DIARY

Book 117

March 25 - March 31, 1938

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GROUP MEETING

March 25, 1938.
9:30 A. M.

Present: Mr. Magill
Mr. Oliphant
Mr. Gaston
Mr. Haas
Mr. Taylor
Mr. Gibbons
Mr. White
Mr. Lochhead
Mr. Upham
Mr. Bell
Mr. McReynolds
Mrs. Klotz

H.M.Jr: Mac, I sent for Harry White. Will you see that he comes in please, unless he's sick.

(Mr. Gibbons hands Secretary note.)

You never mentioned it to me.

Gibbons: It couldn't be, of course.

H.M.Jr: No. We've just gone through this whole thing. Has the appointment gone up?

Gibbons: It's gone up and the President signed it. Now he says you understood that.

H.M.Jr: That's an absolute falsehood.

Gibbons: That's what Mr. McGrath told me this morning. Well, you go ahead.

H.M.Jr: What?

Gibbons: I say, you can go ahead. I am going to write the fellow and tell him.

H.M.Jr: (On phone) James Roosevelt, please.

Gibbons: I called Jim Farley and he had an idea you had an agreement.

H.M.Jr: That's damn nonsense. I mean, with all the trouble going on here - have to pile something like that on me here.

Gaston: You don't want that? (Memo and news clipping.)

H.M.Jr: I don't care. We can send this fellow a wire, and I'll sign it while I'm still here.

Gibbons: I had already started a letter to be signed by you or me, telling him he had to do this before this thing went through - rather anticipated it.

(Mr. White enters.)

H.M.Jr: I was trying to put my mind on some Treasury business that is important - and give me stuff like this. It's ridiculous - we've got all this railroad stuff, and everything like this.

(Phone rings.) Hello. Hello Jimmy. There must be some misunderstanding - Steve tells me - that McGrath could be the State Chairman of Massachusetts - what?

(Remainder of conversation with Mr. James Roosevelt follows:)

Gibbons: He shouldn't be appointed before he resigns.

McReynolds: The thing to do is to bring him down here and tell him he can't take his oath of office until he does resign.

H.M.Jr: I just can't .....

Gibbons: Will you leave it to me?

H.M.Jr: Will I leave it?

Gibbons: You are going away. He should be out before .....

H.M.Jr: Before he is sworn in.

Gibbons: Yes. Yes, sure.

H.M.Jr: I am not going to have a thing go on before he is sworn in. And, ah, Mac, this is what should be done. Before he is sworn in we should have a copy of his resignation and a copy of its acceptance from the Committee, and it should be - the fact that he - that that's been done can be given out to the press.

Gibbons: Why not this - why not me write a letter - I'll sign it - referring to that article, saying "You are wrong, and you must resign before you can be sworn in."

H.M.Jr: If you want to have it, we have a committee that worked before on that, but I'll say now that as long as he is making an issue of this thing, I wouldn't swear the fellow in if he does resign. I'll take your word for what Jimmy (Roosevelt) told you, but what Jimmy said on there (the record) is something entirely different.

Gibbons: But he didn't say that. He is in agreement with you.

H.M.Jr: All right.

Gibbons: It's all right - that's what he said. I know it.

H.M.Jr: All right.

Gibbons: However, there is the news article.

Thursday
March 24, 1938
9:33 a.m.

HMJr: Hello.

T.O.: James Roosevelt. Go ahead.

HMJr: Hello.

James Roosevelt: Good morning, Henry.

HMJr: Jimmy, there must be some misunderstanding. Steve Gibbons just comes in and says that you said that I'd agreed that McGrath could stay a State Chairman of Massachusetts.

R: Oh, no, no, no.

HMJr: What?

R: No, no, no, no. I said that the President knew in appointing him that he was the State Chairman of Massachusetts and that we were going to talk it over with him and see what - how we'd work it out.

HMJr: Well, because we just went through this whole thing with Kelly.

R: Yes.

HMJr: And McGrath has given out a lot of publicity up there...

R: Uh huh.

HMJr: And, after all, ever since I've been here my understanding with the President is that a fellow cannot hold a political office and be in the Treasury at the same time.

R: Yes.

HMJr: So...

R: Well, I think that's absolutely correct. Well, what he wants, do you see - the President knew about it at the time, that what he wants is a couple of weeks to be able to work it out and get the fellow he wants in as Chairman, do you see?

HMJr: Well...

R: He didn't - in other words, he gave out his statements - whatever he gave out - for the purpose of not having a lot of candidates on his hands, you see?

HMJr: Well, it'll make it much easier for me if - if the fellow will stop making statements...

R: Yes.

HMJr: and - like, I mean, "The Secretary of the Treasury is over-ridden...." and that sort of stuff.

R: Yes.

HMJr: And - because it just puts my back up and I'm going to fight, that's all.

R: Sure.

HMJr: And, after all, we started with seventeen members of the National Committee in the Treasury and there are none here now.

R: Yes.

HMJr: And I just went through the most difficult one I've ever gone through - on Kelly - and the President backed me a hundred per cent.

R: Yes.

HMJr: So, inasmuch as that's your State, Jimmy, if you would tell this fellow to get out and keep quiet why it'll keep peace in the President's family.

R: Yes. All right, sir. Well, it'll be all worked out. And the boss knew about it so don't worry about it.

HMJr: Well, I won't.

R: And it'll be all straightened out.

HMJr: You're going to take - you're going to assume the responsibility then?

R:	Yes, I'll straighten it out, boss.
HMJr:	What?
R:	I'll straighten it out.
HMJr:	All right. Thank you so much.
R:	All right, Henry.

H.M.Jr: Well, if the newspapers ask you, Herbert .....

Gaston: They have asked, and we told them why everybody automatically goes out.

H.M.Jr: I'd be a little more than that - we have always kept - might say that "Mr. McGrath evidently doesn't realize what kind of an organization he's coming into." See?

Gaston: Yes.

H.M.Jr: And before he is sworn in I'd be a little bit stiff.

Gaston: I'll call their attention to the fact there have been other cases of this kind.

H.M.Jr: We just got through with the Kelly case. Before McGrath is sworn in he's going to hand in his resignation.

McReynolds: McGrath is going to come down here for his oath - he sat in my office there and talked about his political activities - he understands - he will hand in his resignation.

H.M.Jr: Now we all understand each other?

Gibbons: Well, just forget about it. It's through; it's through now as far as you are concerned. If you leave it to me he won't be sworn in.

H.M.Jr: You heard Jimmy?

Gibbons: Yes, yes - yeah, I did.

H.M.Jr: All right.

Gibbons: I don't want you to be annoyed with it any further; that is my point.

H.M.Jr: Now, if we can tend to the Treasury's business - of the Government.

Dan, while we have Jimmy Roosevelt on my mind, - this memo for Jimmy Roosevelt -"will you straighten this out between Morgenthau, Fahey, and Delano," - and here's Fahey's message on the H. O. L. C. legislation - and the reason I'm giving this to Dan instead of you, by the time you read this through you, mentally, would be bowed down, so I think that ...... He said that "If Secretary Morgenthau wasn't actually to get anything done ...." this was Fahey.

Bell: Is that a draft?

H.M.Jr: This is the whole - the President - I'd like it to go back over to Jimmy this evening so he can sign it.

I am leaving today and Mrs. Klotz will have her hands full.

(Side conversation with Mrs. Klotz.)

Let's just slap Fahey down.

Taylor: Let him sit on himself.

H.M.Jr: I mean these boys around here - over at the White House - seem to have confidence in us, and we get all of this stuff. I don't know why, but we do. You take care of it and I'll be available this afternoon. It's good I'm getting out of town. I think I would have a fight if I stayed around here.

(To Mrs. Klotz) And this, I'll dictate to you personally.

(Dictates in low tone.)

Mac, you read this (letter) and dispose of it, will you?

McReynolds: Yes sir.

H.M.Jr: Now, Wayne, this is the reason - here comes in this railroad report late last night. Now I read it very hastily, and I admit that I don't know an awful lot about railroads, but you make a suggestion here, and my only contribution is that we might make it up in the - you see that the body of this thing - my only comment - I wish you'd go into your room and lock yourself in and see me this afternoon, and I don't know who - you call anybody on the staff who you think will be helpful to you. Now my only contribution on this thing, after going over it terribly hastily, instead of setting up a committee of three again - now the President's just been through this experience of T. V. A. I am in favor of a new Cabinet member for transportation, which includes water, rail, bus, and airplanes.

Taylor: A Department of Transportation.

H.M.Jr: A Department of Transportation, and that is my contribution - well that can be put in three words, and after I have - that is my contribution to this thing - this is confidential. There is some stuff around that Miss Chauncey can find on communications.

Gaston: Why not "and Communications?"

H.M.Jr: No. I have raised that, but they don't want that. I don't know why, but they don't just - this is for you, Herman (a memorandum) - for some reason or other - I raised that point, but they feel it would bog us down at this time. I don't know why. I said exactly the same thing.

Gaston: It seems logical.

H.M.Jr: Wayne, here's another very, very, very confidential from Frederic Delano on railroads that I got.

Klotz: That railroad stuff --(inaudible)--

Gaston: The answer to this (memorandum) is, when you come back we hope to arrange it in.

H.M.Jr: That's the only thought I can give it - it's my contribution.

Ros, you've got this message on tax exempts. That's why I asked you to stay.

Magill: Yes, I've got it. I told you the situation on the fore part. The introductory part, I think it's all right. The latter part, when he comes to suggest specifically what he would do, seems to me is inconsistent and unworkable. Now it's a question of straightening out the last page where the specific proposal is made.

As you know, I'm up on the Hill all day.

H.M.Jr: Just give me time - when can we, we put down - when will it go down to the President?

Magill: Assuming that Senator Harrison plays golf tomorrow, which I expect, he will probably turn it off sometime tomorrow morning.

H.M.Jr: Well, to be reasonable, be ready to go in the Monday afternoon pouch?

Magill: I hope so.

H.M.Jr: What?

Magill: I hope so.

Oliphant: I'll be here tomorrow afternoon. Ros and I can get together on it in the morning and clean it up.

H.M.Jr: I mean, it will be reasonable to say Monday afternoon.

Magill: I think that is all right.

H.M.Jr: It is a question of tax-exempt bonds.

Magill: And salaries.

H.M.Jr: And salaries, and then there was a question of monopoly message; what's the status on that?

Oliphant: It is a document which you handed to me; I still have it on my desk, having communicated with both Thurman Arnold, Bob Jackson, and Ben Cohen, saying they are to get in touch with me, presumably today. As far as I can see it is just to turn that over to them because the bank holding part of it is theirs.

H.M.Jr: Well, when that is turned over I'd like for whoever is Acting Secretary to send a little memo to the President that we have done our job and it is in the hands of the Attorney General, so he will know that, see?

Magill: Will you (Oliphant) see that that is handled?

H.M.Jr: I mean, whoever is here when it goes over - or what I'd do is this:

"My dear Mr. President: We are hereby sending you a copy of the material which we have today turned over to the Department of Justice."

Then the next move is up to them. He will know we have done our job.

As I see it, the railroad thing, loans - railroad thing, loans to industry, the question of tax exempts, and the monopoly message. What else?

Taylor: Rackets.

H.M.Jr: Excuse me.

Taylor: Rackets.

H.M.Jr: That doesn't concern us. There is no time limit on that. I am thinking of what he might call on us for. Railroads .....

Klotz: ..... loans to industry.

H.M.Jr: Loans to industry.

Klotz: The question of tax exempts and monopoly.

H.M.Jr: What else is there? Oh yes, he is going to keep talking about this question of this bill for flood control - stream pollution.

Bell: That was supposed to have been part of the loans to industry.

H.M.Jr: It isn't, Dan, and I think you ought to take it and I think you ought to write a memorandum on it for the President, if you don't mind. I really don't think it's part - I think it's a separate thing, and I think, if you don't mind taking that thing and write a memorandum, pointing out the good and bad points of it.

Bell: We've done that.

H.M.Jr: He hasn't got it, has he?

Bell: You and I sent him a memo and we pointed out the difficulties. As a straight financing situation we said "Yes." We favored it - but there are differences. First, it will take about two years to put it in effect because the states - nearly all the states - will have to enact legislation.

Second, you are increasing contribution of the states from 15 per cent to about 54 per cent.

H.M.Jr: If you don't mind, Mrs. Klotz will give you - under this thing, folder I've got - I think the President gave me back this business on what he called this "Two Per Cent Plan," see?

Bell: It was not in those papers that you handed around.

H.M.Jr: Well, I think - (To Mrs. Klotz) take a look at that - the one with the blue cover.

