

# Railroads and the Mechanics of Social Power

By AMOS PINCHOT

## III. The Pools of Power

*(This is the last of three articles which explain how the control of transportation by a unified group has resulted in its domination of the politics and culture of America.)*

POWER is the chief desire of men. From the earliest times, it has been their principal preoccupation. It is strange, therefore, that, in a world whose history has been the story of a continuous race between individuals, classes, and nations for the possession of power, we should take so little pains to inquire into its nature.

In the last thirty years we have watched the balance of power gradually shift from the hands of the public into those of an industro-financial hierarchy composed of a few hundred persons, representing our trusts, railroads, banks, and insurance companies. And, while these persons are neither better nor worse, nor more intelligent or stupid than the rest of us, they are, nevertheless, for the most part, narrow men, mainly specialists in money making, and actuated by a rather unreflecting instinct of acquisition. For this reason, we cannot accept their control of the country as either inevitable or beneficial. To change this control, to relocate power, is the paramount problem of the people of the United States.

In the last two articles we have seen that, despite much propaganda to the contrary, we are justified in expecting that the railroads will be better run under the government than they have been in private hands. We have also seen that there is another and more vital line of argument for government ownership; to wit, that private railroading provides our industro-financial inner group with a powerful weapon which it uses effectively in destroying competition and putting the major basic industries on a monopoly basis, with the result that the consumer is robbed, the opportunity of independent capital curtailed, Sumner's "equal chance" wiped out in the larger industrial fields, and vast reserves of wealth, well in excess of what is necessary to conduct business and pay generous dividends, are concentrated in the hands of a very few people. In this article I will outline how this concentrated wealth, which is but another name for concentrated power, shapes education, public opinion, and politics, and through them controls conditions and events.

As things stand now, it seems almost a sheer waste of time for liberals to go on fighting for the various superficial reforms which seem to occupy their attention. With the dominant power in the hands of the industro-financial interests, nothing goes through without these interests' consent. If, by a lucky chance, the liberals succeed in putting a progressive measure on the statute books, it is usually reversed, or turned against them, as was the recall, for instance. If they elect a candidate to Congress, he is generally defeated at the next election. Should he be returned, he finds himself pocketed in a group of vociferous but powerless protesters. Some time, somehow, the liberals of America must unite their forces, now engaged in a hundred separate little wars against the effects and abuses of concentrated power, and make a concerted attack upon the power itself. If they do not, they may as well acknowledge

the defeat, not only of liberalism, but of democratic government as well.

How and by what power the United States is today controlled may be shown by a few commonplace examples from the writer's experience—examples which any person who has looked behind the scenes of politics and business can easily duplicate.

During the war, I presented to a member of the legislative branch of the government a brief outlining a plan for raising revenue, modeled on that then in use in England. I was courteously received, and the legislator expressed the belief, first, that the plan had merit and would actually raise revenue; and, second, that there seemed no reason to fear it would work less well here than abroad. Later in the day I learned from reliable sources, one of them the legislator's close associate, that, though the legislator approved the plan, he could not present it to the appropriate committee owing to the absence of a man, not in public office but a friend of the legislator's, who had gone to California for a six weeks' trip. This friend headed an industrial monopoly that controlled the principal newspapers and the political machine in the legislator's State, and through them every nomination of importance; and the legislator felt that to approve, without his friend's consent, such a measure might jeopardize his chances of renomination.

As his colleague pointed out, the legislator was not a young man. He had been scrupulously honest in money matters and, after years of public service, found himself still dependent on a slender salary. No doubt, he would have preferred to tell the gentleman in California to go to the devil; but he was not in a position to raise the flag of revolt. On the whole, it would be unjust to criticize him. He was at once the beneficiary and the victim of a profitable monopoly that made more money than it needed to do business, and used a modest part of its surplus in purchases at strategic points. Besides, he could truthfully say that rebellion would be useless, since it would merely mean that the trust would nominate another legislator who might well prove less honest and public spirited than himself.

