce an element of uncertainty into legitimate business that greatly retards the development of our industries and commerce."[1]

To cure some of the worst abuses, the railroads from time to time tried pooling devices.[2] These represented an effort at

[1] Senate Select Committee on Interstate Commerce, Report (Wash., 1886), ~~(49 Cong., 1 sess., Senate Rep., no. 46)~~, 180-181.

[2] E. R. Johnson and T. W. Van Metre, Principles of Railroad Transportation (N. Y., 1916), 294-303.

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self-government on their part. Pools were to put an end to all the conscienceless bargaining with shippers. Quickly, however, the evils so notorious under free competition reasserted themselves in the pools. Mutual distrust, the bad faith of some companies, the eagerness of all to increase their allotments in future arrangements, the brief duration of the agreements -- such factors as these combined to render the pools ineffective. As the public saw it, the device, which had been adopted to remedy the evil of unregulated competition, was as bad as the evil itself.

No recital of benefits, no emphasis on attempts at self-correction, no insistence on the economic value of the roads quieted the popular distrust. What people most feared was the growing division of the United States into transportation satrapies, ruled by men of force, daring and a passion for order, who believed the success of their plans was so important for the country as to justify a disregard of all law and rules of fair dealing, or who were greedy for wealth regardless of human cost. Yet there were sound reasons for these consolidations besides the sinister ones the public harbored. Economy and convenience made them inevitable, a logical response to popular demand as well as to considerations of profit and power. In many instances, absorption was the only means of keeping alive short roads which were dying of traffic starvation. The mine or oil field or industry on which they depended had become exhausted, or a more economical route with wider connections had invaded the

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territory. Consolidation, however, usually took the form of raids ending in capture. The sharp warfare attracted the attention of ~~impressed~~ the public, while the slower process of economic development went unnoticed.

An orgy of speculation in rail securities raged in the early eighties, induced by the return of prosperity after the six years of dark depression following the Panic of 1873. An important, if temporary, factor in the return of good times was a crop failure in Europe in 1879, which caused forty per cent of the American wheat output to be exported at higher prices than had been known in many years.[1] The immediate effect of the boom in foodstuffs was to increase the acreage put into cereal crops and to lengthen the mileage of railroads to carry them. Industry recovered along with agriculture. For the first time since the Civil War the United States resumed specie payment.[2] Europe was again eager to invest in American securities. The market was flooded with money.[3]

The favorite investment was rails, and the promoters obliged the investing and speculating public with a spate of issues. In

[1]D. A. Wells, Recent Economic Changes (N. Y., 1889), 6-8.

[2]See Nevins, Emergence of Modern America, 305.

[3]Between July 1 and November 15, 1879, the favorable balance of trade paid in gold amounted to $59,000,000. J. D. Richardson, comp., A Compilation of the Messages and Papers of the Presidents (Wash., 1896-1899), VII, 558.

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1880 over seven thousand miles of railway were built, about equal to the excited building in 1871 which had hastened the Panic of 1873. In 1881 nearly ten thousand miles were added, and in 1882 over eleven thousand five hundred. A well-informed contemporary student of railroads declared in 1884 that this new mileage had not cost over thirty thousand dollars a mile, but that it was capitalized at seventy thousand.[1] One feature of the dizzy financing was the payment of huge stock returns. In 1880 the Louisville Nashville and the Chicago & Rock Island railroads each declared hundred-per-cent dividends. All told, the rail corporations in this single year distributed to their shareholders something like forty million dollars.

Some there were who warned that this state of affairs could not last. They remembered the fevers of ten years before and the long convalescence that followed. Certain capitalists began to put their money into trust companies. It was noted, too, that Americans, not foreigners, were active in the market now. But the mass of professional and amateur speculators would not heed the increasing signs of impending disaster. In 1883 the crops were not so good, and the country was ravaged by rate wars in East, West and South. The New York Central and the West Shore cut passenger charges to a cent a mile. The war extended to the Pennsylvania, the Erie, the Delaware & Lackawanna and

1 Frank Parsons, The Railways, the Trusts, and the People (C. F. Taylor, ed., Equity Series; Phila., 1906), pt. i, 109, quoting Poor's Manual for 1884.

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the Baltimore & Ohio. As earnings sharply declined, dividends began to be cut.

