

Turntable By WILLIAM G. SHEPHERD

YEARS ago we saw red when railroads whispered "merger." Such schemes, we felt, benefited only the moguls—and we passed laws to thwart them. Along came the war and Woodrow Wilson's successful unified control. That opened our eyes. Today we shout "merge!"—and pass laws to compel it. For consolidation brings reduced operating expenses and benefits everyone, as Mr. Shepherd here explains.

NEWSPAPER reporters stood with their feet in the hallways and their heads in the courtroom. "This petition is allowed," read the federal judge quietly. The words had the effect on the reporters of a starter's pistol in a foot race. They sped over the marble floors to telephones. "Jim Hill loses!" they shouted to their offices.

Extra editions throughout the land told the story shortly. For days a large element of our American citizenry rejoiced; newspaper editorials commended the wise judge.

"Jim Hill, president of the Great Northern road," these ran, in gist, "was fooled when he tried to swallow the Northern Pacific road. He boosted the price of Northern Pacific to \$1,000 a share one mad day on the New York Stock Exchange. But he failed. This business of making big trusts out of railroads has been nipped in the bud, thank goodness."

The Northern Securities Company, which had been formed to buy and pool the stock of the two great railroads, was dissolved two years later when the United States Supreme Court upheld the decision. All this happened in St. Paul, Minn., a quarter century ago.

As I write these words in a certain hotel in the city of St. Paul, two city blocks removed

from the federal building where the Northern Securities decision was rendered that day, members of the Interstate Commerce Commission are considering an attempt to achieve the very effort which stumped the great railroad builder of the Northwest.

Mr. Hill, if he could hear the evidence pro and con concerning the new plan for putting his Great Northern and the Northern Pacific under one management, would be utterly bewildered. He wouldn't hear the term NORTHERN SECURITIES COMPANY. He would discover that the basket in which it is planned to place the two roads is called THE GREAT NORTHERN PACIFIC.

He would learn that the new company, The Great Northern Pacific, to become a railroad owner, is asking permission of the Interstate Commerce Commission to lease a little railroad called the Spokane, Portland & Seattle. Having leased this little line—if the commission assents—the plan of the new company provides further for permission to lease the lines of both the Northern Pacific and the Great Northern and to buy a controlling interest in them.

20 Super-trusts Forming

LASTLY, going Mr. Hill and his old plan one better, the control of 97 per cent of the stock of the great Burlington system, which is now jointly owned by the two lines, would go to the new Great Northern Pacific.

"Twenty-five thousand miles in all!" gruff old Jim Hill might exclaim. "Almost 7,000 more miles than I planned to consolidate."

But this isn't all that would amaze and bewilder Mr. Hill.

He would look about the land and discover that almost all the railroads of the country are at present in one great dog fight—to pool, merge, consolidate—or what have you? His bewilderment would be complete when he discovered that:

THE FEDERAL GOVERNMENT TODAY IS KNOWINGLY AND PURPOSELY DOING ALL IN ITS POWER TO ENCOURAGE BY LAW THE RAILROADS OF THE UNITED STATES TO FORM THEMSELVES INTO ABOUT TWENTY GIGANTIC RAILROAD SYSTEMS, EACH UNDER THE CONTROL OF ONE COMPANY.

However this particular effort of The Great Northern Pacific may turn out—I have mentioned it only for illustration and not to enter into the merits of the case—the fact remains that Congress, so far as the consolidation of the railroads is concerned, has by actual law knocked a huge gateway through the Sherman Anti-Trust Law and the Clayton Anti-Trust Law. Wherefore in one vast, shifting, nationwide game of "pussy wants a corner" the railroads are duly trying to merge.

Right-About-Face

PERHAPS you have a little railroad merger excitement in your own locality, with shippers, railroad men, traffic clubs and others in strenuous debate. There are few communities today where such tempests are not raging more or less fiercely.

You've noticed, perhaps, how the stocks of small railroads have risen on the markets during the past two years. This is because great railroads have been buying part of the stocks of small lines. The stocks of great railroads, in turn, have been purchased in part by still greater railroads.

"About 40 centers of ownership direct or control our 180 great railroad systems today," one of America's great railroad leaders told me recently.