If it's back in this - if you don't mind, I'd like to shoot it back to him again. Say "Mr. Morgenthau asked me to send it back to you, and this is the way he and I feel about it. We don't think this is a part of loans to industry. After you have read this will you please advise us of what you think about it."

Frankly, when I go away tonight - I am just as tired as I should let myself get, and I don't want to go away feeling that - well, I mean that I am letting the President down on anything that we've got.

Bell: I'll take care of it.

H.M.Jr: I think if you will just pick that up - well then if he wants something else, all right.

(To Mr. Magill) Now, so you can go on the Hill, you want to say anything to me before you go?

Magill: I would like to see you before you go this afternoon. I'd like to see you. I had an interesting phone conversation with Mr. Doughton I might tell you about.

H.M.Jr: A little bit depends on Sumner Welles. I am sort of keeping the afternoon open on the Mexican situation.

Magill: I normally come back here at noon, if you have five minutes somewhere from the period of twelve to about five to two.

H.M.Jr: Why not say you drop in and see me about a quarter of one?

Magill: All right.

H.M.Jr: We can kind of check on the state of the nation. All right - if you want to go.

Magill: I'll go back and push the steam roller back a little.

H.M.Jr: Just for the record, on yesterday, was the surplus tax yesterday - they voted on it? The surplus tax.

Magill: The four Senators who voted with the Administration were Senator Barkley, ah .....

Gaston: Senators Barkley, Bulkley, Connally, and La Follette.

Magill: Barkley, Bulkley, Connally, and La Follette - three Democrats and .....

H.M.Jr: And on the capital gains, there wasn't a vote?

Magill: La Follette.

H.M.Jr: La Follette?

Magill: On the undistributed profits tax - I think the entire Committee was present when they voted.

Oliphant: Careful to make no record vote.

Magill: No, they were careful to make a record vote.

Oliphant: The paper said "No."

Gibbons: All four candidates for reelection.

H.M.Jr: Well I am still proud of the Treasury. I still say that the only reform that comes out of this Administration comes from the Treasury.

Magill: I went to a musical comedy last night in which the star was delivered her evening gown in a box about that big (indicating - very small), and after this tax thing is over, I wish you'd take my remains - I think you can put them in even a smaller box - and ship them back to Columbia.

Gaston: You're burned up, are you Ros?

H.M.Jr: The powder box was about that big (indicating - larger).

Magill: Were you there last night?

H.M.Jr: Yes, we were.

Magill: Yes, the powder box was a good deal larger.

McReynolds: It's no longer just a question of bruises?

Magill: No, Lord! It's amusing, in this sense, that the machine is so well oiled; it's a pleasure to see it work. They missed their signals yesterday afternoon, but yesterday morning they were working in swell shape.

H.M.Jr: Doughton's pleased?

Magill: Substance of Doughton's conversation is that 'a good leader ought to be careful to follow the sentiment of the leaders of the country - the political leaders.' To say what he said in substance is this:

"I am not prepared to fight the House bill unless the country is going to support me."

H.M.Jr: If you could get .....

Magill: I assured him I was glad he was standing so strongly by me, and it was a great pleasure .....

H.M.Jr: If you can get more detail on it .....

Magill: One whole day on this thing.....

H.M.Jr: Did you see it in the Post, Ros? I mean, it's the very sentiment of the country on the surplus tax. He must have a lot of material on this tax - All right, my boy. Put on your bullet-proof vest.

Magill: Oh, I wear it closely. I wear my old clothes these days. There's no use getting run over in your best suit.

H.M.Jr: Also your gas mask.

Magill: You don't need that; it's all sweetness in life.

H.M.Jr: Harry, on this Mexican thing, is there anything you can contribute? Incidentally, you might take that back, Harry. I mean, is there anything more that I should know before they come in this afternoon?

White: Nothing except something possibly you are already familiar with - is that fact that the pressure is becoming a little greater against the Treasury in purchasing - I mean public purchases.

Lochhead: The editorial in the New York Times this morning - I think it is interesting to see the way they are building that angle up.

Oliphant: Senator King called me about that yesterday; I didn't take the trouble to report it to you.

H.M.Jr: What was his side - which way did he feel?

Oliphant: He said Mexico is going Red and you ought to quit buying. I didn't bother to pass it on to you.

White: I think all that suggests the possibility that you might consider the use of that statement with respect to the Silver Purchase Act and you could create the opportunity of .....

H.M.Jr: (On phone) Senator Key Pittman, please.

Oliphant: Did he call you, Wayne?

Taylor: No, he didn't call me.

H.M.Jr: What else?

Oliphant: Nothing.

H.M.Jr: Herbert?

Gaston: No, I have nothing.

H.M.Jr: Now that - let me see that stuff from Boston a minute.

(Looks at Boston letter Mr. Gaston hands him and returns it.)

Gibbons: I'm going to call this fellow up.

H.M.Jr: Who?

Gibbons: This guy, and read the riot act to him, and ask him where he got that stuff, regardless of Jimmy. It's lousy.

H.M.Jr: You can handle it now.

Anything else?

Gaston: No.

H.M.Jr: George?

Haas: I've got a few items on the business situation. There is one construction figure moved up. There is --(inaudible)--

H.M.Jr: All right.

Haas: In here, the first figure on this is still too low.

H.M.Jr: (On telephone) Hello. Thank you. Hello Key.

(Conversation with Senator Key Pittman follows:)

Thursday
March 24, 1938
9:58 a.m.

HMJr: Hello.

T.O.: Senator Pittman.

HMJr: Thank you.

T.O.: Go ahead.

HMJr: Hello.

Key Pittman: Hello.

HMJr: Key.

P: Yes.

HMJr: Henry talking.

P: Yes.

HMJr: How are you?

P: Pretty good.

HMJr: Key, I'd like to get your advice and confidence please. The question may come up about our renewing our agreement to buy silver from Mexico. Hello?

P: Yes.

HMJr: And I don't know yet, but the State Department may decide that it's part of their program that they may ask us to stop buying. And I wondered how you felt about it. I mean, it hasn't yet come to a head but it may and I'm leaving town tonight and I wanted to get your advice in confidence.

P: I don't know, Henry, I....

HMJr: What?

P: I'd like to drop in and see you about it, - ah - sometime.

HMJr: Could you do it today?

P: Well, would it be all right today?

HMJr: Well, I'm leaving town tonight. I'm going South with my family.

P: Well, does this have to be settled up before Monday?

HMJr: Ah - it doesn't have to be, no. But I mean I won't be here Monday.

P: I'm inclined to - I'm very much disgusted the way the Mexicans are acting.

HMJr: I see. But Taylor's entirely familiar with the situation and he'll be here - Wayne Taylor.

P: Yes. Well, of course I'd rather get your advice on some of this financial end of it.

HMJr: Well, I'll be here all day.

P: All right.

HMJr: I'll adjust myself to you.

P: Yes. You'll be where?

HMJr: I'll be here at the Treasury until five o'clock.

P: All right, thank you.

HMJr: Thank you.

H.M.Jr: (Nods to Mr. Haas)

Haas: Do you want --(inaudible)--

H.M.Jr: (Signs a letter or memorandum.)

All right. (Nods to Mr. Taylor)

Taylor: The only special thing is about this credit report.....

H.M.Jr: Yeah.

Taylor: ..... and I'd better talk to you about that for a minute or two some other time.

H.M.Jr: (Nods to Mr. Gibbons.)

Gibbons: Nothing more.

H.M.Jr: You want to bring up anything else? You've got the 'battle of the Irish' in your eye.

Gibbons: You just go through with the program.

H.M.Jr: We've taken on bigger boys than that fellow.

(Points to Mr. White)

White: You asked for several memoranda which are ready but none of them are pressing - they can wait.

H.M.Jr: You and Cy can cry on each other's shoulder.

White: I think you might consider having a statement ready in the event that you decide to continue purchases of silver. I think you might be asked about it by the press. You might consider what you can say.

H.M.Jr: Did you talk it over with White?

White: (Nods "Yes.")

H.M.Jr: Cy?

Upham: Secretary Hull has written you a letter asking if we can, at the request of the Government of Haiti furnish them with bank examiners to examine the bank in Haiti, which is Government owned.

Mr. Diggs got the letter, and would like to talk to you about it sometime today if you can.

H.M.Jr: What do you recommend?

Upham: I should think it was pretty doubtful if we should go down there and examine a bank of issue. Mr. Diggs would like to do it.

Bell: It's a commercial bank too, you know.

Upham: It's a Government-owned bank, which not only furnishes currency .....

H.M.Jr: The State Department would like us to do it?

Upham: Yes, they would.

McReynolds: I think there is no question about it.

H.M.Jr: I think that is the kind of thing - it is a little we can do for South America. What is all this "good neighbor" stuff anyway? All right, the answer is, I will do it.

Lochhead: Chamberlain's speech seems to be pretty well received over in France and Belgium. Belgium rates have gone up, and France is trying to work up the enthusiasm about it. The pressure is off a little bit in both those countries this morning.

H.M.Jr: As Cochran said - said "I wouldn't call you up unless it is something important." Said "I wouldn't bother you for instance if Blum resigns." Said "I'll only call you up if it's something 'important."

Bell: It's just routine now.

H.M.Jr: Anything else?

Lochhead: No, that's all.

H.M.Jr: Dan?

Bell: Seems to me the way to answer this (memorandum) is to give a memorandum covering industries.

H.M.Jr: If we could have it this afternoon.

Bell: I haven't anything else.

H.M.Jr: If Taylor wants to handle it I wouldn't throw him out.

Bell: I'll let him read it.

Taylor: There is - if there is only one asset at the time .....

Klotz: --(Inaudible)-- (Laughter)

Bell: It's a good suggestion.

Lochhead: As a good secretary, you should know that.

H.M.Jr: She is a good secretary - she doesn't know how good she is.

(To Mr. Bell) That's all right?

Bell: That's all right.

H.M.Jr: Well, if anybody wants to see me this afternoon, I am keeping it open, as I say for the Department and Mr. Welles, so if anybody wants to see me, if they'll get in touch with Mrs. Klotz it can be arranged.

Oliphant: I want to ask, was Bill Douglas asked to make a list of those things that couldn't be sold?

H.M.Jr: No, I don't think so. Jones said, "All right, I'll take a look at them now."

Oliphant: He talked like there were a great many. He said he'd send us just a little sample.

H.M.Jr: All right, gentlemen.

Thursday 25
March ~~24~~, 1938
11:50 a.m.

HMJr: Hello.

T.O.: Senator Pittman.

HMJr: Hello.

Key Pittman: Hello.

HMJr: Key.

P: Yes, Henry.

HMJr: Henry.

P: Yes.

HMJr: This Mexican thing has come to a head and I've got to make up my mind before I go away tonight.

P: Yes.

HMJr: Are we going to be able to get together?

P: Yes. I guess I can run there about three o'clock, how's that?

HMJr: Three o'clock? - I'll make it all right.

P: What's that?

HMJr: I'll make it all right.

P: What time are you folks thinking of leaving the office?

HMJr: A little after five.

P: Well, I'll - what's going on here is, you know, is we're voting today on this reorganization thing.

HMJr: Yes.

P: And I'm going to try and get down there a little earlier than that. You go to lunch at what hour?

HMJr: One o'clock.

P: One o'clock. Well, I'm going to try and get down there right after your lunch for a few minutes.

HMJr: What time would that be?

P: Well, that would be about two.

HMJr: Two o'clock. I'll be waiting here for you from two o'clock on.

P: Because I won't have very much time myself because we're voting on one thing at three and another thing at five - for unanimous consent. But I want to do - but I want to get your views on that whole situation.

HMJr: Well, let's leave it - if I don't hear from you again I'll expect you at two o'clock?

P: Yes, sir.

HMJr: Is that all right?

P: That's all right.

HMJr: Now, I'll adjust my appointments, I'll change them around.

P: All right. Yes.

HMJr: I'll expect you at two if I don't hear from you.

P: I want to try to be right on the dot too so that I can back here at three.

HMJr: I'll be - I'll be waiting for you.

P: All right.

HMJr: Thank you.

March 25, 1938

MEMORANDUM FOR:

TELEGRAPH CLERK, WHITE HOUSE.

Please have the following telegram sent to Miss Le Hand, at Warm Springs, over the White House direct wire, at 8 o'clock, Saturday morning, March 26th:

Miss Marguerite Le Hand,
Secretary to the President,
Warm Springs, Georgia.

Would appreciate your wiring me at Sea Island the result of the President's conversation with Cason Callaway stop If you refer to Cason Callaway as our neighbor I will understand.

(Signed) Henry Morgenthau, Jr.

DEPARTMENT OF STATE
WASHINGTON

March 25, 1938.