Rapidly through 1884 the wind came out of the inflated structure. Europe commenced to call back gold. In early April the price of wheat fell, bringing on a panic in Chicago. A prominent Wall Street speculator, James R. Keene, was caught in the market and crashed. In May came the disastrous failure of Grant and Ward. The nation was shocked less by the financial irresponsibility of Ward than by the appalling proof that a man of the inestimable services and undoubted honesty of ex-President Grant could be used for the purposes of conscienceless speculators. "The failure," said the Nation, "is the most colossal that ever took place among merely private firms in the United States and one of the most disgraceful."[1] This event was followed closely by a defalcation of some three million dollars by John C. Eno, president of the Second National Bank of New York. Money lost in Wall Street speculations was the explanation. Though the loss was made good, it took more than this to overcome the shock to confidence. Wild rumors filled the air. A run closed the doors of the Metropolitan Bank whose president, George I. Seney, was deep in railroad speculations. Then began one of those mad stock-exchange stampedes that leave so many casualties. Stock firm after stock firm, bank after bank, shut down. Bank

[1] Editorial, Nation, XXXVIII, (May 15, 29, 1884), 415, 455.

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failures, which had fallen from 10,478 in 1878, ~~the largest number listed up to that time~~, rose to 4735 in 1880, in 1884 to 10,968.[1]

Meantime exports ~~fell off~~ declined. America had sold a bill of about $686,000,000 worth of agricultural products in 1880; it amounted to less than $536,000,000 in 1884 and fell to $485,000,000 in 1886.[2] By the end of 1884 it was already clear to the country that its suddenly gained prosperity was shattered, notably in the case of railroad values. No better proof of the recklessness of railroad financing and management existed than the fact that in 1886 one hundred and eight roads with a trackage of eleven thousand miles were in the hands of receivers. It was to be long before they touched the levels of 1881 again. The quotations of twenty-eight rail stocks which, averaging seventy-three in 1878, had risen to one hundred and fourteen in 1880-1881 and to one hundred and sixteen in 1881-1882, dropped in 1884-1885 to seventy-five. Although in five of the next thirteen years they averaged around one hundred, it was not until 1898-1899 that they were back where they had stood in 1881-1882.[3]

The depression of 1884-1885 heightened the popular resentment which had long been gathering against the railroads and

[1] U. S. Commissioner of Labor, Annual Report for 1886, 67.

[2] U. S. Industrial Commission, Report (Wash., 1900-1902), XIX, 188.

[3] U. S. Industrial Commission, Report, XIX, 29.

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their practices. For some years the separate states had tried various methods of dealing with the problem. The favorite expedient in the Middle West had been to ~~set up~~ pass laws setting up official commissions with authority to fix rates, but such ~~laws were~~ legislation was often hastily framed and proved disappointing in practice.[1] Massachusetts had preferred to endow its commission merely with investigative powers and the authority to give publicity to its findings. It depended upon the force of public opinion to correct abuses. By 1880 some fourteen states had adopted the Massachusetts plan, though ~~in~~ some of them only after a long fight.

In the case of Peik v. the Chicago & Northwestern Railway the United States Supreme Court had gone so far as to hold that, until Congress took steps to regulate interstate commerce, a state commission possessing mandatory powers might fix rates on shipments passing beyond state limits.[2] But even in such states difficulties arose as regards rail corporations chartered in other commonwealths. The state courts had little or no control over them. "They come into a State," James B. Weaver of Iowa complained in Congress in 1880,

> for the purpose of making money, carrying on transactions with citizens of the State, and why should they not be compelled to go into

[1] Nevins, Emergence of Modern America, 168-169, 371-372.

[2] A decision in 1876. 94 U. S. Reports, 164.

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> the State courts, there to adjudicate matters arising between themselves and citizens of the State? They are citizens of the State for all other practical purposes; but, when a controversy arises under the law as it now stands, the corporation has only to go into the State court and there set forth the fact that it is a foreign corporation, organized under the law of Massachusetts or of some other State, and the cause is removed to the Federal court. [1]

Each year it became more obvious that the question must be nationalized, that it was too complicated for state handling. Jealous as the states were of their prerogatives, some of them began to turn to the federal government. Thus in 1880 the Mississippi legislature begged Congress to "provide, by appropriate legislation, some adequate means of . . . regulating the tariff and freight rates on all railroads and navigable streams in the United States."[2] Discussion of the question in committees and on the floor of Congress took more and more time and showed both reluctance and confusion. To some members such as Judge J. H. Reagan of Texas the solution seemed simple. Reagan fathered a bill to forbid certain practices which any right-minded person could not but agree were unfair -- such were rebates, drawbacks, pooling -- and to order equal rates and opportunities. Enforcement of the law was to be in the hands of the courts instead of a special commission. The bill passed the House in 1878, but it died in the Senate.[3]

[1] Appletons' Annual Cyclopaedia, n.s., V (1880), 140-141.