About 30 great railroad systems already control about 75 per cent of the nation's mileage. But no merging is permitted, even after controlling stock in one company has been purchased by another carrying company, without permission of the Interstate Commerce Commission—which, at the moment of writing, means that the railroad world, so far as consolidation is concerned, is at sixes and sevens. No one knows exactly who owns what, and the facts never come out until railroad men appear before the Interstate Commerce Commission in Washington, point to their quiet purchase of stock on other lines and then wait to hear whether or not the government will permit them to control these other lines. But whatever their worries—and who ever worries about the worries of a railroad?—the railroads must unify, merge, con-

Uncle Sam (1904): "Stay in your own back yard; don't bother with anyone else"



solidate, get together, or something, by some method, means or other into a series of systems. However matters stood in the past, everything is changed now. The about-face in official and even public opinion concerning railroad mergers has been sudden. While the United States Supreme Court, for example, was ordering the Southern Pacific to cease its control of the Central Pacific, the Interstate Commerce Commission, under a new transportation act passed in 1920, was preparing to permit the Southern Pacific to continue the control.

The law of 1920 knocked a great divide through the anti-trust laws not only of the federal government but of the various states. This, in the words of the law, is the hole through which railroads, at the present time, may pass into Mergerland:

"Whenever the commission is of opinion that the acquisition by one of such carriers of the control of any other such carrier or carriers EITHER UNDER A LEASE OR BY THE PURCHASE OF STOCK . . . WILL BE IN THE PUBLIC INTEREST THE COMMISSION SHALL HAVE AUTHORITY TO AUTHORIZE SUCH ACQUISITION . . . ON TERMS JUST AND REASONABLE. . . ."

"Corporations affected by the order are hereby relieved from the operations of 'anti-trust laws' and of ALL OTHER RESTRAINTS OR PROHIBITIONS BY LAW, STATE OR FEDERAL, IN SO FAR AS MAY BE NECESSARY IN ORDER TO COMPLY WITH SUCH ORDERS."

The late Albert B. Cummins, once the bitterest railroad critic in the United States Senate, put this measure through the Senate.

Technically speaking, this law does not provide for consolidation—which in a special sense means actual disappearance of railroad companies by absorption into a newly created company. Such technical "consolidation" is supposed to wait until the Interstate Commerce Commission can "prepare," as the law provides, "a plan for the consolidation of the railway properties of the continental United States."

"But hurry your voluntary merging," is the government's order to the railroads, in effect, "or the government may force you into involuntary consolidations."

Wilson Ushered in Unity

WHO first turned Washington government opinion—and also general public opinion—upside down concerning railroad mergers? The answer is: Woodrow Wilson. He was the first official publicly to suggest some sort of unification.

Before the beginning of the World War he communicated to Congress his opinion that some "constructive legislation" might be passed on behalf of the

railroads. President Wilson's attitude, as expressed later to his associates and Congress, was that the repression of railroads by law was not helpful to public welfare.

Mr. Wilson could not endure the thought of returning the railroads to their owners without in some way improving the situation. He had seen at first hand the plight of the roads: laws to hold them back; no laws to help them.

"It would be disservice alike to the country and to the railroads," he said to Congress a few days before departing for the Paris Peace Conference, "to return to the old conditions unmodified. These are conditions of restraint without development. There is nothing affirmative or helpful about them. The old policy may be changed much or little, but surely it cannot wisely be left as it was. . . ."

"We can adopt moderate private control . . . under such alteration of the law as will permit wasteful competition to be avoided and considerable degree of unification to be effected, as, for example, BY REGIONAL CORPORATIONS UNDER WHICH THE RAILROADS OF DEFINABLE AREA WOULD BE IN EFFECT COMBINED IN SINGLE SYSTEMS."

Railroads Can't Grow on Debts

MR. WILSON'S director general of railroads went about the country in 1918 speaking on behalf of railroad consolidation. In the meantime Senator Albert B. Cummins of Iowa, who had been elected on an anti-railroad platform, was preparing his consolidation bill. "I want to hasten the railroads into consolidations that will give us groups of competing railroad systems," he explained.

Had you asked either of these gentlemen the simple question, "What will railroad consolidations mean to me?" they would have given you the same answer:

"You can't as a private individual expect any immediate lowering of either passenger or freight rates. There will be competition in rates and service between the new great systems because they will be so planned that several different systems will touch each important shipping point, but living costs will not be lowered. The chief improvement, at first, will be to put the railroads on a real business basis. Bankruptcy has been the lot of too many of our roads. Few investors are anxious to buy their stocks and become real partners, though many are willing to buy bonds—to lend. Our railroads must grow or America will suffer. But they can't grow on borrowed money. The more improvements they make on borrowed money, the heavier their debts become."