There are certainly not over a handful of senators at Washington who have not taken the proverbial King's shilling and been inducted into service in a manner similar to the foregoing. And you may generally measure the extent of their unfreedom by the eagerness with which they espouse unimportant reforms that at once satisfy their altruistic impulses and commit them to no action unwelcome to the interests they serve.

Not long ago a professor in good standing wrote me that in his university, one of the larger ones, no one could teach up-to-date economics, i.e., economics dealing with existing conditions, and feel comfortable in his chair. To be sure, he could instruct his students on the more classic aspects of economics, the theory of rent, the Ricardian acre, and the relation of gold production to prices. But, when it came to such subjects as the relation of railroads to monopoly, and the nature of the foundations of economic and political power, one ran into an area protected by an invisible but appreciable taboo. No professor, he said, would expect to be removed, whatever he might teach. Indeed, it was improbable that the trustees would quiz him on the content of

his lectures. But a building, practical and very pleasing to the eye, had recently been erected by a family whose money came from a monopoly supported by illegal transportation differentials; and the trustees were not without hope of a similar building on another part of the campus. Under these circumstances, it would be in questionable taste for a professor to discuss the origins of the fund from which his college had profited, and might profit again.

A not unstriking instance of the power of surplus wealth, flowing from private railroading and monopoly, is found in the story of the Progressive Party. It will be remembered by some who were at Chicago in 1912 that Colonel Roosevelt did not decide to leave the Republican fold until two men rose from the conference table and, each putting a hand on his shoulder, said: "Colonel, we will see it through." One of these men was a director and ex-chairman of the finance committee of the Steel Corporation; the other, a large investor in steel securities and for years an editorial supporter of the trust.

These two men did see the party through, financially and otherwise. Incidentally, one of them, before printing and distributing its platform, cut out the anti-monopoly clauses framed by the resolutions committee and adopted by the party's convention. Likewise, as chairman of the executive committee, he carried on, through a deluge of pamphlets and a campaign newspaper, a nationwide propaganda defending the trusts, which was brought to a halt only after an acrimonious controversy focused in the *Outlook* office. It was he who, in 1916, when the Progressives gathered for their last stand, brought the message from Oyster Bay in which Mr. Roosevelt declined to accept the nomination, but requested that Senator Lodge of Massachusetts be nominated in his place. This virtually finished the Progressive Party, though life flickered in it for a time.

It would be absurd to blame Mr. Roosevelt or Mr. Perkins or Mr. Munsey for such episodes. Mr. Roosevelt was essentially an administrator. He cared nothing about economics; they bored him inexpressibly. Accordingly, he took his views from advisers, and soon became convinced that any one who objected to monopolies, that is good monopolies, was trying to reduce the steel industry to the blacksmith shop and the railroad to the stage coach. Mr. Roosevelt did not realize that monopoly raises prices, thus reducing the demand for things and lowering the volume of production; while competition has precisely the opposite effect. Nor did he ever pause long enough to note that huge money accumulations are rarely created except through monopoly; or that, when some genius like Ford makes his millions in open competition, they do not constitute a menacing power; first, because they are scattered when the genius that creates them dies, whereas the wealth concentrations of monopoly go on forever; second, because, since Ford's profits are due to ability and not, as in the case of the trusts, to illegal privileges, he does not have to join with others in order to control public opinion, education, and government for purposes of self-protection. Mr. Perkins, of course, was a still stronger believer in monopoly and so was Mr. Munsey; and it was the most natural thing in the world that, when these two men saw a new party in the offing, led by a powerful personality, they should seek to guide it into what seemed to them useful channels.