[2] Appletons' Annual Cyclopaedia, n.s., V, 528.

[3] L. H. Haney, A Congressional History of Railways in the United States, 1850-1887 (Univ. of Wis., Bull., no. 342), 288-290.

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Five years later the principle of federal regulation was strongly urged upon Congress by Chester A. Arthur. He was the first President of the United States after the Civil War to challenge the absolute power that individuals and corporations were exercising in society and to assert boldly that Congress could not tolerate such abuses:

> While we can not fail to recognize the importance of the vast railway systems of the country and their great and beneficent influences upon the development of our material wealth, we should, on the other hand, remember that no individual and no corporation ought to be invested with absolute power over the interest of any other citizen or class of citizens. The right of these railway corporations to a fair and profitable return upon their investments and to reasonable freedom in their regulations must be recognized; but it seems only just that, so far as its constitutional authority will permit, Congress should protect the people at large in their interstate traffic against acts of injustice which the State governments are powerless to prevent. [1]

The sentiment remained strong among some members, however, that it was best to allow the states and the railroads to control their own affairs and that Congress should keep hands off.[2] This, of course, was the view of the railroad "experts and officials" who, as Reagan complained, thronged the committee rooms and corridors and often appeared on the floor of the House with their attorneys, "the ablest in the United States, all of them paid out of the people's money . . . ."[3] But the same

[1]Message of December 4, 1883, Richardson, comp., Messages and Papers, VIII, 185.

[2]Appletons' Annual Cyclopaedia, n.s., V, 184.

[3]Appletons' Annual Cyclopaedia, n.s., X (1885), 210.

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conviction was shared by not a few of the economists of the day. So thorough a student of the railroad and its relation to social well-being as Edward Atkinson considered federal regulation a futile attempt to overcome hardships which "can only be remedied by the slow progress of events," not by "meddlesome statutes."[1]

Though the desire for regulation steadily increased in Congress, definite action was held up by differences of opinion as to ways and means. Thus in 1885 the Senate and the House each passed a bill, but the two branches could not agree upon a common measure. Two events in 1886, however, brought matters to a head. One was the scorching condemnation of railway abuses made by the Senate committee of which Shelby M. Cullom of Illinois was chairman.[2] The other was a decision of the Supreme Court which, reversing its view in the Peik case, forbade individual states to fix rates on shipments passing beyond their borders.[3] By declaring unconstitutional state regulation of interstate commerce, the Wabash decision made federal regulation imperative.

On February 4, 1887, after fifteen years of discussion, the interstate-commerce law was enacted by a vote in the Senate of 43 to 15, in the House of 219 to 41.[4] The act, modeled in

[1] Appletons' Annual Cyclopaedia, n.s., IX (1884), 686.

[2] See earlier, 000.

[3] Wabash, St. Louis and Pacific Railway Company v. Illinois, 118 U. S. Reports, 557.

[4] Haney, Congressional History of Railways, 292-310.

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part on an English statute of 1854, forbade discriminations and the pooling of traffic, made it illegal to charge more for a short haul than for a long haul over the same line "under substantially similar circumstances and conditions," provided for a uniform system of railway accounting and required the roads to file their tariffs for public inspection. Oversight of these regulations was placed in a commission of five members, none of whom could be taken from the ranks of railroad men or ~~possess~~ own rail securities. This body, however, could not fix traffic rates or enforce its own decisions; nor did its powers cover transportation wholly within one state. The commission could order a violator to desist from illegal acts and levy a fine of five thousand dollars; but if the carrier declined to obey, the commission could enforce obedience only through equity proceedings in the federal courts.[1]

On the whole, the measure was fairly well received. Everybody but railroad managers welcomed the publication of tariffs and a uniform system of accounting. The clauses on the short and long haul ~~came in for~~ excited criticism ~~by~~ from those who thought it meant always charging equal mileage regardless of conditions: "one hundred times as much for one thousand miles as for ten miles." Harper's Weekly reported an "earnest uprising" of business men in Cincinnati against "a provision which the Inter-State Commerce Bill does not contain, and which no railway

[1] U. S. Statutes at Large, XXIV, 379-387.

