

NATIONAL RAILWAYS

HUGH H. LUSK, IN THE NORTH AMERICAN REVIEW
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As commerce is the essential condition of national wealth, so it may be said, with equal truth, that effective transportation is the essential condition of successful commerce. No amount of patient industry on the part of the people can avail to make the community wealthy, except under conditions that render commerce safe and easy. No amount of natural riches in a country has ever availed to make its commerce great, or its industries widely profitable to its inhabitants, without the assistance of some system of transportation generally available to the people. The history of the United States, compared with that of Russia or of China, during the past century, serves to illustrate the extent to which this is true.

In their natural conditions, Russia and China bear great resemblance to the United States on any other country. Both are of great extent, embracing a great variety of climates; both are wealthy in vegetable and mineral treasures; and both contain large populations of exceedingly industrious inhabitants. The physical features of both countries have also much in common with those of the United States. China, particularly, resembles the middle section of the continent of North America, in the possession of not a few great navigable rivers, which offer themselves as the most easy means of transportation for the people and the products of the country. Yet, experience has shown that, both in Russia and in China, the increase of wealth has been slow—so slow, indeed, as hardly to have affected the condition of the mass of the people at all; while in the United States the increase of commerce and the accumulation of wealth have exceeded anything of which the world has elsewhere had any experience. This has not been due to greater natural riches of soil or climate in the United States, because there is no evidence that, in either respect, this country has any advantage over China, or much, if any, over the greater part of inhabited Russia. There is no reasonable ground for attributing it to greater mineral treasures in America, for these are believed to be immense both in Russia and China, though, as yet, very little developed. It certainly has not been occasioned by greater industry and diligence on the part of the people, because no more patient industrious populations exist than the millions of Russia and China, and, especially in the latter country, the inhabitants are ingenious as well as diligent.

Secret of the Startling Contrast.

The secret of the startling contrast between these countries, in their development and in the increase of their wealth during the past century, is to be found in their respective facilities for transportation. Had America depended on her coast-line trade and her rivers for opening up the country and for developing its commerce, the energy of her people would undoubtedly have made itself felt, but the results must have been vastly less than those we see around us. A strip along the Atlantic shore, perhaps another along the Pacific coast, the valleys through which navigable rivers find their way to the ocean or to the Great Lakes, would have constituted the largely productive districts of the country. Outside of these boundaries, settlers might, indeed, have lived, and in a degree they might have succeeded in developing commerce, but the development would have been slow, and wealth would have been accumulated in a deliberate fashion. Canals would have done something here, as they have done something in China, to provide for the needs of commerce, but, in the very nature of things, it must have been little. America has owed her phenomenal progress, and the unprecedented increase of her wealth as a country, to her system of railroad transportation. Without this the country could not have been occupied; her great inland centres of commerce and manufactures could not have been created; without it, in word, in deed, the country would have found herself a nation of the second rank, in word and in deed.

Capitalists and the People.

So far it cannot be questioned that the energy and enterprise of the capitalists to whom this country owes its great systems of railroads have been of immense service to the country and to its people. It is another question how far these services may have been discounted by the price paid for them by the people; or how far experience, in America and elsewhere, supports the idea that the method hitherto pursued in the United States is the best and most economical for the future. It cannot be questioned that this question is taking a leading part in the list of the economic problems of the end of the century, and it is one which must be discussed, if any intelligent answer to it is to be obtained or any reasonable basis established for an economic policy for the coming years.

Public or Private Ownership.

The record of railroad construction in America is a remarkable one, and it is naturally pointed to as the most convincing proof of the excellence of the system which has been pursued here, and of the policy which has sustained it. No other system than that of private construction and ownership, it is confidently asserted, could have accomplished for America and her people what has been accomplished by private speculation and private ownership of railroads in the last 50 years; and if this has been so in the past, why should any change be made in the future? Why should not the highways of the people, equipped with rails and provided with traction power, everywhere take the place of the old-world highways, on which every individual laboriously dragged his own produce with his own team? It is true that, by such a policy, the right of each individual to use his own team would practically be limited, but it would be for his own good and for the benefit of his neighbors.