My dear Mr. Secretary:

At Mr. Welles' request there is given below the suggested statement which he read to you over the telephone for possible use in connection with the suspension of the silver purchase arrangement with the Mexican Government:

> "In view of the decision of the Government of the United States to reexamine certain of its financial and commercial relationships with Mexico, the Treasury will defer continuation of the monthly silver purchase arrangements with Mexico until further notice."

Sincerely yours,

Herbert Feis

Herbert Feis,
Adviser on International
Economic Affairs.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

March 25, 1938

TELEGRAM TO THE PRESIDENT, WARM SPRINGS, GEORGIA.
(OVER DIRECT WIRE FROM WHITE HOUSE TO WARM SPRINGS)

STRICTLY CONFIDENTIAL

I AM IN RECEIPT OF THE FOLLOWING COMMUNICATION FROM THE STATE DEPARTMENT QUOTE IN VIEW OF THE DECISION OF THE GOVERNMENT OF THE UNITED STATES TO REEXAMINE CERTAIN OF ITS FINANCIAL AND COMMERCIAL RELATIONSHIPS WITH MEXICO COMMA THE TREASURY WILL DEFER CONTINUATION OF THE MONTHLY SILVER PURCHASE ARRANGEMENTS WITH MEXICO UNTIL FURTHER NOTICE END QUOTE PERIOD UPON RECEIPT OF THIS REQUEST MR SUMNER WELLES AND I HAD A LENGTHY CONFERENCE WITH SENATOR PITTMAN PERIOD SENATOR PITTMAN ADVISED US THAT HE FELT THAT IT WOULD COME WITHIN THE SPIRIT OF THE SILVER PURCHASE ACT FOR THE TREASURY TO NOTIFY THE MEXICAN GOVERNMENT THAT UNTIL FURTHER NOTICE WE WILL SUSPEND OUR SILVER PURCHASE ARRANGEMENT WITH THEM PERIOD SENATOR PITTMAN FURTHER STATED THAT HE FELT IT WAS IN THE INTEREST OF OUR FOREIGN POLICY THAT THIS STEP BE TAKEN PERIOD WE PROPOSE TO COMPLY WITH THE REQUEST OF THE STATE DEPARTMENT UNLESS YOU ADVISE US TO THE CONTRARY

(SIGNED) HENRY MORGENTHAU JR

March 25, 1938

My dear Mr. President:

I thought that it would be helpful to you to have a number of quotations on the "right of asylum" made by various people down through history.

Miss Diamond, our Librarian, made the search for these quotations at the Library of Congress and I am sure that you will find a number of them most interesting.

Sincerely yours,

The President,

Warm Springs, Georgia.

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ARRANGED CHRONOLOGICALLY

Cicero: De Officiis.
106 - 43 B.C.

....."The city (Rome) was therefore not then the Empress (Patriocinium verius quam imperium) so properly as the protectress and refuge of the world".

CHAPTER 20

The Lord also spake unto Joshua saying,
2 Speak to the children of Israel, saying, Appoint out for you cities of refuge, whereof I spake unto you by the hand of Moses:
3 That the slayer that killeth ANY person unawares AND unwittingly may flee thither: and they shall be your refuge from the avenger of blood.
4 And when he that doth flee unto one of those cities shall stand at the entering of the gate of the city, and shall declare his cause in the ears of the elders of that city, they shall take him into the city unto them, and give him a place, that he may dwell among them.
5 And if the avenger of blood pursue after him, then they shall not deliver the slayer up into his hand; because he smote his neighbour unwittingly, and hated him not beforetime.
6 And he shall dwell in that city, until he stand before the congregation for judgment, AND until the death of the high priest that shall be in those days: then shall the slayer return, and come unto his own city, and unto his own house, unto ~~the city~~ from whence he fled.
7 And they appointed Kedesh in Galilee in mount Naphtali, and Shechem in mount Ephraim, and Kirjath-arba, which is Hebron, in the mountain of Judah.
....

6 And among the cities which ye shall give unto the Levites THERE SHALL BE "six cities for refuge, which ye shall appoint for the manslayer, that he may flee thither: and to them ye shall add forty and two cities.

7 So all the cities which ye shall give to the Levites SHALL BE forty and eight cities: them SHALL YE GIVE with their suburbs.

8 And the cities which ye shall give SHALL BE of the possession of the children of Israel: from THEM THAT HAVE many ye shall give many; but from THEM THAT HAVE few ye shall give few: every one shall give of his cities unto the Levites according to his inheritance which he inheriteth.

....."because it has been the custom from the beginning of the world for any one to go into whatever country he chooses, and prohibition of entrance is a violent measure not far removed from war."

" Banished persons may seek a new home in the territories of other nations, and that their right to do so may be asserted by force if necessary."

"Even when there is great scarcity of corn, foreigners once admitted cannot be expelled, but the common evil is to be borne in common".

Pufendorf, Samuel, freiherr von,
1632 - 1694.

Pufendorf, in his "Of the Law of Nature and Nations", discusses the subject of the admission of foreigners into a State in a far more detailed way than Grotius, and the historical instances he adduces are far later and more relevant. A very striking instance of the usage that he mentions is the licence given by the Emperor Valens to the Huns to settle in Thrace and to the Goths to immigrate across the Danube into Roman territory. The Huns are heard of for the first time in the reign of Valens. Immigration into Roman territory was conceded them in 376 A.D.

"During the short peace succeeding the treaty of Amiens, Napoleon, First Consul of the French Republic, demanded that our government should remove out of the British dominions all the French princes and their adherents, together with the bishops and other individuals, whose political principles and conduct must necessarily occasion great jealousy to the French Government" (Mr. Merry to Lord Hawkesbury, June 4, 1802; Parl. Hist., xxx. 1263).

"To this demand Lord Hawkesbury replied, his Majesty 'certainly expects that all foreigners who may reside within his dominions should not only hold a conduct conformable to the laws of the country, but should abstain from all acts which may be hostile to the government of any country, with which his Majesty may be at peace. As long, however, as they conduct themselves according to these principles, his Majesty would feel it inconsistent with his dignity, with his honour, and with the common laws of hospitality, to deprive them of that protection which individuals, resident in his dominions, can only forfeit by their own misconduct' (Lord Hawkesbury to Mr. Merry, June 10, 1802).

Trial of Jean Peltier (England) for a Libel on Napoleon Bonaparte; from speech of Lord MacKintosh for the defence, 1803.

As long as their country exists, juries, in England, are girt round with impenetrable armour. Till the destruction of their country no danger can fall upon them for the performance of their duty, and I do trust that there is no Englishman so unworthy of life as to desire to outlive England. But if any of us are condemned to the cruel punishment of surviving our country-- if in the inscrutable counsels of Providence, this favoured seat of justice and liberty, this noblest work of human wisdom and virtue, be destined to destruction, which, I shall not be charged with national prejudice for saying, would be the most dangerous wound ever inflicted on civilization; at least let us carry with us into our sad exile the consolation that we ourselves have not violated the rights of hospitality to exiles-- that we have not torn from the altar the suppliant who claimed protection as the voluntary victim of loyalty and conscience.

Secretary of State (U.S.) Buchanan to U.S. Consul Nichols at Amsterdam with regard to certificates of character for immigrants, June 4, 1847.

"I undertake to say that they (Congress) will never make poverty a barrier against emigration to this land, which has ever been the asylum of the poor and oppressed foreigners."

Case of Regina v. Bernard, (England), 1858: statement of Chief Justice Campbell.

"It has been the glory of this country (England) to afford the right of asylum to the persecuted foreigner. That is a glory which I hope will ever belong to this country."

Case of Regina v. Bernard (England)
address to the Jury by Edwin James, counsel
for the defence, 1858.

"How true that has been of this country! We have had exiled kings here, an exiled priesthood, an exiled nobility; we have had the Emperor of the French an exile here, plotting against the throne of Louis Philippe, and now his object is to destroy that very asylum which afforded a refuge to himself. Will you allow the laws of England to be perverted for such a purpose? I trust that you will hesitate long before you do so, and that you will see doubts enough in this case which will compel you to say that the crime charged in the indictment has not been proved against the prisoner. I need not remind you that it has been of the greatest advantage to this country that her free shores have been open to exiles from other lands. The requisitions of Philip II of Spain led to an insurrection in the Netherlands, and conduced to the more firm establishment of Protestantism in this country; the revocation of the Edict of Nantes drove to our shores the Saurins, the Romillys, and the Labouchères, who have shed a lustre on this country. Will you, then, at the bidding of a neighbouring despot, destroy the asylum which aliens have hitherto enjoyed? No; I am satisfied that you will not".

Jeremiah S. Black, Attorney General,
in an opinion to President Buchanan,
the right of expatriation, July 4, 1859.

"Among writers on public law, the preponderance in weight of authority, as well as the majority in numbers, concur with Cicero, who declared that the right of expatriation is the firmest foundation of human freedom, and with Bynkershoek, who utterly denies that the territory of a State is the prison of her people . . . All the countries of Europe . . . have encouraged the immigration of foreigners into their territories, and many of them have aided the emigration of their own people . . . Here in the United States the thought of giving it up cannot be entertained for a moment. Upon this principle this country was populated. We owe to it our existence as a nation . . . If we repudiate it now, or spare one atom of the power which may be necessary to redeem it, we shall be guilty of perfidy so gross that no American can witness it without a feeling of intolerable shame."

Victor Hugo: a letter dated May 26, 1871 and pub. in the "Independence Belge" of Brussels. 41

Sir: I protest against the declaration of the Belgian Government relative to the vanquished of Paris. Whatever may be said or done, these vanquished are political men. I was not with them. ** I have protested against their acts: law of hostages, reprisals, arbitrary arrests, violation of liberties, suppression of newspapers, spoliations, confiscations, demolitions, destruction of the Column, attacks on the people. Their violences have rendered me indignant, as today the violence of the opposite party will do the same. The destruction of the Column is an act of treason against the nation. The destruction of the Louvre would have been a crime-treason against civilization. ** I return to the Belgian Government. It does wrong to refuse an asylum. The law permits this refusal, the right forbids it. I, who write you these lines, have a maxim: Pro jure contra legem. The asylum is an ancient right. It is the sacred right of the unhappy. In the middle ages the Church accorded this asylum even to parricides. As for me, I declare that: This asylum, which the Belgian Government refuses to the vanquished, I offer.** Where? In Belgium. I do Belgium that honor. I offer an asylum in Brussels. I offer an asylum, Place des Barricades, No. 4. ** If a vanquished of Paris; if a man of the reunion called Commune, which was very little elected by Paris, and which, for my part, I never approved--if one of these men were be my personal enemy, above all if he is my personal enemy, knocks at my door, I open. He is in my house. He is inviolable.** If a man is beyond the pale of the law, let him enter my house. I defy anyone to tear him away. I am speaking of political men.** What can certainly be affirmed is, that England will not deliver up the refugees of the Commune. Why place Belgium below England? The glory of Belgium is to be an asylum. Do not take from her that glory.

Sir Thomas Erskine May: Constitutional History of England, 1880.

It is not enough that the presence or acts of a foreigner may be displeasing to a foreign power. If that rule were accepted, where would be the right of asylum? The refugee would be followed by the vengeance of his own government, and driven forth from the home he had chosen, in a free country. On this point, Englishmen have been chivalrously sensitive. Having undertaken to protect the stranger, they have resented any menace to him, as an insult to themselves. Disaffection to the rulers of his own country is natural to a refugee: his banishment attests it. Poles hate Russia: Hungarians and Italians were hostile to Austria: French Royalists spurned the republic and the first empire: Charles X. and Louis Napoleon were disaffected to Louis-Philippe, King of the French: legitimists and Orleanists alike abhorred the French republic of 1848, and the revived empire of 1852. But all were safe under the broad shield of England. Every political sentiment, every discussion short of libel, enjoyed freedom. Every act not prohibited by law--however distasteful to other states,—was entitled to protection. Nay, more: large numbers of refugees, obnoxious to their own rulers, were maintained by the liberality of the English government".

Sir Thomas Erskine May: Constitutional History of England, 1880.

"It has been a proud distinction for England to afford an inviolable asylum to men of every rank and condition, seeking refuge on her shores, from persecution and danger in their own lands. England was a sanctuary for the Flemish refugees driven forth by the cruelties of Alva; to the Protestant refugees who fled from the persecutions of Louis XIV.; and to the Catholic nobles and priests who sought refuge from the bloody guillotine of revolutionary France. All exiles from their own country--whether they fled from despotism or democracy,--whether they were kings discrowned, or humble citizens in danger,--have looked to England as their home. Such refugees were safe from the dangers which they had escaped . . . . If guilty of crimes, they were punished; but otherwise enjoyed the full protection of the law."