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reformer ever committed the absurdity of proposing."[1] The chief protest from business and railway interests, however, centered on the pooling clause. On the other hand, those towns and individuals which had suffered from the discrimination of pools rejoiced. The Chicago Tribune felt that the pool managers were only getting what they deserved, so "odious" had been their "discriminations in favor of individuals and places."[2]

The severest complaint of the public was the failure to put teeth into the law. The necessity of appealing to the courts to compel obedience to the commission's orders involved a process too slow to satisfy harassed shippers and towns which saw their neighbors prospering while they were dying. "It is the shadow and not the substance of governmental control," cried the Chicago Herald; but it conceded: "it is a step in the right direction." In a similar spirit the Cincinnati Commercial-Gazette and the New York Evening World acclaimed the statute as "the beginning of a National railroad policy." The New York Evening Post hailed it as the most important piece of legislation since the resumption of specie payment. Even the New York Sun, which deplored such "an extraordinary measure of paternal government," predicted: ~~that~~ "A good deal of rascality will disappear with secret rates and rate cutting; much money which

[1] J. F. Hudson, "The Inter-State Commerce Bill," Harper's Wkly, XXXI, (Jan. 15, 1887), 42.

[2] Digest of newspaper comment on Interstate Commerce bill in Public Opinion, II, (Jan. 8, 1887), 251.

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now goes to pool commissioners and clerks will be saved."[1]

Obviously the success of the new law depended on the make-up of the commission which should administer it. One objection urged by those who opposed regulation by a commission -- Reagan of Texas was the most outspoken -- was that men free from the influence of rail corporations could never be found. Another was that, if they could be found, they would prove too ignorant of railway management to handle the problems which everybody had now come to recognize as extraordinarily complex. The appointments which President Cleveland made, however, disarmed such criticisms. At the head of the commission he placed Thomas M. Cooley, a distinguished lawyer, a Republican with twenty-one years' service on the Michigan supreme court and a man who had had experience as receiver for a large railroad system. Following Cooley in order of naming were William R. Morrison, an Illinois Democrat and tariff reformer, whose eight terms in Congress had covered the entire period of railway agitation; Judge Augustus Schoonmaker, a New York Democrat known to Cleveland as a civil-service reformer; Aldace F. Walker of Vermont, a Republican who had fathered the Vermont railroad commission and had been at close quarters with a corrupt railroad ring in New England; and Walter L. Bragg, a Democrat who was chairman of the radical railway commission of Alabama.

[1] Digest of newspaper comment in Public Opinion, II, 250-251.

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The appointments were well received -- "very respectable citizens," said the New York Sun. The New York Evening Post declared Cleveland's critics "only break silence to applaud."[1] Some criticism was offered, however, because no trans-Mississippi representative had been named. "Mr. Cleveland ought to study geography before he appoints another Commission," it was suggested. But the fact that he had emphasized competence for the duties of the office above sectional considerations won for the commission at the outset a large measure of public confidence.

At last the rail transportation of the country ~~was nationalized.~~ was to be dealt with as a national problem. At last the government of the United States had decided no longer to allow ~~men~~ the roads to exploit ~~their fellows~~ the people in the name of "progress." But the work of applying the law was like cutting a path through a jungle, so complicated were many of the cases which flooded the new body. Based as most of them were on some form of privilege which benefited one group or locality at the expense of another, the practices had been so long in existence that disturbing them was deemed an invasion of rights. Moreover, there was the greatest difficulty in getting all the facts, in understanding their relations when collected, in deciding whether or no the shipping was conducted "under substantially similar circumstances and conditions." Sometimes the commission faced the dilemma of doing actual harm by applying what was the plain

1 Digest of newspaper comment on Interstate Commerce Commission in Public Opinion, II, (April 2, 1887), 537, 539.

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meaning of the law. Untangling established customs, even when they were obviously unjust, necessitated a long train of readjustments too complex for prompt action.

