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Keokuk, Iowa May 13, 1909.

The British Post-Office Savings Bank has over 10,000,000 depositors.

Kidnaping will not be so popular if all juries impose a sentence like that given Boyles and his wife.

Good weather and large crops are essential to prosperity. This is one kind of combination that the people will stand for and not even hint at prosecution for trust agreement.

Water power news continues to be favorable. Keokuk will be a lively spot on the map of Iowa before the year ends. At least that is the judgment of those who are acquainted with the conditions.

Some of the river towns, according to the report of the Inland Waterways commission, have unwisely parted with a portion of the wharf room to railroads, and thus injured their chance to secure competitive freight facilities.

During a performance in a variety theater at Copenhagen a monkey named Morris suddenly sprang off the stage and threw himself into the arms of a man in the audience. It was discovered that the man had been Morris' master four years before.

Railroads are doing considerable in the way of improvement with respect to passenger service. The western and northwestern roads are putting on additional Seattle service in order to meet the demands that is expected to result from the Seattle-Alaskan expedition.

Keokuk is showing a fine advance in the building line. Many new modern residences are in course of construction and there is an air of prosperity about the city. Keokuk has a future that is bright and the investments citizens are making indicate they have faith in the future.

The Dominicans are very fond of music. The larger towns of the Republic have municipal bands which play weekly in the central plazas. A great many of the men are skillful performers on the guitar and mandolin, while in the homes of the well-to-do you find pianos and graphophones.

Mrs. Elizabeth F. Noble of Mansfield, Mass., whose will has just been probated, left \$10,000 to the Midnight Mission of New York and the same amount to build drinking fountains for horses and dogs in the streets of New York. Her heart went out in sympathy to all unfortunate beasts or humans.

The settlement of the tariff bill will go a long way toward improving the industrial situation. Many lines are awaiting the decision of congress with respect to this measure before making further investments and the rapid passing of the bill is hoped for by interests affected in all parts of the country.

In this issue appears an address by Frederick A. Delano, president of the Wabash railway, delivered at Hannibal, Mo., on rate regulation. It is a carefully prepared article and interesting reading. Mr. Delano was formerly general manager of the C. B. & Q. and is one of the well informed railroad men of the country.

With four military airship stations already built on the western frontier, the German war office has decided to erect similar stations on its eastern borders. The first of the eastern stations will be erected at Lyck, close to the Russian frontier. The new aerial station will be provided with a huge shed capable of accommodating two airships of the Zeppelin type.

Don't Become a Loafer. Grundy Republican: Young man, don't become a loafer, but get busy! The man who is looking for someone to take a responsible position does not go among loafers to make his selection. The last place he would go to look for an enterprising young man would be in a town billiard hall, or among the loafers that infest the street corners. If a prospective employer asks you what is your present occupation it would be decidedly embarrassing to tell him that you are nothing but an ordinary street loafer. That would be a sad commentary upon your industry and activity. Do something! Get busy! Get a job!

REGULATION AND CONTROL OF RAILWAYS

Address Delivered by F. A. Delano, President of the Wabash Railway, Before the Commercial Club of Hannibal; Mo., March 25, 1909.

When one considers the immense importance of railroad transportation to the life of every community—indeed, of every individual—it is not to be wondered at that every one feels privileged to take a hand in the management of the railways. Our whole scheme of civilization today is dependent upon good and cheap transportation. The food upon our table is supplied from immense distances, and the same is true of all our daily needs. When transportation was confined solely to short distances, every community was obliged to content itself with the articles which were produced within a small radius. But in this country, where transportation has been developed to a higher degree of efficiency than anywhere else in the world, we do not think anything at all of driving our means of subsistence from a distance of two or three thousand miles. As a nation, we stand for protection of home industries, but at the same time we furnish the best example of a great free trade experiment. We do not allow any part of the Union a monopoly in any article of production or manufacture, and time and time again since the railroads were created an industry well established in one part of the country has been entirely destroyed and replaced by the more successful production in another district.

Note.—A number of examples might be cited. The case of the wheat-growing and flour-making industry in the Genesee Valley, which was displaced by the successful cultivation of wheat in various western states and eventually the extensive development of the industry in Minneapolis. Many other cases might be found in manufacturing and other lines. And yet, all this has come about in a little more than two generations. The first steam railroad to be operated in the country was opened for business just eighty years ago this year; and during this period of eighty years, by far the greatest part of the development has been during the last one-third of the period. It is hardly to be wondered at that in a growth so rapid some serious blunders have been made and that there have been errors of judgment, as well as serious misdemeanors for which the railroad officials may be justly censured. Indeed, it is no part of my object this evening to pretend that railroad men are more capable or more honest than their brethren in other walks of life. It is my desire, however, to point out some of the difficulties which railroad development has had to contend with, and to indicate very briefly that the remedies which have been applied from without have frequently had entirely opposite effects from those intended.