In 1887, Lord Salisbury addressed a Circular Despatch to Her Majesty's Representatives in Europe and the United States requesting copies of Laws or local Regulations prohibiting the admission or continued residence of destitute aliens in the countries where they resided. This inquiry led to a most interesting Parliamentary Paper, whose effect is fairly summarized by saying that it showed that Great Britain at that date stood almost alone in not having any laws regulating the admission or continued residence of destitute aliens. Portugal, Russia, the Canton of Glarus, Saxony, Turkey, and Sweden and Norway nominally disclaim having any special laws. It is, however, very difficult to believe that Russia does not expel aliens, and in Saxony there is a kind of residuary power of expulsion.

Lord Hugh Cecil in the
British Parliament after the
Russian Rev. of 1905.

"When we adopted the principle of religious liberty, we did so for the whole human race, and the distinction that some people were disposed to draw—but not the Government—between our own people and foreigners, was not a distinction known to English history nor could it be defended on grounds of Christianity or reason."

"In the case of an immigrant who proves that he is seeking admission to this country solely to avoid prosecution or punishment on religious or political grounds or for an offence of a political character, or persecution, involving danger of imprisonment or danger to life or limb, on account of religious belief, leave to land shall not be refused on the ground merely of want of means, or the probability of his becoming a charge on the rates."

The primary source of the Right of Asylum is undoubtedly International Law. The preamble of the Act of 1798, regulating aliens, alluded to persons who "really seek Refuge and Asylum from oppression and tyranny." This point has been alluded to, and also the circumstance that it forms what appears to be the first mention of the Right of Asylum in the Statute Book (cf. preamble of Statute 38 Geo. III. c. 50).

Acton, J.E.E., Lord:
History of freedom and other
essays, 1909.

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'If we take the establishment of liberty for the realization of duties to be the end of civil society, we must conclude that those states are substantially the most perfect which . . . include various distinct nationalities without oppressing them. Those in which no mixture of races has occurred are imperfect; and those in which its effects have disappeared are decrepit. A state which is incompetent to satisfy different races condemns itself; a state which labours to neutralize, to absorb or to expel them, destroys its own vitality; a state which does not include them is destitute of the chief basis of self-government'.

Senator Robert M. LaFollette, Sr. on the floor of the Senate in connection with that part of the proposed Immigration Law having to with "police certificates of character", 1913.

"Why, sir, under the provisions of the clause which is now under discussion, Carl Schurz would have been excluded from the country; also the great body of German refugees and emigrants from northern Europe who were resisting the encroachments of tyranny in the Old World. That period seemed to be one of the cycles in the life of liberty of the human race. In Germany, in France, in Austria-Hungary, in Poland, all over Europe, empire was crowding liberty back to the wall. Carl Schurz broke jail and came to this country with some of his associates. Thank the Lord for it! He came up into Wisconsin. The thousands of liberty-loving Germans and emigrants from Northern Europe that came into the State in which I had my birth, laid at that time the foundations for the thoroughly democratic population which has gone leagues ahead of all the other Commonwealths of this country in bringing government back to the people."

Senator Robert M. LaFollette, Sr. on the floor of the Senate in connection with that part of the proposed Immigration Law having to do with "police certificates of character", 1913.

"We have retrograded in our attitude toward political refugees. The act of August 3, 882, which for the first time debarred foreign convicts, excepted "those convicted of ›litical offenses." The act of March 3, 1891, made the exemption bill stronger by the ısertion of the following proviso: Provided, That nothing in this act shall be construed apply to or exclude persons convicted of a political offense, notwithstanding said ›litical offense may be designated as a "felony, crime, infamous crime, or misdemeanor volving moral turpitude" by the laws of the lands whence he came, or by the court concting. The provision was in agreement with the best authorities on international law, ich recognize that most political offenses are "admixt crimes," which would be conıered common crimes if it were not for the political motive of the offender. The reason r the exemption in favor of political refugees is the general recognition of the fact at men and women who fight tyranny in the country of their birth may prove very useful d peace-loving citizens in their adopted country. We have erected monuments in this city two Polish political offenders, Kosciuszsco and Pulaski. I have referred to the German fugees who came to this country after the revolution of 1848 to escape capital punishınt in their own country; some of them fought in our Civil War. One of these revoluıonists, Carl Schurz, sat in the Cabinet of a President, an honored leader of the Repubıican Party. The son of another of these revolutionists, Charles Nagel, is a member of the Cabinet of President Taft, and, by the irony of fate, under the provisions of this conference report, should it become a law, would be compelled to enforce the law barring immiınts guilty of political offenses which do not differ from those committed by the German revolutionists of 1848.

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President Woodrow Wilson in message to Congress vetoing the Immigration Literacy Test Bill, Jan. 28, 1915.

"The Immigration Literacy Test Bill embodies a radical departure from the traditional and long-established policy of this country, a policy in which our people have conceived the very character of their Government to be expressed, the very mission and spirit of the Nation in respect of its relations to the peoples of the world outside their borders. It seeks to all but close entirely the gates of asylum which have always been open to those who could find nowhere else the right and opportunity of constitutional agitation for what they conceived to be the natural and inalienable rights of men . . . Restrictions like these, adopted earlier in our history as a Nation, would very materially have altered the course and cooled the humane ardors of our politics. The right of political asylum has brought to this country many a man of noble character and elevated purpose who was marked as an outlaw in his own less fortunate land, and who has yet become an ornament to our citizenship and to our public councils. The children and the compatriots of these illustrious Americans must stand amazed to see the representatives of their Nation now resolved, in the fullness of our national strength and at the maturity of our great institutions, to risk turning such men back from our shores without test of quality or purpose. It is difficult for me to believe that the full effect of this feature of the bill was realized when it was framed and adopted and it is impossible for me to assent to it in the form in which it is here."

Camille Chautemps, Minister of the Interior of France, in a speech in the French Chamber of Deputies, April, 1933.

"Gentlemen: I want to approach the subject, of such a serious and sad nature which has just evoked an expression from M. Moch, only from the standpoint of the interior policy. In this regard, I can say that we all of us have the feeling of being the interpreters of the unanimous French spirit when we say that the sufferings of tens or hundreds of thousands of men who find themselves in the positions of pariahs in their country, have echoed painfully in our soul.

What must be the attitude of the French Government—that is, in the one policy on which I want to place myself on record. In this connection, I want to say not only that the necessary orders will be given, but even more; that from the first day, the council of ministers deliberated on this subject, and that in their name I issued precise instructions, so that those people who came for asylum to our country should be made welcome in accordance with all the traditions of French hospitality.

This is not the first time that the government is faced with such circumstances. On various occasions, since the end of the war, political refugees came in large numbers to our country. Whether they were Russians, Italians, Spaniards; whether they were monarchists, socialists, or communists, they received, each and everyone of them, the best possible welcome, with the only reservation which I now recall anew, that they respect the laws by which all who live in our land must abide.

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Speech of Viscount Cecil of Chelwood before the governing Body of the High Commissionership for Refugees, Lausanne, Dec. 6, 1933.

"The whole civilized world is interested in this problem. We are faced with the very great difficulties which have been raised for all of us, for every country represented here; with the influx of a population not belonging to our country, many thousands in some cases, in some cases a lesser number,—but raising problems of great difficulty for all uss . . . Theoretically, we could simply reject the influx of this population. I can only say, personally, that if that had been done, it would have determined the decadence of the Christian civilization. It would have meant leaving thousands of persons to starve. As far as we are concerned, and I am quite sure that I am speaking not only for my own country, but for the countries of the whole world and certainly for countries here represented, that would have been a course which none of us would have liked or dreamt of entertaining for a moment. That opinion was reflected by the unanimous vote at the last Assembly of the League of Nations, which showed the view the civilized world has taken of our obligations in this matter . . . The problem is by no means solely a Jewish problem. There are many refugees who are not Jews. We have to deal with the total numbers concerned . . . The problem is not insoluble. After all we have to recognize, if we look at the situation impartially, that in spite of what, I hope, are the temporary economic difficulties, there is an enormous demand for work all over the world. There are enormous spaces to be filled physically, great spaces of unoccupied land. There are not only physical spaces, but, if I may be allowed to say so, there are great intellectual spaces also. It has been said by those who have made the pursuit of knowledge their life study that we are only beginning to scratch the mysteries of the world."

Resumé of "The Right of Asylum"
by Charles Recht, 1935.

The Right of Asylum: historical survey.

It is mainly in times of great economic and political stress that the ancient issue of the right of asylum receives, and should receive, a renewal of interest. It becomes of consequence not only to the refugee, but its preservation in a democratic country is of paramount interest to that democracy itself. That we are in the midst of a period of intense economic and political unrest cannot well be questioned. It is for that reason pertinent to clarify the historic role of the right of asylum and its importance to the concepts of democracy still prevailing.

Primitive Peoples

That the practice of asylum existed among the prehistoric nations is evident from the fact that it is found among all the primitive tribes known to civilization. Evidence of the prevalence of such an institution among the primitive nations is very ample. A. Hellwig, in Das Asylrecht der Naturvolker, Berlin, 1903, proves its existence in Australia and the South Seas, in Africa and in the Americas. Places of refuge are found among the Hindus on the Malabar Coast and among the Kafies of Hindukush (Scott Robertson, Kafies of the Hindu-Kush, 1896, p. 44).

Ancient Jurisprudence

With the dawn of civilization, in written history, the references to the right of asylum become more numerous. No attempt is made here at an exhaustive citation of authorities. The reference to some instances will remind the reader that the Christian State adopted this political institution from the ancients in an already well developed form. The sources of such adoption were not only created by custom and usage but were derived from literature and the Bible itself. The clearest exposition of the idea of asylum is found in the Old Testament. In Palestine six cities of refuge were provided for unintentional homicides, in order to prevent their being killed by relatives of the victim. It was clearly an endeavor to mitigate the rigors of the bloodfeud. It is interesting to note that these cities were to serve as an asylum both for natives and foreigners. This Biblical law was further elaborated in the Talmud (Makkot, ch. 2).

Greece

Asylum was extended not only for involuntary offenses, but for crimes of any kind; even fugitive slaves received this protection (Plutarch, De Superstitione, sec. 4). Certain sanctuaries, such as the temple of Apollo at Delphi, became famous throughout the Mediterranean world as a haven for the fugitive. But all temples had this privilege and exercised it constantly. The Greek States themselves went even further, and welcomed as inviolable guests such foreigners as had fled from the justice of their own country (E. Caillemer in Daremberg-Saglio, Dictionnaire des Antiquites, vol. 1, part 1, p. 509). For example, when in 404 B.C. an oligarchic revolution in Athens was followed by a reign of terror, the city of Thebes decreed: That every house and city in Boeotia should be open to such Athenians as needed succor; and that whosoever did not help a fugitive should be fined one talent (Plutarch, Lysander, sec. 27). When the Greeks under the Ptolemies obtained control over Egypt they developed the right of asylum to an even greater extent. Unlike most ancient law, the law of asylum there took no cognizance of nationality, race or religion.

Rome

According to Roman tradition, immediately after Romulus and Remus founded the city of Rome, "they made a sanctuary of refuge for all fugitives . . . there they received all who came, delivering none up" (Plutarch, Romulus, sec. 9; compare Livy, book 1, sec. 8 and Dio Cassius, book 47, sec. 19).

Middle Ages

With the rise of Protestantism and the Reformation, great changes came about in the structure of the civil State and in political concepts. The canon and ecclesiastical law became narrowed down in its application to the different classes of population. For centuries the Church claimed, and tried to preserve, the right of sanctuary and political asylum.

The Huguenots - The French Commune

When the Inquisition was established in Spain and Italy the more enlightened countries accorded the right of asylum to the fleeing Protestants and other dissenters. With the beginning of the Thirty Years War in the 17th century, countries such as Holland, Sweden, Norway, the newly discovered America, and even Russia, opened their gates to the refugees from Central Europe. America itself was partly settled by these refugees. And in France, after the bloody St. Bartholomew's night, the French king allowed the city of LaRochelle to remain for years a city of refuge (ville de surete) for the Huguenots (Reinach, Orpheus, 1930, American edition, p. 363).

Colonial and American Principles

The colonists who emigrated to the United States, being themselves political and religious refugees, necessarily brought with them more than a mere observance of this tradition. It is true that quite early in American history there arose a conflict between property rights in slaves and the fundamental political concepts; and the colonies and states that were strongly slave-minded were not inclined to the right of political asylum in so far as it applied to servants and slaves. But the Biblical tradition which animated the Pilgrim Fathers caused them to write into the Body of Liberties of the Massachusetts Colony in New England, enacted by the General Court, in 1641, the following paragraphs: 2. Every person within this jurisdiction, whether inhabitant or foreigner, shall enjoy the same justice and law that is general for the plantation, which we constitute and execute one towards another, without partiality or delay. 89. If any people of other nations professing the true Christian religion shall flee to us from the tyranny or oppression of their persecutors, or from famine, wars, or the like necessary and compulsory cause, they shall be entertained and succored amongst us, according to that power and prudence God shall give us.