To this line of argument there are two replies, each of which is sufficiently important to entitle it to more than a cursory examination. In the first place, it is alleged that, however great the benefits of railroad construction may have been to the people of America, there is no evidence that they could not have been equally well obtained without the intervention of the private capitalist; and that, however excellent the management of the railroads may be, there is nothing to show that they could not be equally well managed by public officers on behalf of the people, without the intervention of the capitalist at all. In the second place, it is suggested that, even for the best and most important service, it is possible to pay too much, and that such is already the position of the people in their relations to the owners of the railroads. It is broadly stated that the monopoly of the transportation of the country implies the establishment of an oligarchy of wealth, and arms that oligarchy with the means of subverting the liberties and undermining the prosperity of the great majority of the people.

People Could Do It as Well.

Space would not permit the examination of both these lines of argument here, but something may be done to elucidate the latter. To the first, it is, fortunately, not necessary to enter upon seriously questionable matters of fact. For the purposes of the argument, most of what is alleged on behalf of the existing system of private ownership of railroads may be admitted. It may be granted that the results of private enterprise in America have been to supply the people with railroads at least as well equipped and managed as those of Europe, and to an extent which, in proportion to population, throws European countries into the shade. It may be freely admitted that this is the more remarkable because in this country the population is a widely scattered one compared with that of any European country, so much so that private enterprise has provided as much railroad accommodation for every 300 people as private enterprise and Government interference combined have provided for every 2000 people in European countries. The question really at issue is not whether these things are so, but whether all the good things which private capital claims to have done for America, in providing transportation, could not have been as well or better done by the people through their Government for themselves.

An Experiment Which Proves It.

Experience alone can satisfactorily answer such a question. Mere opinion is of no value in such a case, because even honest opinions will differ; but if it can be shown that the experiment has been made and is even now in full operation, the answer need no longer be one of opinion. To be thoroughly available, such an experiment must have been made in a country somewhat resembling this country in its conditions. It must have included both the construction and the operation of railroads by the Government on a large scale, and the Government must not be a despot but a popular one, as nearly resembling that of America as possible. Fortunately, there is one country which lends itself in nearly every respect to such a comparison.

It may fairly be said that the island continent of Australia presents every one of the features necessary for such a comparison as has been suggested. If America is a new country, over much of which the population is widely scattered, Australia is even more new, and its population is still more widely scattered. Its people are of the same race, and the methods of its Government are in all essential respects similar to those of this country. The people of Australia have adopted the policy of public ownership and public operation of the country's provision for railway transportation; they have constructed their own railroads with public money, and they operate their railroads by means of public servants; they have, moreover, done this in no haphazard way, but have supplied to themselves even a larger amount of railroad accommodation than private enterprises have given to the people of America. To these things may be added the fact that the system gives entire satisfaction to the people of Australia, who would, under no circumstances, consent to the abandonment of the policy which has now been in operation for 35 years.

The statements that follow are in no case matters of opinion or conjecture, but they rest on public accounts and official documents, open to all. For purposes of convenience, the five colonies of Australia are treated as one, there being no considerable difference in the policy pursued, and but little in the results obtained.

What Has Been Done in Australia.

The settled districts of Australia do not as yet extend across the continent, but are confined to a strip of country following the eastern, southern and southwestern coasts for a distance of fully 4000 miles, and extending toward the interior for a distance of from 300 to 500 miles. The country has few navigable rivers, and the problem of interior transportation in Australia has consequently been very similar to that which has confronted the people of America. Forty years ago, internal communication in all parts of Australia was carried on by means of stage coaches for travel