When a decision was made, it might be years before it was enforced. Thus in 1888 the independent shippers from the oil regions of Pennsylvania to the seaboard complained to the commission that the rate on transporting oil in barrels had suddenly been increased from fifty-two cents to sixty-six. This violated the practice of charging the same rate whether the oil was carried in barrels or tank cars. The new rate had obviously been forced on the railroads by the Standard Oil Company in order further to embarrass the independents. The hearings occurred in May, 1889, but the commission delayed its decision until December, 1892, much to the dissatisfaction of the independent oil men. One complaint against the commission from the beginning had been that it moved too deliberately. Yet it is difficult to see how it could have hurried, considering the intricacies and the number of the novel problems heaped upon its shoulders. The decision in the oil case, when it came, pleased the complainants. The railroads were required to make the rates equal whether the oil went in barrels or tanks, and to furnish tanks if shippers gave reasonable notice. Two years later the commission ordered the payment of nearly one hundred thousand dollars to the injured shippers. The railroads refused to recognize the obligation and took the

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matter into the courts. Long after ~~our period ended~~ the end of the century the shippers were still trying to collect the damages.[1]

From the time the commission was established it faced increasing resistance to the discharge of its functions.[2] The old evils reappeared in a new guise. Rebates and special concessions were hidden by deceitful methods of accounting. Though pooling was not resorted to, railroads attained much the same result through traffic associations, which regulated charges and punished disobedient members. Not until 1897 was it possible to secure a decision from the Supreme Court that such associations were illegal, and then the decision was based on the provisions of the Sherman antitrust law of 1890, not on the interstate-commerce act.[3]

The powers of the commission were constantly in dispute, and were often rendered worthless by court decisions. Though the interstate-commerce law itself apparently affirmed that the commission's findings of fact must be accepted by the court as "prima facie evidence as to each and every fact found," the federal courts would not issue decrees without permitting a retrial of the merits of the case. To no effect, the commission

[1] Ida M. Tarbell, The History of the Standard Oil Company (N. Y., 1904), II, 281-282.

[2] Johnson and Van Metre, Principles of Railroad Transportation, 499-508.

[3] U. S. v. Trans-Missouri Freight Association, 166 U. S. Reports, 290.

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insisted that controversies about rates were questions of fact and not of law, to be determined by specialists rather than by the courts, and that the latter should simply decide whether the proper legal forms had been observed. Time and again the court overruled the decisions of the commission, steadily reducing its effectiveness. Meanwhile the railroads failed to remain at peace with one another. Many persons, forgetful of the ~~ruth-less~~ cutthroat competition of the years before 1887, argued that the anti-pooling clause was to blame by placing the railroads at the mercy of the most ruthless companies.

Thus the practical workings of the interstate-commerce act fell far short of the expectations of its friends. Yet decided gains had been made.[1] The right of federal regulation, long disputed, was established in law; the principle of publicity was kept alive; and a somewhat better adjustment of transportation charges was secured. Most significant of all, experience under the law indicated clearly the changes which should be made to secure effective regulation. This was an important legacy ~~which~~ left by this generation ~~left~~ to the next.[2]

The dust and smoke of battle excited by rail abuses and the contest over regulation should not be allowed to obscure the constructive services which the roads were quietly performing.

[1] Johnson and Van Metre, Principles of Railroad Transportation, 508-509.

[2] See H. U. Faulkner, The Quest for Social Justice (A History of American Life, XI), 116.

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It was not difficult for congressmen who believed the government should let the railroads alone to grow dithyrambic over their achievements. Since the close of the Civil War they had helped bind together a country which, without them and their ally, the telegraph, would have remained a collection of practically isolated units. The mileage grew from approximately 93,000 in 1880 to over 163,500 in 1890. Within the single decade as extensive a trackage was laid as the three leading countries of Europe had constructed in fifty years.[1] Though by 1890 the most urgent needs had been met, the total mileage was brought to over 193,000 by 1900.

Improvements in service went along with increased mileage. In 1882 freight rates stood at 1.24 cents a ton per mile, half of what they had been ten years before. By 1890 they had fallen to ninety-three hundredths of a cent and by 1898 to seventy-six hundredths.[2] The substitution of steel for iron rails went on apace. In 1880 only about three tenths of the roads were so equipped, ten years later close to eight tenths.[3] With more durable rails came heavier locomotives. From a weight of 102,000 pounds in 1881 they grew to 230,000 by the close of the century.[4]

[1]Johnson and Van Metre, Principles of Railroad Transportation, 26, 31-32.

[2]U. S. Bureau of Statistics, Statistical Record of the Progress of the United States, 1800-1906 (Wash., 1906), 33.