Encyclopedia of the Social Sciences.

REFUGEES. Any person who under the stress of *force majeure* has left his home and become dependent on the hospitality of others is a refugee. For the purposes of the present discussion, however, the designation may be restricted to persons who have left the territory of the state of which they are or were nationals and no longer enjoy the effective protection of that state.

Even this definition covers a wide variety of cases. There is the individual political refugee who is still legally able to return to his state but does not do so because return would expose him to disagreeable consequences. There are cases in which some of the inhabitants of a country, including at times the government, have fled across its frontiers before invading forces. In older days it was not uncommon for an entire national community to migrate, abandoning its former territory to an enemy.

The individual political refugee has been a familiar figure in history. Since the days of David and of Coriolanus it has been common for a prince or pretender, worsted in his home country, to find welcome and support, alone or with his adherents, at the court of some neighboring state. This situation still recurs (as recently as 1924 the present king of Albania was sheltered and assisted in making a bid for power in Jugoslavia) and will continue so long as states exist which are anxious to exploit the embarrassments of their neighbors. At the present time, when politics are based less on dynastic considerations and more on broad social tendencies, it has become common for a state to welcome the victims of a social regime dissimilar to its own. Thus the non-revolutionary countries of Europe sheltered the émigrés of the French Revolution, and states with liberal institutions, such as England and Switzerland, have often harbored refugees from the rule of autocracies. Mazzini, Karl Marx, Lenin and Trotsky stand out as famous examples of refugees of this type. Many countries make it a point of honor to grant an unrestricted right of political asylum, although this has often involved them in difficulties with the governments concerned. In fact many revolutions have been hatched on foreign soil. On the other hand, the part played by refugee movements in keeping alive the national spirit of a country oppressed by a foreign autocracy has often been very important; notable cases are those of the Magyar emigration after 1848 and the Polish exodus after 1863. Since 1919 Paris and Vienna have been the main centers for political refugees. Some of these settle down permanently abroad, but most of them hope and many are able to return eventually to their homes. Their numbers are generally few, and if their political importance has often been very great, the economic problem which they present is small, particularly when they are supported either by comrades at home or by sympathizers, private or official, in their place of refuge. As a rule they consist chiefly of the intellectual class, which requires little capital to establish itself.

The problems presented by large scale refugee movements vary widely. In earlier days, when the prevailing mode of life was still largely nomadic, it was quite common for whole national communities to become refugees. Refugee movements are indeed difficult to distinguish from simple migrations or wars of conquest, and such distinctions as can be made are often blurred by later events; but it may be fair to treat as refugee cases only those in which the

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persons involved were more or less at the mercy of those receiving them.

It is impossible to do more than give examples of this type of movement. For some centuries the Roman Empire received innumerable national communities of refugees, mainly of Germanic or Turki origin. When few in numbers, they were usually drafted with the army; when numerous, they were given the status of *foederati*; that is, they were left under their own chiefs, given lands, generally on the frontier, and employed on frontier defense. In an age in which land was plentiful, population sparse, the standard of living low and its manner simple the economic problem involved by this process was not at all complex; a grant of vacant land and perhaps a supply of one harvest's seed corn commonly sufficed. Occasionally emergency relief was given; the failure to supply such relief when promised to an exceedingly powerful body of refugees, the Visigoths, and attempts by the local population and officials to profiteer at their expense led in 378 to one of the decisive battles of the world, that of Adrianople. Outbreaks of plague, cholera and similar epidemics were apparently frequent among the refugees, and those who had no military value were often enslaved. The ethnographical and political consequences of the large scale admission of these communities were very great, for when the central authority weakened they recovered their independence and formed national states in their new homes.

Similar movements went on throughout the Middle Ages, particularly in the countries bordering on the great and ever unquiet Eurasian steppe. A variety of tribes took refuge with the various Russian princes or the kings of Hungary. They were usually granted land for settlement and certain economic and social safeguards (e.g. self-government, exemption from taxation), in return for which they had to perform military service whenever required. The famous Cossack bands of south Russia originated with Turki hordes who had taken refuge from stronger nations in the steppe, being reenforced by Russian and Ukrainian runaway serfs and masterless men, who preferred dangerous liberty to tilling the land under a Polish or a Russian lord. In 1239 Hungary received 200,000 Cumans, the survivors of a great battle with the Mongols on the Volga, and later Hungary and Austria gave shelter to many Serbian and other fugitives from the advancing Osmanli Turks. In doing so they provided themselves with sorely needed military reenforcements; but the benefit was not unmixed. The wild immigrants solved their own economic problem by plundering the local peasants; while, since man power was valuable, the loss of it was resented by the ruler from whom the refugees had fled. The Mongol khan used the pretext that the king of Hungary was sheltering his fugitive slaves (the Cumans) to invade and practically destroy Hungary. A similar complaint by the Turkish khan with regard to Justinian's relations with the fugitive Avars in 558 had led to the first diplomatic relations between Europe and central Asia.

The part played by refugee movements in spreading knowledge has often been important. The manuscripts brought to western Europe by fugitive Greek monks after the fall of Constantinople gave an immense impetus to the revival of learning and arts known as the Renaissance; and knowledge of other types was widely spread by the religious refugees who were so numerous in a somewhat later age when, as conditions of life became more settled, national migrations ceased to be frequent (although they occurred up to quite modern times in central Asia and Africa).

From the sixteenth century to the eighteenth the commonest type of refugee was the religious. It is hardly necessary to stress the part played by such refugees in many events of world importance, such as the formation of the United States. If some of the earlier American colonists were adventurers, many were true religious refugees, such as the Pilgrims of the *Mayflower* and the earlier inhabitants of Pennsylvania, which, founded as a Quaker colony, afterwards became a home of refuge for dissidents of many other faiths. Land was still plentiful, and many of these refugees had time to make their preparations and to take with them the supplies necessary for their establishment. The American colonists moreover retained the protection of their governments and were not altogether in a friendless condition.

Far worse of course was the case of victims of fanaticism, such as the Moors expelled from Castile in 1502 or the Moriscos driven out in 1609, who were given only three days to embark and allowed to carry only their personal property with them; the sale of their immovable property was expressly forbidden. No provision was made for their reception in Barbary, and most of the half million or more victims perished.

The story of the Protestants expelled from various Catholic countries during the Counter-

Reformation is much happier. They were usually welcome in Protestant countries, both out of religious solidarity and for their useful virtues; and while their expulsion nearly always impoverished the country which they left, their reception enriched that which they entered. English weaving, water engineering and finance owe much to the Dutch merchants, weavers and artisans who fled from the terrorist rule of the duke of Alva and to the later Huguenots; and Prussia had no more useful colonists for the waste spaces of the present Polish Corridor than the Austrian Protestants expelled from Salzburg.

A special and important place in the history of the movement is held by the Jews, who may be called a nation of refugees. In the Middle Ages and the Renaissance their experience was parallel to that of other religious refugees. In the fourteenth century masses of them fled from Germany before the crusaders and Flagellant friars but were received hospitably by the kings of Poland and Lithuania, who granted them substantial privileges and assigned them the role of a middle class. Since there had hitherto been virtually no middle class in eastern Europe, the influx caused no great dislocation of the economic life, particularly as the Jews were denied admission to existing guilds and industrial corporations. Likewise the professed Jews expelled from Spain in 1492 were well received in the Ottoman Empire, which saw the benefit of introducing an intelligent middle class. The individual loss and suffering attendant on these large scale migrations were, however, very great. The German Jews were fleeing for their lives; the Spanish Jews had received four months' notice but had no adequate means of disposing of their property or collecting debts due them.

In the late nineteenth and the early twentieth century a steady stream of Jewish refugees from actual or threatened persecution in Russia and Rumania poured westward into England and the United States. For the first time these refugees had to face the modern problem of fitting into a social organization already highly developed. As, however, the labor market was still in general expanding, the difficulties could be met by transitional assistance and relief. To this end the great Jewish associations were formed; the Alliance Israélite Universelle, for example, carried through remarkable work in assisting migration, organizing emergency relief, advancing settlers the means to establish themselves, maintaining schools and assisting poor scholars. The Jewish Colonization Association was concerned principally with agricultural settlement. It founded colonies as far apart as Russia and Brazil, Palestine and the United States. The later emigrants generally enjoyed the help of relatives who had preceded them. Thus the Jews led the way in organizing the essential of refugee settlement—provision in advance of the means to tide over the transitional period.

Refugee movements of the old type still occurred in the Balkans, particularly in Macedonia, where at least four nations—Turks, Bulgars, Serbs and Greeks—were contending for mastery, each taking every opportunity to destroy all members of the exceedingly mixed population which did not belong to its own nationality. Each bout of fighting or change of sovereignty thus gave rise to large refugee movements, the members of the defeated nationalities fleeing to their kinsfolk. It has been estimated that in Macedonia alone, in the short period from 1912 to 1925, seventeen migratory movements took place, hundreds of thousands of persons being affected. Bulgaria alone received some 250,000 immigrants from 1878 to 1912.

All Balkan countries were affected, and a rough and ready exchange of population took place, the incoming refugees driving out earlier inhabitants of a hostile nationality and settling on their lands. In 1913 the idea arose of organizing this exchange. Meanwhile various west European and American committees helped to relieve the distress. Charitable bodies, like the Quaker societies, began to organize emergency relief in all parts of the world for refugees who hoped to return to their homes when the crisis was past. The foundation of the International Red Cross Society was also of inestimable value.

The importance of modern organization was tested in the World War, when the governments and considerable fractions of the populations of Belgium, Serbia and Montenegro fled from their homes before the armies of the Central Powers. Two hundred thousand Belgian refugees entered France, and an equal number took refuge in England. The latter were received and cared for by the War Refugees Committee headed by Lord Hugh Cecil, financed by voluntary subscription with government assistance and facilities. After a transitional period the refugees were absorbed into the economic life of the country and after the war were repatriated. The Serbian government was established in Corfu and the refugees, after transportation in allied vessels to that city, were distributed throughout Europe, although largely in France, being supported by voluntary effort and by the allied governments. Although the mortality among the refugees was high, the organization for dealing with them was certainly more efficient than any which had preceded it.

After the war there was an influx in the opposite direction, from the succession states into the territory of the Central Powers. The governments concerned were usually prepared to receive and to grant nationality to refugees of their own race. The German Flüchtlingsfürsorge maintained concentration camps and placing offices. Hungary gave many Magyar refugees posts in its administrative services, thus gravely burdening the national budget. The fate of unwanted elements, however, was tragic. These were too often refused naturalization and were relegated to the ranks of the stateless.

A far more serious problem was created by the exodus from Russia. As a result of the Russian Revolution and subsequent civil wars millions of Russians had been uprooted, and of these about 1,500,000 members of the former ruling class or of counter-revolutionary armies were clearly unable to return to their native country. In 1919 and 1920 about 100,000 of these were in Manchuria, from 300,000 to 400,000 in France and Germany each and the remainder in eastern Europe. The sudden arrival of General Wrangel's counter-revolutionary army in Constantinople made that city a special center of congestion and extreme misery.

The allied governments, the charitable organizations and the east European states were spending large sums on relief; but this could not continue indefinitely, particularly as the last named were themselves very impoverished. It was urgently necessary to relieve the congested centers and place the refugees throughout the world where they could find work. For this purpose an international authority was indispensable, particularly since many refugees had no identity papers whatever and governments were often extremely suspicious of Russian refugees as possible Bolshevik agents.

In 1921 the International Red Cross and other great charitable societies requested the League of Nations to appoint a high commissioner to supervise the work in connection with the Russian refugees, define their legal position, organize their employment and repatriation and coordinate the efforts of the charitable organizations. In August, 1921, Fridtjof Nansen was appointed League high commissioner.

Besides the Russians Nansen subsequently took charge of the 200,000 to 250,000 Armenians who had survived the war and the massacres in Turkey and had fled into Greece, Bulgaria or the new French mandated territory of Syria, with some smaller groups of Assyrians, Assyro-Chaldeans and a few Turks who likewise had no natural protectors. The League has refused, however, to take over the "stateless persons" of central Europe or such political refugees as the Ruthenes and Montenegrins. These remain dependent on chance or charity.