Some years ago the editor of the then largest monthly magazine asked me to write an article on government ownership. I agreed and, after a few months, the article was

finished and turned in. The editors were kind enough to express their satisfaction and went so far as to say that it was the most important economic article their magazine had printed. The article was set up and the magazine went to press, when a message arrived from the owner advising the editor that the article must not appear, no matter what it cost to break the plates. Immediately, the editor telephoned me, explaining that, though he would be glad to pay for it, he could not use my article, which dealt, among other things, with the relation between private railroading and the steel monopoly. The editor explained that the owner's father had been a close friend of Mr. Morgan, Sr. The owner himself was heavily interested in various monopolies.

If these examples have interest, it is because they tend to shed light on one of the more usual methods by which an industro-financial hierarchy exerts control in a nominally democratic state. In America, we have, of course, no such thing as tyranny in the sense of an individual, a group or class forcing the government to do things that the people do not want done. Yet the hierarchy's power is none the less compelling. With its accumulated wealth, it takes charge of the agencies that form public opinion, and with public opinion properly manipulated, it dictates the action of the various agencies of government, thus accomplishing an undemocratic end through a seemingly democratic procedure. And this process of control is generally so uniform and fixed in its progressions, that it might almost be stated as a formula as follows: Private railroading, through unfair or illegal discrimination, creates monopoly. Monopoly, through destruction of competition and control of prices, produces concentration of wealth or power in the hands of a small minority. And the minority, following a natural instinct of self-preservation, uses this power to protect the sources from which its wealth and ascendancy have sprung. Here we have a vicious circle that can only be broken into when the public understands its elements. And this brings us to the hardest part of the problem.

It must not be expected that government ownership of railroads will bring in the millennium. It will do nothing of the sort; there are other kinds of privilege besides transportation differentials. Nor alone will government ownership destroy plutocracy and restore democratic control in the United States. Yet, it should effect a long step in advance. For let us realize the following point very clearly: When government ownership comes, it will only be (a) after the public has seen the far-reaching reasons for it, such, for instance, as I have tried to outline in these articles, and (b) after it has elected a congressional majority that is of the public's mind.

Now, what sort of men will a successful campaign for government ownership bring into office? Obviously, not the proteges of the interests that flood Congress now; obviously, not the representatives of the railroads, trusts, banks, and insurance companies. On the contrary, they will consist of a quite different type, of more thoughtful and truly patriotic men, who have seen the defeat of democracy involved in industro-financial sovereignty; and who, understanding the mechanism by which this sovereignty establishes and perpetuates itself, have decided that the time is ripe for a direct attack upon it. With a Congress of this kind, liberal ideas will have a fair hearing; progress will no longer find itself eternally fighting against crushing odds. And above all, the public will be spared the humiliating sight of two historic parties going, hat in hand, to

Wall Street to report, gather funds, and take orders.

But how is the government-ownership issue to be brought to the public? There seems but one practicable way: by getting men who understand the question to run for office, with government ownership as the one outstanding issue. The press, as we know, will not ordinarily carry articles on government ownership. Aside from the Hearst papers, there has been no powerful newspaper organization that has, so far, had the courage to come out uncompromisingly on the people's side of the railroad question. But the speeches of important candidates, running for Congress or higher office, in such hard-fought campaigns as government ownership will precipitate, fall into a quite different category from mere articles. They are current news and, whatever the paper's economic background, it has to publish them. The political campaign thus remains as an avenue of publicity. It is a sufficient avenue, provided men of ability can be found, who will stake their future on a real fighting issue.

In a national campaign for government ownership, only one issue should be put before the public—the acquisition of the railroads by the government. Experience has shown that the attention of a nation of a hundred millions cannot be concentrated on more than a single political idea at a time. The method of acquiring the roads, whether by purchase or exchanging private securities for government securities netting approximately the same return, should be left to the future. The method of managing the roads after they are acquired should be left to Congress. But one single line of argument should be followed at every political meeting in every State: the government should do nothing that private enterprise can do as well. This principle is at the foundation of America's vigorous individualistic life. Nevertheless, the government should take over the railroads, for the very reason that private railroading is destroying individualism in industry and building on its ruins a monopoly system that robs the consuming public, concentrates power in the hands of a few people, and controls, not wisely, this nation.

