

CONTROL OF THE RAILROADS.

SOME INS AND OUTS OF DIS-HONEST FINANCE.

The Main Point at Issue, It Seems, Is Not Legitimate Service; But the Preservation of a Fertile Field of Loot, to the High Rollers Who Know How Best to Cultivate that Field.

"The railroad gang is busy and the people of the United States must be on guard. The scheme is to regain private control of the railroads after the war. On the plea that the taking over of the roads is only a war measure the gang doesn't want to take any chances with congress in the matter but hopes to grease the way so that they may slide back automatically into private control without any legislation.

"This must not be permitted. The government must not return the railroads to private control, either at the close of the war or at any other time. On the other hand, no one who has studied the problem deeply wants 'government ownership,' in the sense that government ownership is understood today. Public ownership, yes; but the railroads have always been publicly owned. We have had public ownership under the control of financial pirates. Government ownership, as it is usually understood, would amount to nobody-ownership under the control of political buzzards."

Is this hard to understand? Well, Nathan L. Amster is a little hard to understand at first. But you will understand him—that's the kind of man he is. His principal occupation for several years back has consisted of making himself understood. He is a railroad investor. Not a magnate; Not one of the big adventurers of the Gould and Hill class, but a man with a few hundreds of thousands that he didn't want to gamble with. He wanted to invest it in something safe. You know the type; just the kind of come-on in the railroad field that the big insiders go gunning for.

Only, Nathan L. Amster didn't come on quite according to schedule. When they trained their guns on him, he dodged. He dodged into little courts, where the hunters felt sure they could smoke him out in a week or two. They had always been able to do it with others of the species, but they had never tackled a ruffie such a nery little scooter before. He scooted from court to court. He scooted behind injunctions and mandamuses and interpleadings and writs of this and that, and finally he scooted into the interstate commerce commission. One bright morning, in fact, he scooted right into a directorship of the Chicago, Rock Island and Pacific railroad and announced that he was there to fight.

Newspaper readers are quite well acquainted now with the fight he made. He fought the directors single handed; and when that wouldn't do, he went back and had two directors elected instead of one. Last year he came in with four directors, representing the Amster understanding, and with a loud minority voice he won almost all the points he was fighting for. For one thing, he compelled the directors to declare a dividend after they had said they couldn't; also he proved that the Rock Island was a profitable property after they had labelled it nothing but two streaks of rust and all the other things that go to describe a railroad in the process of being scuttled.

But it isn't the history of the Rock Island fight which I set out to tell. Just now Nathan L. Amster has set himself to the biggest task of his life. It is to put a stop forever to the sport of America's financial kings—using the great public service properties of the country not as a means of earning legitimate profits but as traps for the investing public.

"These financiers," he says, "are not the men who own the railroads. The railroads have always been owned by the public—by the investing public. The millions of stockholders have been vitally interested at all times in the success of the roads as paying properties. But they have never been organized. They have entrusted the management of the roads not to people who represent them but to supposed supermen in the financial world whose interest it has been to wreck the properties instead.

"A few years ago, for instance, Rock Island was selling at \$200 a share. A few months ago it was selling at \$20. Had the property deteriorated? No; according to the interstate commerce commission, it was doing a bigger business and making greater earnings than ever before. But for fifteen years the gang of financiers in charge had not managed it. They had milked it. They had run it not to make dividends on the money invested but to draw off the earnings as fast as they accrued into their own pails, incidentally making the railway company pay for the pails as well.

"These pails were called 'holding

companies. The general public doesn't know what a holding company is. Call it a pail and it may get across more quickly. It is something which a financier holds when he uses a railroad for a cow.

"There were two of these companies, one in Iowa and one in New Jersey. The Rock Island was capitalized at \$75,000,000. The holding companies were capitalized at \$350,000,000. They issued their stock as fully paid, but actually no payment was made on either. Then upon motion of D. G. Reid, the entire stock issue of the New Jersey company and the entire bond issue of the Iowa company were placed with the Central Trust company of New York, under an agreement that they were to be exchanged for railway company holdings on the basis of \$270 in the holding companies' stocks and bonds for \$100 of railway stock.

"Under this agreement, D. G. Reid, W. B. Leeds, J. H. Moore and W. H. Moore disposed of about \$20,000,000 of railway stock for which they received over \$55,000,000 in the other securities. The only revenue of the holding companies' stock came from the dividends of the railway company, and the stockholders stamped, as expected, to exchange their securities. All but \$4,000,000 of the original Rock Island stock was thus exchanged.

"Now, under the agreement, the railway stock was to be held by the trust company as security for the Iowa company's bonds. If the interest on the bonds could not be paid, the railway stock would be sold; and four men who had held only about a fourth of the railway stock had wormed themselves into a position where they could make the road pay or not pay as it suited their interests best.

"The road paid. That is, it paid somebody. How much it paid these four men, the interstate commerce commission was unable to tell. When the series of deals which resulted in receivership was finally investigated, Mr. Reid testified that he always burned his books at the end of each month.

