

ways of Canada handle more traffic in proportion to their operating expenses than does the Intercolonial. In fact, the private railways of Canada and of the United States handle more traffic in proportion to their operating expenses than any other railways in the world, in spite of the fact that railway wages on this continent are the highest in the world. I would not undertake to maintain that private railways always are more economically managed than state railways. I do not believe that is a fact. But I am sure, after having studied the subject for a long time, that, as a rule, private management is more economical than state management.

It may be suggested that the higher expenses of state railways are due to the fact that they give better and more adequate service than private railways. But the strongest stimuli which promote the development and improvement of the service under private ownership are wanting under government ownership. The opportunity for private gain is abolished. Competition is eliminated. There is no superior regulating authority to compel the government to remedy the defects of its service. As substitutes for these influences there is a public sentiment which demands the construction of new mileage and the making of improvements, and a management desirous to please that part of the government or the public which can apply the most pressure. It does not seem probable that ordinarily the influences tending to promote the improvement of railway service under government ownership will prove to be more potent than those tending to promote it under private ownership, and, furthermore, the facts do not show that state railways ordinarily do give better service than private railways.

It may be said, and truly said, that even though it be demonstrated that it costs more to develop and operate railways under government than under private ownership, this does not make out a case, even on economic grounds, in favor of private ownership. Equity in the distribution of wealth is as important to the welfare of the public as efficiency in its production, and it may be contended that under government ownership the wages paid to labor will be higher, the passenger and freight rates charged to the public will be lower, the public instead of private companies will receive the profits earned by the railways, and, in consequence, the public, on the whole, will be better off. Let us, then, turn to a brief consideration of the relative effects which private and government ownership may be expected to have on the distribution of wealth. It may safely be assumed at the outset that under either system there will always be a struggle going on between the various classes of the community and sections of the country to determine how the burdens and benefits resulting from the development and operation of the railways shall be divided. Under either system travellers and shippers always will want low rates, labor will want short hours of work and high wages, and the owners of the railways, whether they be private capitalists or the public, will want to keep the profits large or the deficit small, as the case may be. The welfare of the public demands that this struggle shall be kept within reasonable bounds, and that at the same time it shall not be allowed to result in some of those engaged in it securing unfair privileges and advantages at the expense of the

others who are engaged in it. The only authority which conceivably can thus at once control and arbitrate the struggle is obviously the government of the country.

But the government of a country is not a mere mechanical device which automatically registers what is right and wrong, what is fair and unfair, and in the same manner issues its decrees and compels obedience to them. The government of a country is composed of ordinary men who enact and administer laws; and in a democratic country those who make and administer the laws owe their offices, and depend for the opportunity to continue in them, on the votes of their fellow-citizens. Therefore, we may be sure that under either system, the men who, in a democratic country, compose the government will always deal with matters affecting railways with some regard to their own political interests as well as with some regard to the economic welfare of the public; and the system which will be most likely to cause equity to be done between all parts of the people is that system which will tend most strongly to make it to the interest of those in office to hold the balances even as between all classes.

Under the system of private ownership and public regulation—and public regulation has become the rule wherever private ownership exists—public officials, including especially those particularly delegated to regulate the railways, occupy positions of more or less detachment with respect to railway affairs, and the pressure brought to bear upon them by the various classes and sections of the country tends to cause them to deal out approximate justice. Railways cannot be successfully developed and operated under private ownership unless those who invest in them are allowed to derive a reasonable return from their investment, and the arguments that may be marshalled and the pressure which may be brought to bear in support of making the practice conform to sound principle usually result in private railways being allowed to earn enough to raise adequate capital. There are likely to be temporary deviations from the correct practice in this respect, as we have found in the United States, but recent decisions of the Interstate Commerce Commission have shown that even in our country, where hostility to the railways has been extreme, it is by no means impossible to convince intelligent regulating bodies and the public that advances in rates are sometimes as justifiable as reductions are at other times.

At the same time, under the system of private ownership and public regulation rates and earnings are not likely to be allowed to become excessive, for, as experience has shown, and nowhere more conclusively than in Canada and the United States, those who directly pay the rates are quite capable of organizing effectively for the purpose of fighting for reasonable reductions in rates and to prevent unreasonable advances in them, and are not at all loath to do so. Similarly, the employees of private railways subject to public regulation have shown that by organizing, arguing, threatening to strike and even going to the government for legislation, they are able to get and keep their wages on quite as high a basis as the employees of other classes of concerns and even as the employees of governments themselves. Finally, where railways are privately owned public officials are pretty sure in the long run to be alert and active

in compelling the companies to contribute in the form of taxes and otherwise their fair share, if not more than their fair share, toward the support of the government.

The situation is most radically changed when railways become the property of the government. As I have said, the struggle between the various classes and communities of the country over railway matters continues under this system, but the government and the men who compose it then cease to be in a position where they can arbitrate between the various parties involved, and become directly involved as parties to it themselves. In a democratic country, such as yours and ours, the authority of the law-making body over the railways under government ownership becomes omnipotent and it can make any distribution of the burdens and benefits of railway operation that it sees fit. It may delegate the regulation and management of the railways to commissions or other officers and give to them a large amount of independence, but this is seldom done except for short periods, for no matter how much independent authority may theoretically be given to others under government ownership, it is always well known that the authority the lawmakers have given they can take away, and, therefore, there are always bound to be constant appeals from the railway managers or the railway commission to the law-making body itself. In consequence, the lawmakers, and through them the management of the railways, are bound to be constantly subjected to political pressure from all of the interested classes and communities. They will be subjected to pressure by bodies of the employes for higher wages and easier conditions of work. They will be subjected to pressure by organized bodies of shippers for low freight rates and by organized bodies of commercial travellers, workingmen and commuters for low passenger rates.

There is, however, one class in the community which is not susceptible of organization, except, perhaps, very sporadically and temporarily, for the purpose of influencing government in its behalf. This class is that composed of the taxpayers. It is a much larger class than any of the others, but an organized body of voters, having a single interest which it has been organized to promote, is as much more efficient than a larger unorganized body of voters, in exerting political pressure in a democratic country as a trained body of regular soldiers is superior as a fighting body to a mob of untrained, undisciplined recruits. The consequence is that the one class which under government ownership of railways is likely not to have its interests protected by the government is the taxpayers. Most of us pay some taxes directly. All of us pay taxes indirectly. They enter into our house rent, into the cost of our clothing, into the prices of everything we eat or drink. There is no way by which their payment can be evaded, and, in consequence, the cost of living of all classes increases with the increase of taxes. Because of this increase of taxes the results of government ownership to certain persons may be different actually from what they are nominally. The passenger or shipper who may get lower rates or the employes who may get easier conditions of work, may largely, or wholly, pay for these advantages in the form of higher taxes and a higher cost of living; and for a large majority of the public the increase in their taxes and cost