## In the Driftway

**P**RIVACY has always seemed to the Drifter one of the seven jewels in the crown of wisdom, and at the moment he cannot think what the other six are. He has spent the better portion of his life declining with as much grace as possible invitations to gatherings of more than two persons besides himself. He has become thoroughly hardened in the matter of teas; he issued a blanket refusal of all such invitations seventeen years ago and the refusal still stands. Yet his job compels him to see people on occasion; and the exigencies of impecuniosity demand it even more frequently. Privacy costs money; crowded tenements are not inhabited by the rich, and Coney Island on a warm Sunday is more populous than Deauville.

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**F**OR a good many years the Drifter had been convinced that no one, indeed, was rich enough to buy solitude. Even Mr. John D. Rockefeller, he thought, would have been hard put to it to purchase this pearl beyond price. But Mr. John D. Rockefeller's daughter has made a gesture in that direction which commands only the warmest admiration. When Mrs. McCormick built a brick wall and a wire fence

around her estate on Lake Michigan the Drifter murmured "Bravo!" When she recently offered to pay \$200,000 to make a new public highway a mile from the edge of her property because she could not bear to have the rabble passing so near her house—which is a mile from the present road—he turned slightly green with envy and gave up eating entirely because he could not cook his own meals well enough to justify dining by himself. But when he read that Mrs. McCormick had not stayed overnight in her house for nine years he threw up his hands in despair! There was evidently no mortal use in competing with such a princely outlay of funds and principle. To live in a house and wish to keep out crowds is one thing; but not to live in it, and still to be unable to endure the thought of crowds coming within a mile of it, is so far beyond any of the Drifter's aspiration that he has given up the contest.

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**A**CCORDINGLY, he wishes to announce that hereafter he will be available for dinner three times a week and for tea every other day. When he is not dining out he will be willing to attend public lectures, concerts, and even—three times a month—a debate. Tickets for football games, wrestling contests, chess tournaments, horse races, performances of trained seals and diving Venuses will be received with pleasure and positively used in every case. If the Knights of Columbus give an amateur rendering of "Seven Keys to Baldpate" the Drifter will be found in the front row; if the Ku Klux Klan stages a rally in Madison Square Garden the Drifter will not be among the eleven New Yorkers who will not attend. No, nothing will be refused henceforth—and yet—nothing? No! He will not, he positively will not, even at the risk of staying home entirely alone, attend the recital of a child pianist at Carnegie Hall.

THE DRIFTER

## Correspondence

### Why the Negro Emigrates

TO THE EDITOR OF THE NATION:

**SIR:** I have found your journal so impartial in the discussion of all questions appearing in its columns that I am impelled to ask you to permit me to discuss the exodus of the Negro from the South to the North, from a Negro's point of view. Many prominent Negroes, and most Southern white men, are meeting in inter-racial confabs trying to work out a plan to stop the Negroes from leaving the South, and to keep them tied to the cotton fields at seventy-five cents a day, and to the lumber camps at a dollar to a dollar and a quarter a day, but in spite of these meetings, and the many tears being shed by their leaders and their good white friends, the Negroes are leaving by the thousands. The real friends of the Negro, who have no personal ax to grind, are glad to see him use his own judgment in trying to better the condition of himself and his family.

He has struggled heroically in this section ever since his emancipation to make himself a man and a citizen, but today his chances for a fair deal are worse than at any other period of his history since the Civil War. What is the cause of these conditions? Nothing but prejudice and race hatred. He accumulates property to have it burned when his white friends become offended with him, or to have to leave it when they find they cannot beat him out of it.

We have watched the growth of prejudice, and the growing tendency to oppress the Negro and rob him of every privilege for years, but the wave of hatred well-nigh reached its climax at the end of the World War when our Southern friends had to

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