and by bullock wagons for merchandise; and it was no unusual experience for the wagons bringing wool to a port to consume a month of all weeks in the journey, and as much more on the return trip. In each of the colonies the earliest attempts to supply better means of transportation were begun by private enterprise, and it was not until the inadequacy of that provision made itself apparent to the people and the people's Government that the system of state ownership was resorted to. From the date of the inauguration of the new policy of state railroads to the present time, each of the five colonies has steadily proceeded with the construction, year by year, of new lines; and, it may be said, with literal truth, that no item of the public expenditure of any one of these colonies can be looked for with more certainty in the year's Parliamentary appropriation than that for the extension of the railroads of the colony. It may be said, indeed, that the Parliaments of Australia have systematically recognized the fact that in making railroads they were but carrying out the time-honored policy of every civilized Government the world has ever seen, by providing highways for the people.

A Mistaken Claim.

The claim has been made in America that the people of this country owe it to the policy which has left the supplies of modern transportation to private enterprise that they have obtained a supply of such conveniences, alleged to be far in excess of that supplied to any other nation. The claim is a mistaken one. Whatever might have been the result of entrusting to the enterprise and public spirit of the people of America and their representatives and Government the supply of transportation suited to their needs, it is beyond question that the experiment has been successfully made in Australia. The American capitalist points triumphantly to the fact that where European Governments have undertaken to supply their people with railroads they have only constructed one mile for about 1500 people, while the capitalist of America has supplied a mile for every 300 people in the country; and this they have pointed to as the essential difference between private enterprise and a cautious national policy of construction. The experience of Australia would seem to show that it is not the distinction between policies but between different races and varying conditions. The young colonies of Australia, have been far more liberal in their supply of railroads to their own people, through the agency of their Governments, than even enterprising capitalists have been to the American people. There are, to-day, as nearly as possible, 5,500,000 people in Australia; and they have constructed and are now operating for themselves, as nearly as possible, 12,000 miles of public railroads, at a cost of less than one mile of road for rather less than 300 people, or nearly one-fourth more accommodation than that which has been supplied at so great a cost to the people of America. In the mere quantity, therefore, of the accommodation supplied to the people it is manifest that private enterprise can claim no superiority over a policy of national ownership.

The Question as to Cost.

But the question next arises as to the cost. It is conceivable that there may be communities so reckless of financial consequences that they would urge on national construction at a ruinous expense, merely because it would supply public work and public spoils; and such a policy could not be held up as an argument favorable to the state of railroad construction, and how does it compare with America's experience? The Australian lines have been made at an average cost of \$48,930 per mile. There, as here, all the lines have not been made on the same scale, nor have they all been equally costly, but it may be said with confidence that, with the exception of four or five of the greatest lines of this country, none of the Australian lines are so costly as the greatest lines of America; and, in fact, the cost of constructing and equipping the railroads of this country has amounted—if the returns made by the companies themselves are to be relied upon—to an average of upwards of \$56,000 per mile, or about \$7000 more than the people's lines in Australia. It is evident, therefore, that it is no necessary incident of Government railway construction that the people should be plundered in the process. As the Australian lines are, in fact, very unfavourably with them in both respects. The cost of constructing and equipping the railroads of this country has amounted—if the returns made by the companies themselves are to be relied upon—to an average of upwards of \$56,000 per mile, or about \$7000 more than the people's lines in Australia. It is evident, therefore, that it is no necessary incident of Government railway construction that the people should be plundered in the process.

People Can Borrow Money Cheaply.

This, however, is by no means all that has been gained by the people of Australia and denied to those of America. Not only have their railroads been supplied to them at a less cost per mile; not only have more miles been supplied in proportion to the numbers of the settlers; the money which went in building and equipping the lines cost a good deal less than that which was spent on the American lines. The first sight this may appear remarkable, but it is, in fact, after all, one of the elements in the whole question which cannot be overlooked. The credit of a whole people is always better than that of any part of it, however wealthy that part may be; and hence a whole community can borrow money more cheaply than any railroad company whatever within that community. The Governments of Australia are young, and the people are not yet numerous, compared with other nations, while they are few indeed compared with the millions of America; yet they are able to borrow, for a quarter per cent. today. When the policy of constructing railroads at the public cost was inaugurated money was more costly; but the average interest now payable on the whole of the railway loans, amounting to upward of \$600,000,000, for the whole of the colonies, is barely 3½ per cent. It is only necessary to point out that the average interest on the bonded debts of the American lines is five per cent., and that in addition to this dividends are earned and paid upon a money market, golden capital amounting to nearly two per cent. more to make it evident that the people of Australia have obtained their railroads at hardly more than half the annual charge for interest which falls on the American people.