In my opening remarks, I called attention to the fact that it was perhaps natural that every one should feel that he had a right to take a hand in the management of the railroads, for it is evident that every man, woman and child in this land comes in contact with the railroads, and in this intimate contact, one cannot fail to note things to criticize. And yet, if it has seemed to you that railroad officials both big and little, have chafed under the criticisms and suggestions, I can only ask that you put yourselves in their places. What one of you would accept with equanimity suggestions as to the conduct of your own business at all comparable with the suggestions and criticism, not to mention legal restraint and interference, which railroad officials have to accept daily? What would you say if citizens of your community were to begin to inquire the cost of articles you are selling over your counter, and criticizing the profit which you are making in some cases; or finding fault because, for some commercial reason which you consider ample, you were selling one article at a little or no profit, and another article at a very high profit? I am aware that any suggestion along this line will be met with the objection, that because railroads are quasi-public undertakings—because, for some commercial reason, they must submit. In other words, because railroads have certain public functions to perform and are given certain privileges in the expropriation of "right of way," which often means that they must pay twice what any other purchaser would pay, thereby they forsake all rights to conduct their own business. As a railroad man, I shall not pretend to say that there is not a distinction between the two cases; but I do contend that the quasi-public institution theory is frequently worked for more than it is worth, and that it is producing just the condition of affairs which the public does not want, and is certain to regret in the long run. The reasons for this I will try to explain as I proceed.

In a country growing as our country is, the demands on transportation increase at a rate which may be conservatively estimated at five per cent a year on the average. (During the years of 1897 to 1907, they increased at nearly double this rate; but that period was undoubtedly one of exceptional expansion.) This has also been found to be about the ratio of growth in the demands on urban traffic lines. From this it is apparent that if the facilities were to keep pace with the increased demands, there would have to be an expansion of these facilities equal to that growth.

Of course, it may be argued that a considerable expansion in business can be taken care of without an expansion in facilities; and while this is true in certain directions, it is not true as a whole when the more exacting demands in regard to quality of service, the betterment of conditions, etc., are taken into consideration. It is also true that as the country develops and becomes more thickly settled, the very factors which produce the increased business also tend to an appreciation of the values of all property, and make the extension of the railroad facilities more and more costly, particularly in the congested districts, where such extensions are most necessary. If, then, this estimate is a correct one, it means that there should be spent on the railroads of the country in every year a sum aggregating not less than six hundred and fifty millions of dollars, this being five per cent on the estimated present value of railroad facilities of the country. So vast a sum of money as this can only be raised on credit; and credit, as every one knows, depends wholly on the faith of the community in the ability of the borrower to repay the loan with interest, or, in other words, to "make good." In the last three years we have seen in this country a most astonishing decline in railroad credit. To understand the reasons for this, one must have been a close observer of the conditions and a close student of the facts. You may permit me to call attention to these in a general way.

As already explained, the growth of all business from 1897 to 1907, due to a period of unexampled prosperity following four years of depression, was quite extraordinary. The traffic of the railroads increased enormously, and in order to increase their facilities commensurate with the demands, the railroads themselves were large borrowers of money, spending it chiefly for improvements and betterments. As already pointed out, the growth of the traffic during this period was at a rate something like twice the average or normal rate for a long period of time. Facilities were overtaxed; congestion of traffic occurred; and, worst of all, a disposition to criticize railroads and railroad methods increased to a point where it showed itself in all sorts of adverse legislation. A well known railroad official is authority for the statement that during the legislative year of 1906-1907, over 800 bills affecting railroads were introduced in the eleven states of the central west in the federal congress—all of them seeking to regulate, restrict, define, or lay down the method of railroad management. Of course, this was the climax of a condition, the blame for which all sections of the community must share; and I would neither contend that the railroad men were blameless, nor that the feeling of hostility to the railroads was without any justification.

Simultaneously with this condition there had been a rapid advance in wages of labor, a rapid advance in the cost of material, and a consequent advance in the cost of transportation, which made it impossible for the railroads, even with the largely increased volume of business, to make anything like a commensurate increase in profits. The creditor, whom we may say was represented by the banker and investor in the large trade centers, having control of the loanable funds both in this country and abroad, began to take alarm. He saw the storm gathering control of the loanable funds both in the rapid increase of operating expenses. He began to withhold funds and to make his terms more onerous to the borrower. This had the effect, of course, of checking work; and if it had not been for a serious bank failure in New York City, might have been effective in bringing about a gradual depression without a sudden panic. However that may be, for reasons which it is hardly necessary for me to discuss fully here, a sudden break in our prosperity came in October, 1907. I am glad to say that since that time there has been a pretty satisfactory restoration of confidence, especially in the west, but the fact remains that business continues to be on a scale far smaller than it was before the panic.