[3]U. S. Industrial Commission, Report, XIX, 291.

[4]U. S. Industrial Commission, Report, XIX, 292.

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A brilliant example of improved locomotive was Number 99[illegible], placed in service in 1893 by the New York Central. It celebrated its debut by making a world's record of one hundred and twenty-two and ~~one~~ a half miles an hour.[1] Freight cars also grew in size and stability; tracks ~~were~~ became more solid; bridges were made stronger. Through the widespread adoption of George Westinghouse's automatic air brake and other safety appliances the railroads sought valiantly to reduce the hazards of travel. Nevertheless between 1891 and 1895 the annual average of casualties was over six thousand killed and more than thirty-five thousand injured.

The spread of the railroad to all parts of the country had been attended by a decline of water transportation. In the Mississippi Valley the rivalry between river and rail had been most dramatic and expensive. But, in spite of the long resistance, the river had been bridged in the 1870's and was soon paralleled on both sides by railroads which carried freight not only more rapidly but more reasonably. Between 1880 and 1900 the freight shipped from St. Louis by water fell from a million tons to 245,000.[2] Traffic by way of the Erie Canal, once the chief carrier between the seaboard and the Middle West, suffered

[1] No. 999 is carefully preserved, and still shown at expositions and fairs along the route of the New York Central.

[2] U. S. Industrial Commission, Report, XIX, 435.

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a similar decline. Of the tonnage carried by rail and canal in New York state, the canals (in 1878 alone) handled over twenty-seven per cent, but by 1885 only about seventeen and by 1895 less than ten. This decline occurred in spite of the fact that the rate by lake and canal from Chicago to New York was considerably lower than that by lake and rail or by rail alone.[1]

The steady eclipse of inland water traffic was due in part to the persistent hostility of rail lines to carriage by river, canal or lake. However bitterly they might fight one another, they joined forces to resist water transportation.[2] In the case of the Erie Canal the New York Central let it be known that it would sever connections with any road accepting freight from the waterway -- a policy which cut New England off from ~~advantages~~ benefits which she might otherwise have enjoyed.[3] The legitimate advantages of transportation by rail, however, dealt the greatest blow to water routes. A railroad was not only swifter, but it gave a wider distribution. It could go into parts of the

[1] The water rate on wheat, for instance, in 1878 was 9.15 cents; by all rail it was 17.70. In 1885 it was 5.87 cents by water and 14.00 by rail; and in 1895, 4.11 cents by water and 12.17 by rail. [redacted] Bureau of Statistics, Statistical Record of Progress of United States, 34.

[2] W. Z. Ripley, ed., Railway Problems (Boston, 1907), 313.

[3] Senate Select Committee on Interstate Commerce, Report (Testimony) (Wash., 1886), 367.

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country otherwise inaccessible; It was simple to run a rail to a new wheat area, a new mine, a new oil well. Loading and unloading freight was much easier and less expensive from a car than from a boat. Transfer from rail to rail was easier than transfer from boat to boat. No longer was it necessary for a town to plant itself on a river bank, a lake front or an ocean harbor. Growing cities like Denver and Indianapolis proved that a railroad center was as advantageous as a water site.

Nature itself was against the river as a steady traffic bearer. Ice blocked the Mississippi to navigation for a considerable part of the year in the important reaches of the North. St. Paul had to allow for a closed season of four months during which the river men sat idle. Few of them like that young clerk on the wharves, "Jim" Hill, used their enforced leisure to store up information, particularly about anything that might help the development of the newly opened country.[1] And if it was not ice, it might be floods, or the water might be too low for navigation and boats be tied up, capital rotting away.

Water transportation suffered also because of the failure to improve its methods, its equipment and its connections. If the water companies had been as energetic and resourceful as the railway companies, the story might have been different. There was little excuse for damp and dirty pits on lake and

1 J. G. Pyle, The Life of James J. Hill (Garden City, 1917), I, chap. ii. See also earlier, 000.

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canal boats, which resulted in injury to wheat cargoes. Similarly, inadequate storage at receiving points often exposed freight to the mercy of rain and thieves. A federal commission, appointed to study the reasons for the decline of water traffic, compared this lack of enterprise with the situation in Germany where a number of cities had made a larger investment for terminals and for the storage of freight and the handling of boats than in the whole of the Mississippi River above New Orleans.[1]