The work was carried on first by Nansen, then, under his supervision, by the International Labor Office and after Nansen's death by the Nansen International Office for Refugees, an international bureau under the auspices of the League, which contributes toward its upkeep. The office is assisted by an Inter-Governmental Advisory Commission, on which the chief governments interested are represented, and an Advisory Committee of private organizations. The center is in Geneva, and many governments help the office to maintain local representatives.

The office acts as the agent for the distribution of certain relief funds; but its functions are not to supply relief, which if given at all is administered by governments or private societies. Its object is to enable the refugees to be absorbed in normal economic life. The most desirable solution is clearly repatriation. Nansen succeeded in negotiating the unmolested return of several thousand Russians. A plan to irrigate a tract around Erivan in the Soviet Republic of Armenia and settle there 50,000 Armenians fell through because governments would not supply money or accept the security for a loan offered by the Soviet government. Recently, however, the government of Erivan itself has undertaken the cost of the scheme, and 20,000 Armenian refugees are to be settled there. Some thousands are returning annually to Erivan. For those definitely unable to return, "Nansen passports" for Russians and Armenians respectively were introduced; these were accepted by many governments in lieu of ordinary passports. Subsequent intergovernmental arrangements have enabled the holders of these certificates to enjoy certain rights usually granted to foreigners by treaty. They are thus no longer entirely defenseless, although their rights still lag far behind their needs.

The Nansen passports have proved a great help in the work of settlement. The relief of the congested areas was carried through with considerable success, the office acting as organizer and intermediary. It soon became clear that the work was one of detailed placing in a labor market which was overcrowded in most countries. France and Belgium, however, absorbed large numbers for several years, and some refugees were successfully placed in overseas countries. The office still deals with several thousand cases annually. The economic depression which began in 1929, however, hit the refugees severely. They were usually the first to be discharged from employment and were sometimes expelled from their countries without a home to receive them. In 1933 nearly 150,000 who were able to work were unemployed.

The office proposes to wind up its work by December 31, 1938. It has done invaluable service at a cost which has never exceeded a few thousand pounds annually; but it is clear that the only final solution lies in repatriation or nationalization, and the latter is growing increasingly difficult in modern times.

A special settlement scheme was carried through in Syria by the mandatory government with the help of the Nansen office for the Armenians, thousands of whom had spent years in malarial concentration camps, foci of misery and disease. New urban quarters and some village settlements were constructed, and the camps were to be closed at the end of 1933. In this way about 40,000 Armenians were definitely settled.

Somewhat different problems arose in connection with Greece and Bulgaria. In the autumn of 1922, after the crushing defeat of the Greek army by the Turks in Anatolia, over 1,000,000 destitute and panic stricken Greek refugees poured into Greece from Anatolia and Thrace. Greece was willing to receive them and to grant them nationality, but the task was far beyond its powers. Nansen was empowered to deal with the emergency and to distribute relief and medical aid. Afterward an exchange of population between Greece and Turkey was arranged. This raised the final number of immigrants to some 1,700,000 but left a reasonable amount of land available for their settlement. The League of Nations gave its authority for the raising of a loan of £12,300,000, which was administered by a Refugee Settlement Commission consisting of representatives of the League and of the Greek government. The work was handed over to the Greek government on December 31, 1930. It has been brilliantly successful. Over 50,000 agricultural houses and some 30,000 urban houses have been built and about 170,000 agricultural families and 25,000 urban families established and maintained through their initial difficulties at an average cost of £14.0 per person. The appalling mortality of the first period has been checked, and the refugees have been turned into self-respecting and self-supporting members of the world community. The face of Macedonia has been reconstructed, drainage and irrigation have been carried through and a new source of wealth has been added to the world.

Similar work on a smaller scale was accomplished in Bulgaria, where out of the 220,000 refugees who had entered Bulgaria between 1913 and 1925 about 30,000 families, or 120,000 individuals, needed help. The task was begun in 1926 and almost completed by 1933. A loan of £2,400,000 and $4,500,000 was raised under League auspices. The land was surveyed and allotted, houses were built and drainage and improvement works were carried out. Incidentally the general health and agricultural standards had been greatly improved, both in Bulgaria and in Greece.

It is clear that the refugee problem has been affected profoundly by modern conditions of life. In the increasing complexity of present day society a man is less easily able than ever before to dispense with the normal protection of his state; and the delicate relations of economic life are more easily dislocated, and with more disastrous effects, than the cruder conditions of the past. Greece and Bulgaria were still exceptional cases, since the recent movements of population had made land available for the immigrants, whom the new countries could regard as a source of strength and wealth. Even so there was much ill feeling between the immigrants and the other inhabitants; and while the help of the League enabled the settlement to be carried out with comparative ease, the process was basically uneconomic, since subsequently neither country was able to meet the full service of the settlement loans. The position of the refugee who has no mother country to receive him is miserable indeed. Modern organization of charity and relief and advanced medical knowledge may relieve the acuteness of the first crisis. But the ultimate absorption of the refugee who is unable ever to return to his home has become increasingly difficult. The question has been inordinately complicated by the excessively difficult economic conditions of the post-war period. On the other hand, it is only in times of difficulty and unrest that refugee movements on a large scale are likely to occur. Where repatriation has proved impossible, naturalization is the only final solution. The countries which are reluctant to facilitate this solution might well reflect on historical evidence, which indicates that while refugee movements have usually occasioned great suffering among the refugees themselves, they have often enriched the countries which have granted hospitality and have almost uniformly impoverished those from which they fled.

CARLILE A. MACARTNEY

Friday
March 25, 1938
3:16 p.m.

HMJr: Hello.

O: Secretary Roper. Go ahead.

HMJr: Hello.

Daniel C. Roper: Henry, how are you?

HMJr: I'm pretty well. I got your letter of the twenty-fifth...

R: Yes.

HMJr: ...with regard to your man, Frank Wilson.

R: Yes. I thought he might be helpful to you.

HMJr: Well, what I did was:- the President gave me a lot of material and then he named the people that I should have come over to the Treasury.

R: Yes.

HMJr: And I had everybody come that he named.

R: Yes.

HMJr: And nobody came who wasn't named.

R: Uh huh.

HMJr: And I thought I'd explain that to you.

R: Oh, yes.

HMJr: And then I read in the paper about three times that you've announced at your press converence that you're referring all those matters to Jesse Jones.

R: Oh, no. We refer them to - we sent a copy to everyone, that is, the Treasury and - to every agency that we thought was interested. We didn't know about your committee...

HMJr: Well, the President...

R: ...at that time.

HMJr: Well, the President just did it before I left.

R: Oh yes.

HMJr: Now, if Mr. Wilson has something why I'm sure that Wayne Taylor will be delighted to hear from him.

R: Shall we then refer him to Wayne?

HMJr: If you don't mind.

R: I'll be very glad to.

HMJr: But I wanted to explain it, rather than writing you because...

R: Oh, ~~that~~'s all right, Henry.

HMJr: I was only carrying out the explicit orders of the President.

R: Oh, we understand that. You understand that I was tied up here with the little business men and I wanted to give you the benefit of all that we got out of them.

HMJr: Well, we need all the help we can get.

R: Now, there's another man that's very helpful but I won't bother <u>you</u> now I'll just incorporate it in the note then to Wayne.

HMJr: If you would I'd appreciate it.

R: Thank you, Henry.

HMJr: Goodbye.

R: Goodbye.

Friday
March 25, 1938
3:32 p.m.

HMJr: Hello.

O: Senator McNary.

HMJr: Hello.

. . .

Senator Charles L. McNary: Hello.

HMJr: Hello, Senator.

McN: Hello, Mr. Secretary.

HMJr: How are you?

MCN: Fine. How are you?

HMJr: Pretty well.

McN: That's good.

HMJr: Senator, I'm calling you up about a matter I'd like to discuss with you for a minute in confidence, -?

McN: Yes. You may.

HMJr: The State Department is going to ask us, in fact they did ask us this morning, to temporarily discontinue our purchases of silver from Mexico.

McN: Yes.

HMJr: And unless you thought that it was contrary to the spirit of the Silver Purchase Act...

McN: Yes.

HMJr: why I thought that in view of their request that I would comply.

McN: You'd comply with the...

HMJr: With the request of the State Department.

McN: Well, I - personally I think it's all right, don't you?

HMJr: I do, yes.

McN: Well, I'll - I'll follow you in your judgment.

HMJr: Well, they suggested that - as we know, they're having all kinds of trouble...

McN: Yeah. Well, whatever you do goes with me.

HMJr: But - and they feel, and I guess they're right, that is at this time on the thirty-first of March we simply tell them that until further notice we'll discontinue.

McN: I see.

HMJr: I think it'll strengthen the hand of the State Department.

McN: Yes. All right, that'll be fine.

HMJr: Thank you.

McN: Thank you a thousand times; I'll keep it in confidence.

HMJr: Thank you.

McN: Goodbye.

Friday
March 25, 1938
4:05 p.m.

HMJr: Hello.

O: Mr. Welles is with Secretary Hull, he'll be there quite some time.

HMJr: Well, just tell him I got a short message and ask him to step to the phone.

O: All right.

HMJr: Ask him to step to the phone; I just want to give him a short message.

O: All right.

March 25, 1938
4:09

HMJr: Hello.

O: Mr. Welles. Go ahead.

HMJr: Hello.

Sumner Welles: Hello.

HMJr: Sumner.

W: Yes.

HMJr: I thought you'd like to know that I've talked to Senator McNary in confidence and the proposal....

W: Hello.

HMJr: Hello.

W: Yes.

HMJr: The proposal is entirely agreeable to him.

W: I'm sorry, Henry, I couldn't hear.

HMJr: I talked to Senator McNary in confidence.

W: Yes.

HMJr: And told him what we were proposing to do.

W: Yes.

HMJr: And he said it was entirely agreeable to him.

W: That's very satisfactory.

HMJr: See? And I thought in view of the Vandenberg Resolution you'd like to know that.

W: Thank you very much indeed. That's very good.

HMJr: All right then.

W: Fine.

HMJr: Goodbye.

W: Goodbye.

Friday
March 25, 1938
4:10 p.m.

HMJr: Hello.

O: Dr. Burgess.

HMJr: Hello.

W. R. Burgess: O, hello, Henry.

HMJr: Randolph.

B: Yes, sir.

HMJr: I'm leaving tonight for what I hope will be a two weeks vacation.

B: Oh, well I hope you get it.

HMJr: And we've had this agreement, while we haven't used it this week, that we'd go fifty-fifty with you fellows.

B: Yes.

HMJr: I'm leaving town and I just wanted to let you know that I was terminating that.

B: You're terminating that?

HMJr: Yes.

B: All right, sir.

HMJr: But there's one Wayne Taylor who will be here.

B: I see.

HMJr: And if the occasion should arise he'd be more than pleased to discuss it with you.

B: All right.

HMJr: Well, I just didn't want to leave an open-ended thing like that around.

B: That's o. k.

HMJr: See?

B: We - the market, you know, is a little weak today.

HMJr: Ah - well - the Government bond market?

B: Yes; not much, a little.

HMJr: Yes.

B: As a matter of fact we bought a million for you for Government life, the order we had.

HMJr: Yes.

B: And we bought a million for ourselves, one bond that we're keeping around.

HMJr: Yes.

B: But that's all.

HMJr: Well, I just want - I didn't want to leave an open-ended...

B: Yes.

HMJr: ...agreement.

B: That's all right.

HMJr: All right. What's your gossip in the Street on this stock market?

B: Well, there - one bit of gossip I get is that they're expecting some house to be in difficulty here.

HMJr: I see.

B: I've heard that and I haven't been able to run it down any further, but - (Conversation breaks off at this point - no more of it was recorded.)

(meeting)

GROUP MEETING

March 25, 1938.
4:20 p.m.

Present: Mr. Magill
Mr. Taylor
Mr. Oliphant
Mrs Klotz
Mr. Gaston
Mr. Bell
Mr. McReynolds
Mr. Gibbons
Mr. Upham
Mr. Lochhead
Mr. White
Mr. Haas

H.M.Jr: Where is everybody? Where's Oliphant?

(On phone) Isn't Oliphant coming? McReynolds? Tell them they're late for school. And Gaston. What? Tell them they're all late.

(Oliphant and Gaston come in)

Can I have that black book?

(Haas hands book to H.M.Jr)

Now, I just want to give a little pep talk before I leave. I mean I got a few things here; I'm not leaving anything, as far as I know, unfinished in the sense I've dumped anything into anybody's lap without giving them an answer how to handle it. I thought this morning I'd go away with a lot of things, but by tonight I've cleaned up everything, so that everybody, as far as I know, has got an answer to a particular problem. If they haven't got it, they'll get it before they leave the room.

(McReynolds comes in)

Three dollars, Mac.