What the People Gave Up.

This, it must also be remembered, is by no means all that the people of America pay for their railroads. To induce the capitalists to speculate in building railroads in that part of the country which most nearly corresponds to all the settled districts of Australia—that is to say, the districts west of the Mississippi—the people of America have presented them with public lands nearly one-fourth part greater in area than the whole of the British Islands. When the Australian people, however, borrowed the money with which to construct and equip their railways, they knew exactly what they had cost them, and what they must pay in interest year by year for the advantage; nobody knows—nobody ever can guess—what the people of America have paid, when they bestowed nearly 90,000,000 of acres of land—much of it the pick of the country—on the capitalists, on whom they conferred, at the same time, the privilege of charging the people practically what they chose for the privilege of transportation over the lines.

So far, therefore, as the original cost of constructing railroads is concerned, the experience of Australia is conclusive; it costs very much less for the people, through their Governments, to build their own railways than it does to have them built for them by capitalists. The original expense is less rather than greater, and the cost of the money with which the work is done would appear to be about one-half as great. And, in addition to this, the people, in the practical control of the country into the hands of a small class of its people, and which may endow them with vast mineral wealth, leading to permanent social inequalities, and containing the germs of all that is worst in the class distinction of older and less popularly governed countries.

The Working Expenses Compared.

But, supposing this to be true, it may still be asserted that the railroads, once in operation, must be less economically and efficiently operated for a Government than they are by the servants of the capitalists. It may be reluctantly conceded that Governments, if they were honestly conducted, might succeed in building and equipping railroads as well and as cheaply under contract as private capitalists could do, and in the face of the universal experience of Australia, this can hardly be denied; but it is the custom to treat as almost inconceivable the suggestion that, when constructed, they could be as well or as cheaply operated. Once more the experience of Australia gives a conclusive answer to the question. Taking the returns of traffic on all the American lines in 1897, and of all the Australian lines in the same year, it would appear that the Government railroads in Australia were operated more economically than those of America. In this country the working expenses of the lines absorbed rather more than 70 per cent. of the earnings, leaving rather less than 30 per cent. of earnings to pay interest and dividends on loans and capital; in Australia the working expenses, in the same year, consumed rather more than 55 per cent. of the earnings, leaving nearly 45 per cent. to meet the claims of interest—there being, of course, no dividends payable. It is to be noted that in every one of the Australian colonies the rates of wages for railroad workers of all grades, except the highest, are distinctly higher than for the same class of workers in America; and also that the average rates for both goods and passengers are certainly not five per cent. higher than they are upon the lines of this country. That they are higher at all is caused by the fact that the rates are kept at a level which keeps the charges as low in the poorest and most sparsely settled districts reached by the lines as in the older and more densely populated districts.

Not Intended to Yield Profits.

The people's railroads in Australia do not yield any direct profit to the treasuries of the colonies, nor was it ever intended that they should do so. There is no reason, indeed, why the people's roads—with rails or without them—should be looked on as a source of revenue, any more than the postal service of the country. All that has been aimed at is to conduct them on such business principles as will prevent them from becoming a burden on the revenue. When they have paid working expenses, when they have borne the cost of all renewals of road or equipment, when, finally, they have paid the actual interest upon loans expended in their construction, they have earned all which it is desirable they should earn. The purpose of the state-owned railroads in Australia is the benefit of the settlers, and that alone; and in most of the colonies the traffic rates are kept below the level which yields enough to pay the actual charge for interest, on the ground that policy demands and justifies such rates, inasmuch as they open the country to more extensive settlement, and the benefit will be repaid to the treasury in land rents, and in the prices paid for the proceeds of lands, which, in Australia at least, have not been given away to the capitalists. Such deficiencies in railway earnings are made a charge against the general revenue, and the average of such deficiency is from a quarter to a half per cent. on the rail-

way loans. For purposes of comparison I append the official returns, showing some of the results of the system in force in the two countries in tabular form:

Country.	Capital Cost.			Working Expenses in proportion to revenue, 1897.			Per train mile run.		
	Total in millions of dollars.	Cost per mile.	Revenue return per cent.	Gross revenue, 1897.	Working expenses.	Net revenue.	Gross revenue.	Working expenses.	Net revenue.
America under private ownership.	9,977	\$50,715	4.01	70.4	\$1.36	\$0.96	\$0.40		
Australia under State ownership.	628	\$48,930	2.98	58.7	1.47	.87	.60		

There still remains the alleged danger that in a country governed popularly by the votes of the people great political evils must necessarily follow upon the adoption of any system of state railroads. It may be admitted at once that very much depends upon the people themselves. If the people adopt the degrading and pernicious doctrine that the community at large is a proper and natural subject for plunder at the hands of politicians, and of the tools and supporters of politicians, then it may be true that state railroads, for that matter, state armies and navies—will become hotbeds of corruption and means to the well-being of the country. On the other hand, the experience of Australia shows conclusively that it need not be the case if the people and their representatives have less unworthy ideas of government and a more honest code of conduct.

Management in Australia.

There has never been even a suspicion of undue influence brought to bear, by parties or by Governments, on the officials of the colonial railroads; it has never been even alleged that the services were used as a means of adding strength to an administration, or that its offices were filled with partisans. The system pursued in all the colonies practically prevents such a thing, and must do so, unless undermined by an organized system of corruption. That system consists in vesting in a small board of expert commissioners, appointed by the Government with the consent of Parliament, the absolute management and control of the lines and department, subject only to the Railway Act passed by each colony, and the schedules of regulations appended to it. Under the system the commissioners can be removed during the term of years for which they are appointed—generally from seven to ten years—only for misconduct, in the same way in which a Judge of the Supreme Court can there be removed. And the system extends throughout the service. The commissioners make all appointments, but the official one appointed can only be removed for cause, and can demand a trial before a commission of enquiry when suspended for alleged cause. The result has been efficient service by good men who respect the public—whose complaints must be attended to if made against any official—and who likewise respect themselves, as the holders of positions of which they cannot be arbitrarily deprived.

Such, very briefly, has been the experience of Australia; and under it her people have been placed in the position of obtaining conveniences of transportation exceeding in proportion to their numbers, those supplied to any other people whatsoever, at a cost which is less, by far, directly and indirectly, than is paid by any other community. It may be supposed by some persons that even if any other country, by practical bearing on conditions existing in America, where a different system is already so strongly entrenched, and upon so large a question it would manifestly be impossible to enter here. On the other hand, it is to be remembered that, great as the cost of the railroads of America now is, it is but small when compared with the provision that must be made for the increasing population of the future. It may even be true that, compared with that future when every road will be provided with rails and some kind of motive power, the system is but in its infancy to-day. What, then, it may be asked, of that future? Are the capitalists of America to absorb the whole of the revenues of locomotion, and to give as one vast franchise all the means of the country's transportation? The experience of Australia has made it clear that that plan is not a cheap one for the vast majority of the people, as compared with national ownership; but the experience of Australia, or of any other country, falls even to suggest the results that may be expected to flow from handing a people over, bound hand and foot, to the tender mercies of the owners of large amounts of capital wealth. If any country can present an object lesson of that kind to-day, it is America; and it should need but a little investigation of the results to make thinking men consider the merits of any alternative system.

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