Note.—As is well known, these conditions are not confined to this country, but are quite worldwide in their extent. While the rapid railroad, mining, and industrial expansion in this country was one of the important causes, the wars in Africa and Russia and the industrial expansion in Germany were all contributing causes in producing this worldwide condition, the fundamental trouble being that the growth of expenditures has been more rapid than production of wealth.

What I am most interested in discussing this evening and pointing out to you is the immense demands on the railroads and the conditions which must exist before these demands can be met. Bear in mind, please, that in any case railroads will be built and developed only by the capital of our people or of such foreigners as may be induced to invest in this country. This is just as true whether railroads belong to the government, or whether they belong to and are operated by individuals. The only difference is that in the case of government ownership the government raises the money for the purchase or building of the railroads by a guarantee of the bonds and stock; whereas under private own-

ership the investor buys from the railroad company direct, and on its credit only. (A large portion of the investment in railroads is indirectly from the masses of the people whose funds in the hands of the banks and insurance companies are invested in railroad securities.) Regardless, therefore, whether the ownership of the railroads is public or private, it is evident that public necessity exists for a constant and annual expansion; that this necessity requires an expenditure of something like six hundred and fifty millions of dollars per year on the average; that this sum of money can only be raised from surplus earnings, or by borrowing. If, by borrowing that borrowing must be on the credit of the borrower.

Note.—It is often said of borrowing that any one can borrow, but the terms at which one may borrow depend wholly on the credit of the borrower. During the last two years there are a good many cases on record where great railway companies have paid as high as nine and ten per cent for the use of money, thus indicating very well their dire needs, as well as the extent to which their ability to pay their debts has been jeopardized.

In the face of this condition of affairs, it is not strange that railroad officials feel a good deal of annoyance and are disposed to be irritated at the disposition of the legislatures, first to reduce their sources of revenue; second, to increase their expenses; third, to demand public improvements. For, bearing in mind what I have said at the beginning, that railway men claim to be no better than the rest of humanity, they do claim to be human, and subject to the same desires and ambitions as the rest of the family. Indeed, I may say that in all my railroad experience, I have never met a railroad official who did not want to spend money on his road as fast as the credit of his company, the ingenuity of his bankers, and the approval of his directors would permit. This is only reasonable and human. The manager of a single track line; he wants to get rid of many bad grade crossings; he wants to adopt safety appliances; he wants to reduce his grades and curvature in order that he may show more efficient operation. Is it to be wondered at that he feels irritated and even peevish when the state legislature reduces passenger fares, or freight rates, to a point at which the operation of the road becomes unprofitable? Is it to be wondered at that he is irritated when the state limits the length of trains; limits his methods of operation; requires him to employ three brakemen when he thinks two are sufficient? Is it to be wondered at, when, on top of all these restrictions and requirements, sundry betterments and improvements are demanded; and finally, when politicians ride into office or win political preferment by their abuse of railway management and methods, that the patience of the railway man is well nigh exhausted?

What is the remedy for these conditions? Evidently the remedy which the railroads need more than any other is a rest from the attacks made upon them. Railroad operation and management is complex and involves so many problems and commercial questions that what the railroads need is more thorough study of the questions and less disposition on the part of all communities to jump at conclusions. Mr. Willard, second vice-president of the Burlington company, covers the point well in a recent address made to a body of the employees of that company at Galesburg. He says:

"In my opinion, railroad business, which really means all business, will recover its former proportions when the influences and forces at work during the last two or three years shall have ceased doing the things that have contributed so largely towards bringing about the depression which we all deplore. Perhaps that is not quite clear. I do not mean that laws already made must necessarily be unmade, that wages raised must be reduced, but we must have a rest. We must be given time and opportunity to work out the new problems that have been forced upon us during the last two years. We must be given a chance to find out what it is going to cost to meet the new requirements, and also how much our revenues are going to be reduced by reduction of rates. Perhaps it will be found that by new methods growing out of the exigencies of the case we will still be able to earn a surplus sufficient to justify the resumption of extraordinary expenditures as formerly. If not, then, either rates must be advanced or wages be reduced or improvements must wait or be carried on with borrowed money, and railroads will be slow to increase their interest-bearing debt under such circumstances."