"But the road didn't pay the stockholders. Note this letter from a Poughkeepsie girl. She was working to help support her father, who was nearly blind. Her father had invested a few hundred dollars in Rock Island, which had been drawing 10 per cent dividends. When the dividends stopped, because of financial difficulties which the girl didn't understand, she couldn't bear to tell her helpless father. She paid the dividends out of her own earnings. She kept up this deceit as long as she could, year after year, while Mr. Reid and others were burning their books.

"Or this from Concord, N. H.: 'I am a widow, and the loss of \$886 which I paid for my bond means a good deal to me, as I am too old to earn a living now.'

"Why wasn't the interest being paid? Was it because wages were higher every year and because the road could not raise its rates to meet them? It is far more to the point to read the history of the Frisco deal, a precious bit of 'financing,' by which the Rock Island had \$66,000,000 drawn out of its treasury to meet an obligation of the Iowa holding company, an obligation for which the railway company was in no wise responsible and from which it received no benefit.

"When the small investors in Poughkeepsie and Concord read, away back in 1903, that an agreement had been made between the holding companies and the J. P. Morgan company to exchange the stock of the St. Louis and San Francisco Railway company for their securities, the information didn't mean anything tangible to them. But under this agreement \$28,940,300 of Frisco stock was exchanged for \$34,728,360 of the holding companies' stocks and bonds, and the Frisco stock was deposited as collateral for the bonds of the Iowa company. Then in December, 1909, this stock was sold to B. F. Yoakum for \$37.50 a share, or \$19,852,900, an amount insufficient to redeem the Iowa company's bonds. The Iowa company then issued \$7,500,000 of these bonds to the Rock Island Railway company, receiving \$7,500,000 in cash, which the railway company had borrowed from the First National bank of New York. It was subsequently found that the Iowa company had no assets to retire these bonds, and more than \$6,000,000 was taken from the Rock Island treasury for the purpose."

It was over this deal that Mr. Amster as a stockholder, sued the Reid-Moore combination as individuals and recovered more than \$5,000,000 for the stockholders. He insisted, however, that the deal was only one of a long series of so-called financial operations which had resulted in more than \$20,000,000 loss to the road, and that similar operations are the rule, not the exception, in the great game of railroad financing.

"It is the chance to renew these operations," he said, "which the so-called railroad managers are looking

for now. They are not particularly concerned about the job of supplying freight; and the \$75,000 salaries and \$100,000 bonuses to presidents and officials are only an item in the programme. It is the job of irresponsible private financing which they want, for the railroads, from the very nature of the industry, must be continually financed. They cannot be financed from their earnings. Every year imperatively calls for greater and greater extensions to meet growing demands; for better terminals, more trackage, more up-to-date equipment and more and better rolling stock. The roads then, have been compelled to do business with the banks, and no one can object, if the banks are called upon, to their getting adequate remuneration for their services. But the tendency of such a system is inevitably to turn the railroads over to the money trust.

"The money trust," he said, "is able to get away with all this, simply because it is organized. The obvious remedy is to organize the one section of the American public which has never been organized before, the small investors. The remedy is not to be found in abolishing Wall street and its legitimate business in the buying and selling of securities. The remedy is not to be found in the abolition of responsible ownership and turning our industries over to the tender mercies of a political bureaucracy. I don't object to public ownership so-called because it is too radical. I object to it because it isn't radical enough. It is pseudo-radicalism, the lazy substitution of an economic phrase for the actual correction of an economic evil.

"The trouble with the railroads is not that their stockholders have been making a legitimate profit. Some of their worst evils have appeared when they were making no profit at all. The trouble with Wall street is not that brokers get commissions for the legitimate exchange of securities. The trouble with both institutions is that they have been under irresponsible private control."

As to the railroads, Mr. Amster's plan is a simple one. He would have five federal corporations organized by the government, each corporation to take over all the existing railway lines in a given territory—one for the south, one for the northwest, etc. All the roads in a given territory thus merged into one combination, we would do away with most of the present evils of competition, duplication of terminals, special routing, etc. While the government would organize these systems and they would be under government control, their actual ownership would be vested, as

now, in private stockholders. Stock in each should be sold to the public or exchanged for present railroad holdings and the government should be the one financier for all.

Dividends in these federal corporations, Mr. Amster thinks, should be fixed by law with a maximum and minimum rate. There should be no opportunity to gamble for high stakes, but each investment should be made secure and some encouragement should be given to the investors to help make the enterprise succeed.

"And how about the actual direction of the enterprises?" I asked.

"That," he said, "should be vested in the various interests served. The primary interest is unquestionably the public at large. That is the reason for railroads—to serve the public. The dominant voice in the directorate should be the public's. But the stockholders should also be represented; and no scheme of public control would be complete without giving adequate representation to the other interests."

"The other interest?"