Gaston: I already paid a dollar and a half.

H.M.Jr: Put it on yourself on the golf course tomorrow. I'll play you against the field.

McR: All right; I'll win it on the first tee.

H.M.Jr: Rather that than have you win it on the 19th tee.

McR: Of course you can on the 19th, but if I'm going to win at golf it's got to be on the first tee, as Wayne knows very well.

Taylor: See no evidence of it.

H.M.Jr: What I wanted to say is this. About, as near as I can make out, 90 percent of the people working for Mr. Roosevelt outside of the Treasury are going around licked, and I just wanted to say, we get here about 28 reports for 28 leading businesses in the United States, and while in some cases their businesses have been extremely low, still in many of the key industries they are at least holding their own. And in a case like United States Steel ....

(Phone rings; Mrs. Klotz answers)

Klotz: Mrs. Morgenthau.

H.M.Jr: ... they're up. Building is up.

(On phone) Hello. - Yes mam. (Holds conversation with Mrs. Morgenthau)

Want to talk to you (McR) about Stanley. He wants to break in the new car while we're gone. But let nobody else run it but Stanley, see?

McR: (Nods yes)

H.M.Jr: Huh?

McR: Yes, that's perfectly safe.

H.M.Jr: He said he did that for the Cadillac Company. All right?

McR: All right.

H.M.Jr: You can do the way we always do, find out who wants the - my old one.

What I wanted to say was this, that as near as I can tell - I mean I'm saying this inside the Treasury for the benefit of you people - you go through this book here the way I do every day and there is nothing to indicate or justify the six-point drop in the stock market today. There just isn't anything there. Now, there may be some stock exchange failure hanging over the market, or something like that, but there is no business situation I can see. I'm talking about business situation - I mean individual business which is getting sharply worse, and there are a number which are getting better. But one of the worst troubles around here is that we have so many people working for Mr. Roosevelt who are selling the country, to use their own expression, "into the ash can." And you can talk people into a tailspin.

But I'll take business orders, and that's what I've got before me, as against business notions of some of these people around town. And the business orders do not in any way justify what the stock market is saying. And I'm more than willing to - that, based on the information which I've got here, to make a statement like that to you people.

And as I say, there are certain industries - the locomotive industry is - needless to say, it isn't good, and the railway supply industry isn't good. Retail trade is not bad. Any trade that is connected with the building industry is holding its own. Industries that have to do with business machines are holding their own. The level of their business isn't what it was last year or the year before, but, on the other hand, there is nothing that comes across my desk - and I've got as good information as anybody - which justifies this drop in the stock market. And I just want to leave that behind, see?

And that is, for me, a rather remarkable speech, but I think in view of what's happened here I did want to leave that with you people. And I don't know whether - George, you can speak your own mind whether you agree with me or not.

Haas: I agree with you, absolutely. In fact, some of the industries - they key industries, as you said, are pointing up.

H.M.Jr: Well, I don't know; that is the way I feel about it.

Harry White shakes his head, he doesn't agree.

White: No, I'm afraid I don't, Mr. Secretary.

H.M.Jr: Well, that's all right.

White: But this is no time to discuss it.

H.M.Jr: No.

Well, anyway, all I'm saying is that unless somebody has something to show me which I haven't got, and you (White) haven't shown me anything to make me change my mind, I think at least we don't want to add to the general talk in Washington of talking this thing and making it worse; that is, unless the fellow has got something definite. And I say the most definite thing is the week-to-week orders that American business is getting. Now, when somebody has got something to show me that it is getting very much worse, I'll listen. But all I'm saying is, don't let's the Treasury, lacking definite concrete information, add to this "30 days, we are sunk" thing, which is all over town. You check on that, don't you, Harry?

White: Oh, that's quite a different thing.

H.M.Jr: All right. That's that.

Now, I got a few things which I cleared today. Mr. Daniel Roper wrote me a letter that he's very much hurt that he's not included in this committee which was set up on handling business. And Mr. Frank R. Wilson has consulted with a group of bankers in New York, conveying the requirements of business.

So I told Mr. Roper on the telephone that if I wrote him a letter I might say something which would hurt; that the people invited to come in were people who were designated by the President by name, and that nobody from Commerce had been designated. And furthermore, I had read various press conferences he had held and he always said he was referring all requests to Jesse Jones. He said that wasn't so. So I said that's what the paper said. So I said if Mr. Wilson had anything, why, we'd need all he's got.

But he's got studies, surveys, and commissions, and he's going to put them all at your disposal, Mr. Taylor.

I never heard of Frank R. Wilson. All I know is the head of Secret Service.

Bell: May be the same one.

Taylor: Maybe it's the same guy.

(Hearty laughter)

Did that indicate anything about him?

H.M.Jr: No, I never heard about him. But he's been in consultation with New York bankers.

The other thing is, I [illegible] - this is triple-confidential, but just so you people know - I asked Senator Pittman whether he wouldn't call on me in his capacity as Chairman of the Committee on Foreign Affairs and as Chairman of his Special self-appointed Silver Committee, and he called on me at two o'clock. Mr. Welles was here. And as a result of his being here, I sent the following telegram, which is the quickest way to convey to you people ...

"Strictly confidential for the President.

"I have received the following communication from the State Department .... "(Copy of this telegram to President is attached).

And then I called up Senator McNary and told him what we were doing. He said, "Do you recommend it?" I said, "I do." He said, "I'll follow you."

And Senator Vandenberg's resolution calling on us - saying, "Tell us all about silver," will be tabled and held up pending announcement by the State Department, which they hope will come Monday.

And then, Mr. Gaston, we are to make a simultaneous announcement.

Gaston: We will make our own announcement with respect to silver.

H.M.Jr: Well, here's the thing right there: "In view of the decision ....." There's the thing that they have asked us to give out. Give it out just like that.

Gaston: That's the telegram from you to ...

H.M.Jr: No, this is the letter from Herbert Feis. "Mr. Welles requests that, as given below, the suggested statement which he read to you over the telephone....." Then comes the statement.

Gaston: Yes, all right. Then we'll just simply give that out.

H.M.Jr: We'll just give that out, that's all.

Gaston: Yes.

H.M.Jr: See? But I just want to let you fellows know I've been working today.

Oliphant: That's fast work.

H.M.Jr: What?

Oliphant: That's fast work.

H.M.Jr: Yes.

Taylor: Just that, without any comments.

H.M.Jr: No comments.

Well now, who wants to hold this, and then - so it will go back into my files. Who wants this? What?

Lochhead: Well, I'll take it.

Klotz: My diary.

H.M.Jr: I give it to Archie because he's a good boy.

Gaston: I assume I'll await word from Mr. Taylor.

H.M.Jr: That's right.

March 25, 1938

TELEGRAM TO THE PRESIDENT, WARM SPRINGS, GEORGIA.
(OVER DIRECT WIRE FROM WHITE HOUSE TO WARM SPRINGS)

STRICTLY CONFIDENTIAL

I AM IN RECEIPT OF THE FOLLOWING COMMUNICATION FROM THE STATE DEPARTMENT QUOTE IN VIEW OF THE DECISION OF THE GOVERNMENT OF THE UNITED STATES TO REEXAMINE CERTAIN OF ITS FINANCIAL AND COMMERCIAL RELATIONSHIPS WITH MEXICO COMMA THE TREASURY WILL DEFER CONTINUATION OF THE MONTHLY SILVER PURCHASE ARRANGEMENTS WITH MEXICO UNTIL FURTHER NOTICE END QUOTE PERIOD UPON RECEIPT OF THIS REQUEST MR SUMNER WELLES AND I HAD A LENGTHY CONFERENCE WITH SENATOR PITTMAN PERIOD SENATOR PITTMAN ADVISED US THAT HE FELT THAT IT WOULD COME WITHIN THE SPIRIT OF THE SILVER PURCHASE ACT FOR THE TREASURY TO NOTIFY THE MEXICAN GOVERNMENT THAT UNTIL FURTHER NOTICE WE WILL SUSPEND OUR SILVER PURCHASE ARRANGEMENT WITH THEM PERIOD SENATOR PITTMAN FURTHER STATED THAT HE FELT IT WAS IN THE INTEREST OF OUR FOREIGN POLICY THAT THIS STEP BE TAKEN PERIOD WE PROPOSE TO COMPLY WITH THE REQUEST OF THE STATE DEPARTMENT UNLESS YOU ADVISE US TO THE CONTRARY

(SIGNED) HENRY MORGENTHAU JR

Klotz: Bell good boy too.

Bell: Thank you.

Lochhead: I take it we're suspending the arrangement we have now for purchasing silver.

H.M.Jr: As of the 31st.

Lochhead: As of the 31st.

H.M.Jr: But we won't announce that until the State Department calls up and says, "We want a simultaneous announcement." Then Mr. Gaston will quickly run all over the Treasury, nobody will know where it is, and then they will finally find it in Gaston's safe somewhere.

Gaston: How will they find it in my safe if Archie has it now?

H.M.Jr: Well, you watch Archie.

(Hearty laughter)

Gaston: Archie ought to feel complimented.

H.M.Jr: Does that thing run just from the 15th to the 15th or the 1st to 1st?

Lochhead: 1st to 1st.

Gaston: It seems to me what we're saying is that we're suspending an arrangement that doesn't exist. We have told the boys that there is no arrangement except on a monthly basis.

H.M.Jr: That's right.

Gaston: So what we're doing is not entering into any new arrangement.

Taylor: Yes.

H.M.Jr: We change our underwear every Saturday if we have any underwear to change.

Gaston: All right. I guess we can call it an arrangement.

H.M.Jr: All right?

Gaston: If you say so. We really ought to have a press conference, though, to explain that in homely terms.

H.M.Jr: All right.

Klotz: Drunk.

H.M.Jr: Gaston has a draft on something.

Gaston: Yes, on a proposed statement.

H.M.Jr: Read it, Herbert.

Gaston: I thought that we probably would not want to put this out until we got about ready to enter into the first contract under the arrangement.

"Secretary Morgenthau announced today that, by direction of the President, additional measures had been adopted to insure full competition among contractors and suppliers of material for Government construction or other construction for which the Government supplies all or part of the funds.

"The measures adopted follow recommendations made by the President's interdepartmental price study group.

"Under the authority of an executive order effective April 1, the Procurement Division of the Treasury Department will undertake the purchase of all cement to be used directly by Government departments or agencies. In advertising for bids for cement the Procurement Division will request bidders to agree to enter into an 'open contract,' under which contractors on Government work and contractors on other work for which the Government supplies all or a part of the funds may purchase cement at the prices quoted to the Government. Bidders for the cement contract or contracts will also be requested to quote on the basis of delivery at the place of manufacture of the cement.

"Pursuant to other recommendations of the price study group, the Procurement Division will adopt, effective April 1, a new policy with respect to bids for Government building contracts. ....." And then follows all those specifications which are to be included in bids and in proposals for bids.

H.M.Jr: All right, just so we don't have the President off base. I think about 48 hours before you think of giving that out, you better tell whoever is handling publicity to put that on the wire and say, just the way I worded that other, "If we don't get instructions to the contrary, we will on such and such a day give this out." See, they have a direct wire.

Gaston: Yes. I thought I ought to have approval from you as to the general form first.

H.M.Jr: Good.

Gaston: And then as to the statement that this is a recommendation of the price study group.

H.M.Jr: Good.

Gaston: There is an objection to that, that it ties the price study group up with measures to reduce the cost of building. But, on the other hand, if we don't tell them, it will be found out within 24 hours.

H.M.Jr: Within 24 minutes.

Gaston: And this will result in more study than if we didn't ....

H.M.Jr: But I would put that on the wire with something like this - just the way I worded it: "Subject to ...." What did I say? That was good, right at the end there.

Lochhead: "We propose to comply with the request of the State Department unless you advise us to the contrary."

Gaston: "We propose to issue this unless we hear ...."

McR: "On such and such a day."

Gaston: As to the day and as to the details of this statement, I'll talk to Reynolds over in Procurement.

H.M.Jr: But that's the Warm Springs technique. Send it to the President, but try and get an answer, so if you don't hear from him she goes out, see?

Gaston: Right. Right.

H.M.Jr: Now ... All right, Herbert, I think that's excellent.

Gaston: Yes.

H.M.Jr: Anybody disagree? The Vice President not hearing anything, everything's fine.

Gaston: Just one other thing - relates to business situation. Ernest Lindley wants George Haas to contribute to a symposium of about 30 or 40 economists, including about a dozen Government economists, on a prediction on the state of business for the year. After talking with me, George and I both turned Mr. Lindley down, said the Treasury would not participate in any forecasts of business conditions.

H.M.Jr: Amen!