In dealing with questions of this kind there have always been two broadly different policies, one the policy of great freedom from restraint, the other of extreme repression. The pendulum of public opinion swings slowly from one extreme to the other. The first policy is not often heard of now; it is usually called by its French name, "Laissez faire," i. e., "Let things alone." This policy was first developed by the economists in reaction from the excess of regulation and interference with business which reached its extreme development in France during

the reign of Louis the Fourteenth and under the primacy of Colbert.

Note.—Colbert, in the years 1661-72 developed the industries of France in a most astonishing way. Later, under a system of well meant paternalism all sorts of governmental offices and commissions were created to regulate these industries and protect the public; but soon this system of over-regulation reached a point where it broke down of its own weight and a sharp reaction to the "Laissez faire" doctrine took place.

While this "Let things alone" policy is no longer popular it might be well to point out the logic of it when applied to present day conditions in respect to railroads. The theory of the policy is that objectionable economic condition have within themselves the elements of their own cure. In other words, that if things are left alone natural causes will produce a remedy. Thus, if railroads are built and prove very profitable, other railroads will be built in competition, and competition will soon divide and diminish profits. If, on the other hand, railroad building proves to be unprofitable, if state interference and hostile legislation tend to diminish profits below a reasonable point, railroad building and development will cease.

Whether there is anything in this doctrine or not, it is, as I have already said, an unpopular one today, for the reason that communities are much too impatient to get results. People who believe in temperance are unwilling to wait for the slow process of education and the spread of morality to produce the desired results, but insist that temperate habits must be brought about by a law which will compel total abstinence.

In the same way, if the community thinks the rates they are charged are too high, they don't investigate the matter, but they straightway get legislation compelling the railroads to reduce rates, apparently entirely overlooking the economic results which will certainly flow from such a course.

In an undertaking where a large portion of the capital invested is in a fixed form—structures, buildings, etc.—capital once invested cannot be easily withdrawn. This is more true of railroad investment than of any other form of endeavor, and so the public are inclined to jump at the conclusion that because capital has been invested in railroads, and the railroads cannot be taken away, and trains must be operated, they can with impunity "put on the screws." Without commenting on the morality of such a point of view, it should be borne in mind that the railroad is not a completed thing; that even some of our most perfect trunk lines are constantly undergoing change. Thus, one of the country's greatest railways is said to have been relocated in some stretches of its line four different times, in order to get better gradients, or alignment; for, after all, the final economic location of a railroad is subject to change until it reaches perfection—the only perfect railroad being the railroad which is both level and straight. The amount which can be economical return on the expenditure depends, first, on the rate of interest paid for the money, and, secondly, on the volume of the traffic involved. A very trifling saving per ton of freight or per passenger handled, spread over a sufficient volume of business, will warrant the expenditure of very large amounts.

These instances are cited simply to show that a constant supply of money is needed for the improvement and development of existing railroads, to say nothing of making extensions or building railroads into new country. There is not a railroad man who could not cite from his own experience dozens of instances where the expenditure of hundreds of thousands, and even millions of dollars would, in his opinion, be justified by reason of the economies produced, and yet, in such times as these, it is with most railroads impossible to raise money. If this is true of improvements and betterments which increase the earning capacity, or reduce the cost of doing business to an extent sufficient to fully warrant them, how much more is it true of those forms of expenditures in which the public is vitally interested; for example, a better and safer track; better and more commodious stations; better and faster trains; better car equipment; the abolition of grade crossings; and many other things which I might mention that are necessary or very desirable, but do not produce any additional revenue.

The reverse of the policy which permits things to work out their own salvation is the policy of regulation which is so much in vogue today. Its theory is that all functions in which the public are generally interested must be either owned or subject to control by the state; that is, the community at large. I shall certainly not take the position that this is either an unfair or unworkable theory; but I shall endeavor to point out some of the difficulties which have arisen under its operation.

To begin with, it is only human nature that a man or group of men who put their money into an enterprise should desire the full control of it. In ordinary manufacturing or commercial undertakings every man has his own notions about the conduct of his business, and does not want to be in-

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interfered with, or dictated to by people who knew less about his business than he does himself. Now, while it may be argued in the case of public service corporations that the people who have put their money into these enterprises, have done it with their eyes open and with full knowledge that they were subject to governmental regulation and control, there is nothing in that argument which makes public interference any more palatable to the man or group of men who are interested with. The fact that the ordinary merchant does not like to be dictated to cannot be altered, even if you convince him that the law compels him to submit to that dictation. If the conduct of railroads involves as many intricate and complex questions as the conduct of other business, then you will have to admit from the analogy of your own experience that interference and dictation, especially when it comes from those less familiar, less acquainted with the problems, is, to say the least, difficult to bear and very annoying.

There is a movement on foot in some of our states for legislatures to

(Continued on page 7.)

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