"However, you can't expect investors to put it into the stocks of debt-ridden railroads that are not safe and that do

not pay as good dividends as other industries. The only hope for ultimate lower rates is to improve the business and the credit of all our railroads."

Mr. Wilson's ideas as to the need of helping the roads were followed by his successors.

President Warren G. Harding asked Herbert Hoover, his Secretary of Commerce, to study the question of consolidations. Hoover reported in favor of them.

President Coolidge took the same stand for the same reasons. In four successive messages to Congress he has urged that consolidation of railroads be hastened.

This Presidential trio has sung a tune far different from that which grated on the eardrums of grim old Jim Hill and his railroad-building associates. Why? Score one more unexpected achievement of war.

Way back in the Civil War our railroads fell down. And little wonder. There were no large railroad companies; only swarms of little ones, with their lines laid end to end. No company would permit another to use its cars. Freight was changed seven times, from one car to another, in a trip from New York to the Mississippi River. The carrying of troops and of the wounded was a difficult task. Wherefore Congress, as soon as peace prevailed, passed this law in 1866:

"Every railroad company of the United States is hereby authorized to carry . . . all passengers and freight from one state to another and to connect with the railroads of other states

. . . so as to form continuous lines. . . ."

Again in 1917 war disclosed the true railroad situation. This time, because the government itself took over the roads, ran them, handled the earnings and conducted the bookkeeping and the finances, our federal officials got an opportunity to make studies of railroad problems behind the scenes.

The most important thing they discovered was this:

Deadheading, Scalping, Rebating

THE government, through the Interstate Commerce Commission, throughout the past twenty years had really been effectively clubbing the railroads. Regulation had really regulated; repression had repressed. The railroads, once suspected, had truly obeyed Uncle Sam's policeman. This was a fortunate discovery because governmental suspicion was well enough grounded—practices on most of the lines had once been very bad.

"I used to have a pad of printed rebate forms on my desk," an old-time railroad official told me not long ago, speaking of the wild nineties. "We used to charge all shippers the same rates, of course, but once a month I would send checks for secret rebates to various freight customers."

"There was a time," said another old-timer, "when ticket scalpers sold at low rates tickets that railroads had given free of charge to shippers, or the return half of round-trip tickets, which, in passenger-rate fights, the roads sold at very low prices."

Such irregularities and many others of earlier days had been wiped out.

But this discovery was also made that rate fixing, even by a daring and powerful commission, had not been fair to the public. Here's an example:

The (Continued on page 40)

Illustrated by
FRANK
GODWIN

Uncle Sam (1928):
"You've been doing
well, boys; but
hurry: I'm helping
you tear down the
fences"



The best way Out

The mysterious Gimp plays Providence in the life of a wayward but likable boy

PAST the rather shabby brick hotel on West Forty-seventh trucks jounced and thundered on their way to the wharves. Hokey-pokey men shooed flies from their carts and gave vent to inviting squalls. Roller skates whirled on the uneven sidewalks, mingling with shrill young voices. But the bedlam—ever punctuated by the recurrent crescendo of the elevated trains—failed to disturb the young man in Room 4 A.

He lay abed, though the afternoon was far gone, sleeping, one arm thrown across the pillow above the tangle of dark curls. Faint shadows beneath the blur of his lashes served only to accentuate the fresh coloring. Lying so, the slim young body—with its hint of wire and rubber—scarcely ridged the smooth sweep of the gray blanket.

Presently, in the hall, a slight noise became audible—a faint tap-tap, a subdued scraping: a minor note in the pandemonium of outdoors. But the boy heard. In a flash he was wide-awake. Tensed on one elbow, brown eyes watchful, slowly his right hand crept beneath the pillow. For a breathless moment silence reigned, while two blue-pajamaed legs slid stealthily out and touched the floor.

"Hello?" inquired a voice, accompanied by a knock. "You in there, Danny?"

"All right," yawned Danny. He stretched, flexing his arms in a smooth, catlike movement which drew him lightly to his feet. "Just a second."

Stuffing his bare feet into worn leather slippers, he crossed the room, still rubbing his eyes, and unlocked the door.

"Wake you up?" inquired the intruder.

HE WAS tall, or would have been save for the one leg which he threw out and ahead when he walked, supporting himself by the rubber-tipped cane. The square face above the dark suit was seamed and kindly, with deep-set blue eyes.

"No," lied the boy. "I was awake—got in earlier than I expected."