"Certainly," said Mr. Amster. "Railroad labor. Under government control it is unthinkable that the interests of labor shall be ignored. On the other hand, it is unthinkable that these millions of workers shall have no voice except the strike. Strikes, in fact, must be made impossible; but it would amount almost to slavery to pass a law to that effect and let it go at that. If labor is not represented in the actual management of the property to which it gives its life and strength, it wouldn't be democracy at all.

"Labor should not only be represented in the management, but provision should be made for the workers acquiring dividend paying stock, stock whose dividends shall be determined largely by the faithfulness and efficiency of the labor performed. Union labor has one valid objection to even the most advanced profit-sharing plans today, but this objection would disappear in such a system of public service. Today the profit sharing plan may be used to keep individual workers from joining the unions, and keep them from striking against the profiteers who are exploiting them. But railroad labor does not think of the striking directly against the people of the United States.

"Under this system there would be no profiteers to arouse the envy of the toilers. The representatives of the workers would sit with the other directors, not as pleaders or as antagonists, but as equals whose interests are known to be one with the other interests concerned. And instead of striking for higher wages when a higher income seemed necessary they would be arranging doubt-

less for an additional dividend in stock—stock whose actual value would be determined by their own responsibility and loyalty in future service."

"Just tell me," Mr. Amster concluded, "if such a system isn't a more reasonable form of public co-operation than, say, the postoffice is today. In the postoffice labor has no voice at all. The general public is served, after a fashion, but no great body of the people care a hang whether the enterprise pays or not. At the worst, the postoffice system is a mess. At the best it is Prussianism. The people of America, I am sure do not want our railroads and our essential industries to go that way.

"And that is just what the financial pirates are depending upon. They are trying to make us think that we shall have to choose between the old system and this spurious government ownership. Of these two evils, I believe, the American people will choose neither."

OFFICERS DESTROY STILL.

Bennettsville, Feb. 21.—R. J. Paterson, Jr., and Deputy Sheriff Henry Hubbard, Constables J. C. Weatherly and United States Deputy Collector P. J. Coleman seized the largest still last night that has ever been taken in Marlboro county. The officers found a complete still of 110 gallon capacity, with all fixtures. Everything was ready for a run. There was kindling near the furnace and three barrels of mash prepared for distillation. They found three gallons of whiskey and five gallons of low wines, and 100 gallons of beer. The officers left Bennettsville early this morning and after a search along the creek found signs where two stills had been operated and then located the one ready for work. Fresh footprints were seen, but no one was to be found in charge. The still was located on a small creek on a place known as the fruit farm, about sixteen miles northwest of Bennettsville.

Expect Scarcity of Flour.

Minneapolis, Minn., Feb. 21.—With farmers holding their wheat for a hoped for increase in the government price, Minneapolis millers expect a scarcity of white flour in the near future. Stocks are said to be practically exhausted, though figures are not available, and prediction is less than half of last year.

Last week 242,704 barrels were shipped, against 270,909 in the corresponding period last year. Production was but 151,620 barrels, against 341,430 a year ago.

INCREASE INTEREST RATE.

Half Billion in Treasury Certificates to Be Issued at 4 1-2 Per Cent.

Washington, Feb. 21.—Another \$500,000,000 block of treasury certificates of indebtedness in preparation for the third liberty loan was offered for subscription tonight by Secretary McAdoo. This will bear interest at the rate of 4 1-2 per cent, as against the previous high mark of 4 per cent., and will be payable next May 28. Subscription books will close March 5 and payments must be made between February 27 and that date.

The certificates will be in denominations of \$500, \$1,000, \$5,000, \$10,000 and \$100,000, will be sold at par and accrued interest and will have the same tax exemptions as previous issues. The treasury may redeem the entire issues at par and accrued interest on or after any date before their maturity set for the payment of the first installment of the subscription price of the next liberty loan.

The right is reserved as usual to reject any subscription, to allot less than the amount of certificates applied for and to close the subscriptions at any time without notice.

About \$2,100,000,000 in certificates remain to be issued at the higher rate of 4 1-2 per cent. before the third loan campaign, probably in April.

War and the Farmer.

The Germans have built monster submarines with a scope of operation as broad as the Atlantic; the Belgians have invented a powder that makes dynamite seem like a joss stick; the French have mounted a 52-centimeter gun that hurls a ton and a half of explosive twenty miles; the British have constructed that terrible land battleship, the "tank."

But American farmers have done their share to render these things possible. They have vied with munition makers—they have made the United States a stockyard and a granary for Europe. They have furnished cotton and wool for uniforms, leather for harness and saddlery, horse and mule power for artillery, beef and grain for the commissary. They have achieved scientific farming triumphs parallel to the creating of great guns and stable aeroplanes and war machinery. And more people are becoming farmers or studying agriculture, or reading farm literature than ever before—well aware that the farmer represents one of the largest forces in American life today.

Dr. J. M. Fleming and wife have arrived in the city to make this their home. Dr. Fleming will be found in the future at Heaton's Pharmacy.

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