Only in the carriage of heavy nonperishable goods was water transportation able to hold its own. Timber, which was being cut so lavishly in Wisconsin and Minnesota, could be conveyed most profitably by river. This was a great and growing business. In 1880 over two hundred million feet were cut in the region of the St. Croix; ten years later the cutting was more than four hundred and fifty million. In the upper Mississippi region, above St. Anthony's Falls, the logging from 1881 to 1890 amounted to three and a half billion.[2] Practically all this timber was cut in the winter, hauled to a logging point on the stream and lashed into rafts which, before the end of the

1 National Waterways Commission, Final Report (Wash., 1912), ~~(62 Cong., 2 sess., Senate Doc., no. 469)~~, 66-74.

2 C. E. Russell, A-Rafting on the Mississippi (N. Y., 1928), 336-337.

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century, were towed down the river by steamboats. A raft three hundred feet long was a good bulk in 1880, but before many years they had grown four or five times as long with a width of two hundred or more feet. If ever a great natural resource was put to a good use it was this lumber. It was replacing sod houses on the plains of Nebraska and building cribs for corn, shelters for animals, stores for trading and schools and churches throughout the Middle West.

Coal was another commodity which lent itself to water transport. When coal could be carried two thousand miles from Pittsburgh to New Orleans at a dollar a ton, the rivers got the freight unless it was a rush order. Likewise the Great Lakes, though losing wheat to the railroads, gained as carriers of coal and also of ore. This was made possible by the opening in September, 1881, of a new lock at the St. Mary's Canal, one five hundred and fifteen feet long and eighty wide which accommodated ships of sixteen-feet draft. The old locks, which had been but three hundred and fifty feet long and seventy wide, had taken care of vessels which drew only twelve feet or less of water. It was the inauguration of one of the most important commercial highways of the country, for it gave the Lake Superior iron and copper regions readier access to the world.[1] Five years after it was opened more tonnage was passing

[1] S. L. Goodale, comp., Chronology of Iron and Steel (J. R. Speer, ed., Pittsburgh, 1920), 199.

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through the St. Mary's Canal than through the Suez Canal. The United States government at once began work upon deepening and widening the channel.[1]

The success of the St. Mary's Canal led to discussion of similar waterways in other parts of the country. There was talk of a canal across Cape Cod, of one connecting the Hudson with the East River, of another from Lake Huron to Lake Ontario. But the plan which seemed in 1884 the nearest to realization was a route across Nicaragua in Central America. Here there were already sixty miles of navigable river and a lake forty miles long. A treaty with Nicaragua authorizing the United States to undertake the necessary construction was announced to Congress by President Arthur on December 1, 1884. The "rich territory on the Pacific," he said in his message, "is for the ordinary purposes of commerce practically cut off from communications by water with the Atlantic ports, the political and commercial advantages of such a project can scarcely be overestimated."[2] The government's interest in the project had undoubtedly been stimulated by the fact that five years before a French company, headed by Ferdinand de Lesseps, builder of the Suez Canal, had obtained the right to

[1] Goodale, comp., Chronology of Iron and Steel, 208.

[2] Richardson, comp., Messages and Papers, VIII, 238.

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dig a waterway across the Isthmus of Panama.[1] To the average business man, however, an interoceanic route meant simply a check on the transcontinental rates charged by the railroads.

When President Cleveland entered office a few months after Arthur submitted the treaty, he promptly withdrew it from the Senate. "Maintaining, as I do," he declared, "the tenets of a line of precedents from Washington's day, which proscribe entangling alliances with foreign states, I do not favor the acquisition of new and distant territory or the incorporation of remote interests with our own."[2] Nevertheless Congress on February 20, 1889, was induced to charter a private company to undertake the project. The Maritime Canal Company, as it was called, began excavation at Greytown on the Atlantic side in 1890, but it was forced to suspend operations three years later by the Panic of 1893.[3] Meantime the de Lesseps enterprise had also met disaster. The ultimate accomplishment of ~~the dream~~ an isthmian canal had to await the early years of the new century.[4]

[1] J. B. Henderson, jr., American Diplomatic Questions (N. Y., 1901), 73-75.

[2] Message of December 8, 1885, Richardson, comp., Messages and Papers, VIII, 327.

[3] Henderson, American Diplomatic Questions, 75-80.

[4] See Faulkner, Quest for Social Justice, 147-148.

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