"No luck?"

"N-no," yawned Danny, frowning. "Looked like a tip-off to me. Joe Malone no sooner got his torch on the end warehouse than two dicks jumped us. Dark as sin too."

"Anybody nicked?" The big man lighted a cigarette after waving the pack at the boy, who shook his head.

"Don't think so. I dusted pretty fast. Me"—he grinned almost apologetically—"I couldn't pot a feller 'less it was him or me."

"Not even a dick?" scowled the older man, his eyes losing their geniality. He blew a cloud of smoke like an incensed dragon, and Danny wondered, for the hundredth time, at the bitterness of the lodger across the hall. Himself, he didn't hate policemen, even after they had done in his cousin Ed, who had first introduced him to Butch Pelton and the gang. For he knew, now that he was older, that Ed had been pretty bad—not at all, in fact, the romantic Robin Hood sort of person he had painted himself while inveigling Danny in as lookout and general handy man. Two years ago—and now he was in for keeps.

Yet the game had its points. Show him, for example, the earnest clerk or plodder who could exhibit a bank balance of five figures for little better than a year's work! Five figures, and still a month shy of voting age! Besides that, there was the thrill of it: the delicious tingle of matching wits with the world. All to gain, nothing to lose, save . . . Danny frowned momentarily as he thought of Ed and Nig Ellis and Swede Sibber-son, twitching so grotesquely on the sidewalk that raw December night. Nothing to lose, save . . . but he was lucky, quick-witted and cool with the fresh impudence of youth: the gang giving him a grudging respect heady to taste, hard to hold. . . . The older man's voice disrupted his woolgathering.

" . . . Well, speakin' for myself, I can stand the sight of anything without spittin', except a dick. Mutts, every damn' one of 'em. Mutts!"

Danny nodded absently at the familiar indictment. He wished that asking questions were a part of the code. For he was still curious about life, about people. Cops and others had not yet twisted his engaging smile into the mirthless grin of a Butch Pelton. His face was still unknown, comparatively. He was free to respond to the sights and sounds and smells of a world which still held a very great glamour for seeking eyes. No doubt cops vented their anger to an unreasonable extent on some they caught. Butch Pelton himself, they said, had spent a month in the hospital after being picked up in suspicious proximity to Patrolman Burke's body, over in Second Avenue. But that was five years ago, and Butch was too smart to be nipped again. He was the brain now, the mysterious power behind the long string of water-front robberies.

"Well," he sighed, heaving himself up from the chair, "guess I'll be mosey-in' along to eat, son." He limped slowly to the door, where he paused to inquire, a twinkle beneath the heavy brows, "How's things with your girl?"

Danny's ears turned a delicate cerise, though he still confronted himself in the mirror over the dresser, affecting nonchalance while brushing his hair.

"Aw, shut up," grinned Danny, whirl-



He lifted them out of the narrow room into a world of sunlight, trees and surf

ing. "You got me covered, Gimp, but you needn't rub it in. Every fella's got to go off his nut some time, I guess. But"—he shook his head ruefully—"I'll be darned if I thought I would—and like it too."

"She know your line o' business yet?" asked Gimp, slyly rubbing his chin.

"Lord, no," exploded the boy. "She'd fire me out like a shot! She's straight, Gimp—straight's a string. Can y' imagine it—and falling for me?"

"Sure," said Gimp, leaning on his stick. "You ain't so bad. But some day, 'less you snap out of it, she's goin' to get on. Ever think of leavin' the easy life and buryin' yourself in an office somewhere?"

Danny nodded slowly, and looked out the window, over the gray housetops.

For the first time, in the weeks that followed, Danny felt the coils of his associations tightening about him. He would leave Milly's snug little parlor,

his shoulder numbly thrilling to the pressure of a small, trusting head, his lips quivering to the fresh young passion of her lips.

"Gee, honey," he would complain, brushing her feathery lashes with his cheek—"gee, I don't see what you can see in a guy like me. Honest, I don't. I ain't in your class at all."

MILLY would smile up at his troubled face, mysteriously, gravely sweet. Then she would trace the outlines of his features with a slim finger. First the brows, then the lids, softly patting them shut, then a slow concentric circle on each cheek.

"There," she would say, with an air of solemnity and dab a period in the exact center of his chin, "I think no one in the world's as nice as you, Danny. No one."

Their eyes would cling, then, in a long, moveless embrace which twisted the boy's heart as he thought of what