Now, Mr. Cyril Upham, this complaint against the Comptroller of the Currency I ask you, with my moral backing and with any physical backing you need from Mr. Taylor - on the chart this is under Mr. Taylor - to submit to the Comptroller's office, and tell him we'd like to have him answer these charges which are made against him.

Upham: All right.

Klotz: (Words not understandable)

H.M.Jr: Yes, that's the way.

Klotz: That isn't ....

H.M.Jr: Well, it's all right. How else you going to find out? It doesn't say McIntyre.

Upham: McIntyre, yes.

Klotz: Asked if I wouldn't give it to you personally.

H.M.Jr: How else you going to do it?

Upham: I don't think there's anything to do about it particularly. All these charges have been made before. Isn't anything new here that we didn't know.

H.M.Jr: Well, you're going to either do it one of two ways. Has Taylor seen it?

Upham: No.

H.M.Jr: Here's a man makes charges against the Comptroller of the Currency. Either you're going to give him a chance to answer it or you're going to go to the people and find out whether they've got these contracts; going to go to Joseph P. Day and ask him whether he has such and such a contract.

Upham: What Brooks suggests is a private confidential report made for you or the President.

H.M.Jr: By whom?

Upham: He'd like to do it himself.

H.M.Jr: I'm not going to have anybody investigate anybody in the Treasury without first giving them a chance.

Klotz: My point is that before you do it - I mean inasmuch as Mr. McIntyre gave it to you confidentially ...

H.M.Jr: Well, you're right. Tell you what we do. Write a letter and say that "the Secretary of the Treasury wishes to inform you that his usual practice is that when charges are made against a presidential appointee, those charges are as a matter of routine submitted to the presidential appointee for his answers."

Upham: Write that letter to McIntyre or to Brooks?

H.M.Jr: No, to this Brooks. And then Mr. McIntyre has - the usual thing is that charges made against a presidential appointee - give the presidential appointee the right to answer those charges. Now, that's the way. Now, if he doesn't want me to follow our way, we'll return the matter to him. Mac, that right?

McR: That's correct.

H.M.Jr: Herman?

Oliphant: (Nods yes)

H.M.Jr: Thank you (Mrs Klotz) for calling my attention to it. Thank you. But I'd do it that way.

Lochhead: Japan is resuming gold shipments.

H.M.Jr: What?

Lochhead: Japan is resuming gold shipments.

H.M.Jr: That's why the market went off.

Lochhead: Three shipments of about six million dollars apiece, starting March 27, the first one - April 5, and April 9.

H.M.Jr: And for you people, I called up Burgess and said that my arrangement with them was to take half of what they bought, as of today, because I was leaving town and the "New Deal" would start tomorrow under the regime of Mr. Taylor, and ...

Klotz: Poor Mr. Taylor.

H.M.Jr: ... he was more difficult to deal with than I was.

Bell: You want a quarter.

H.M.Jr: So I just want to tell you. Anything else, Archie?

Lochhead: That was all.

Gibbons: I was over ....

H.M.Jr: Both your eyes ....

Gibbons: ... wide open. ... and everything is just as we said it would be. They are writing a letter to this fellow and telling him he must get out.

H.M.Jr: And what did one James say?

Gibbons: Well, he said that he didn't appreciate the significance - that that arrangement was in effect and you couldn't make - fish one exception out of it; that you were right. Dieterich - what he wanted to do, of course, to stop any avalanche candidates for chairman of the State Democratic Committee, was to let this fellow drift along until some time two or three months from now and have a meeting of the State Committee - you know, the old stuff.

McR: And they never would have gotten to it.

Gibbons: Never would have gotten around to it.

I have one request. - That's settled now.

H.M.Jr: Fine. Thank you very much.

Gibbons: One thing - if I could check with you whether we had any objection to making a gesture to Senator Walsh and inviting him to make the graduation day speech at the Coast Guard exercises.

H.M.Jr: Swell. Swell. When you started, I thought you were going to give me another man for Oliphant's board over there.

Oliphant: Boy! We'll save that one.

H.M.Jr: How many more has he got over there?

Oliphant: No, I just got one.

McR: I'm going to suggest as soon as you get back that you suggest a rider on some bill that goes through, abolishing the damn board. They haven't got anything to do. Not doing anything.

H.M.Jr: There's a special tax board he has - sits on something.

Klotz: (Laughing) Sits on something.

Gibbons: I've heard all about it.

Oliphant: The Board of Reviews - refunds of processing taxes.

H.M.Jr: Oliphant put three of his weak sisters on it, and I got on two.

Oliphant: Got them all to work but one. Got them all to work but one.

McR: But not working on board work.

Oliphant: Not on board work.

(White House phone rings)

Klotz: Mr. James Roosevelt.

H.M.Jr: (On W.H. phone) Hello, Jimmy.

James Roosevelt: Yes, Henry. - -

H.M.Jr: You tell him that. - No, I've got nothing. We're sending him a railroad letter and.... - You mean on the market?

Roosevelt: Yes.

H.M.Jr: Uh-huh. No, I haven't got anything. The only news I know is, I'm going at six o'clock. He knows that. I talked to him last night. And I have nothing. Everybody's here and we'll carry on. And if some of his appointees wouldn't talk this government into the ash can, it would help a lot, but I don't suppose we can make them over. - - I thought it was terrible.

Roosevelt: Yes.

H.M.Jr: I thought it was terrible, and I'm saying so in very polite language in a page and a half.

Roosevelt: You mean you didn't think it was constructive?

H.M.Jr: No, don't think we'll get anywhere. - - Well, I just think if they want to keep it in that little clique over there, they won't do anything and won't get anywhere. - - No, I don't think it's forceful enough.

Roosevelt: Well, I'm inclined to agree with you on that. - -

H.M.Jr: Yes, I think some of the temporary things are all right. But what I am for is - frankly, I've recommended that he ask Congress to give him a new Cabinet position of Transportation and then get the most important and able man he can and put him in there at once. It's one of the biggest jobs in the country, and I think if he really put in a fellow like, say, Harriman or somebody like that, and made him Cabinet member for Transportation - I think the country would feel he was going to do something for the railroads, and that that would do more than all the new appointees and committees and commissions and everything else. What do you think of that?

Roosevelt: I think it would be grand. I don't think it would pass Congress.

H.M.Jr: I wouldn't be so sure.

Roosevelt: But I'm not at all sure you couldn't .... -

H.M.Jr: Well, you've got to give him all the power in the world. Interstate Commerce has had it now and they haven't done anything, and they had a railroad board and they didn't do anything. And as I say - I think I've met Averill Harriman once in my life - I just mentioned him, somebody like that, of that caliber - and put him in there and give him enough authority and I think we'd get somewhere, with the backing of the President. But that report wouldn't get us anywhere.

Roosevelt: O.K., Henry, I agree with you.

H.M.Jr: Jimmy, just for you, I'm not upset about business conditions and I don't think that the stock market is recording what's happening in business. I mean there is nothing that has happened the last two or three weeks to make the stock market act the way it has the last couple days.

Roosevelt: Well, what's the matter?

H.M.Jr: I don't know. But there's nothing, and we've got as good information here on week-to-week business - and there's nothing in the business picture to make the stock market act the way it has. And so I think we've just got to sit tight and trim our sails and let the wind blow, and let's hope we can get through it. I think we can. In fact, I'm sure we can.

Roosevelt: All right.

H.M.Jr: All right. If you want to give that as a message to your father, you can say that's the way I feel.

Roosevelt: I will.

H.M.Jr: I'm not frightened, Jimmy.

Roosevelt: Yes. Well, that's ....

H.M.Jr: I'm not - well, I'm not frightened.

Roosevelt: Well, that's grand, Henry. Have a swell time.

H.M.Jr: Thank you.

Roosevelt: Good-bye.

(Conversation finished)

McR: If he wants to do that on the department, the reorganization bill will be eligible for such a modification in the House next week.

Bell: Not next week.

McR: Oh yes, it will. It will be passed Monday.

Gibbons: Terrible thing, the way these railroads were run for 25 years. Terrible.

H.M.Jr: Taylor and Haas spent all day on this thing. It isn't going to ... You put a fellow like Averill Harriman - make him a member of the Cabinet, make him Secretary of Commerce, and get somebody in here so that we don't have to be doing half of Commerce's work - things like that. Put some real strong people in there; that will give business some confidence. Put some fellow in there that - as I say, I don't know Averill Harriman, except he seems to know his business, how to run a railroad, and he's got the confidence of people.

Gibbons: Been very loyal to the President right along.

H.M.Jr: Yes, yes, he's all right.

Gibbons: Yes.

H.M.Jr: Put somebody like that in.

Taylor: Well, that report is really awful.

H.M.Jr: Mr. Bell?

Bell: I have a letter for your signature which appoints a committee to look into Commodity Credit, with Mr. Taylor as chairman.

H.M.Jr: Is he willing?

Bell: I think. Aren't you?

Taylor: (Says nothing)

H.M.Jr: He accepts with pleasure.

Bell: He could use the people in my office if he wanted to.

Taylor: You've got somebody who can count, haven't you?

Bell: Yes.

H.M.Jr: (Signs letter)

Before I leave the Treasury, Mac, do you suppose that the last page of a letter could come last, where I could read who it's sent to, just as a little thing to me.

McH: Let me know - let me know 15 or 20 minutes before you decide to leave, will you?

H.M.Jr: I don't mean tonight, but I mean before I'm through.

McH: That's what I'm talking about.

Gaston: If you're going to institute a policy that people who sign letters should also read them, it's going to be quite revolutionary.

H.M.Jr: Well, all I want to know when I sign a letter is who it's addressed to, that's all.

Gaston: Put the addressee on the last page.

Bell: Got so many names on, we couldn't put this on the last page.

Gibbons: Another thing that burns me up - Coast Guard says "17 June" instead of "June 17." Have to stop and think what it's all about.

Lochhead: Pretty logical.

Bell: I expected to have that memorandum for you, but apparently the typists haven't got it ready. I had a little difficulty in writing the last paragraph, so we had the happy solution of saying ...

H.M.Jr: What? Not having the last paragraph?

Bell: No, putting in this sentence, something like this: that this whole matter should be deferred pending the report requested by the President last June on this whole Federal Home Loan Bank set-up. That's good.

H.M.Jr: Oh, you think that's good?

Bell: Sure, isn't it, Wayne?

Taylor: I don't think that's very good.

H.M.Jr: I don't think it's fair to go back to last June. I'm only going back to this morning.

Bell: No, I think that's a pretty good thing to hang on. We're going to get a report, aren't we?

Taylor: I don't think so.

H.M.Jr: Well, take it up with Jimmy, will you, tomorrow morning, anyway.

Now, here's a report from Peoples in which he says that on March 30 they're going to ask for bids for cement f.o.b. mill in carload lots. Estimates approximately from three to five million barrels.

McR: For the next four months.

H.M.Jr: Yes.

McR: And so many more barrels, three-quarters of a million barrels, at less than carload lots.

H.M.Jr: Want to see that, Herbert?

Gaston: Well, I guess I'll have to talk to them in connection with that.

H.M.Jr: All right, what else, Mac?

McR: I haven't anything more.

H.M.Jr: Anybody got any afterthoughts?

Magill: (Nods nothing)

H.M.Jr: There isn't by any chance anything left of the House bill, is there?

Magill: Oh, there's quite a little left, but they're going to take it out tomorrow morning, because it was a nice sunny afternoon this afternoon; but they're going to meet in the morning.

H.M.Jr: Well, I appreciate that I can get away and that I've got such a good crowd here to carry on. I'm serious for a moment. I don't expect to call up every day. I'll call up Monday morning, but I'm not going to call every day. And I'm very tired.

Bell: Call up after two o'clock.

Lochhead: Can we depend on that?

Gaston: You're going to let us know Monday the schedule of when you're going to call, I hope.

McR: Don't call after two.

Bell: No, don't call after two.

McR: That'll be terrible.

Taylor: Shall we wait, the way we did last year, until we're out of chips?

H.M.Jr: Until what?

Taylor: Until we're out of chips.

H.M.Jr: All right. Anybody got anything else?

Oliphant: I want to talk about something.

H.M.Jr: All right. Good-bye, everybody.

M E M O R A N D U M

March 25, 1938.

There were present at 10:00 A. M. in the office of the Secretary, Commissioner Helvering, General Counsel Oliphant, Assistant General Counsel Wenchel, Deputy Commissioner Kirk, and Mr. Irey.

It was explained to the Secretary that the investigation in Philadelphia was proceeding in an orderly fashion and that the Revenue officials were entirely satisfied with the work of the agents.

The Secretary directed Commissioner Helvering to communicate by telephone with Governor Earle and advise him of the results of the inquiry, and to let him know that the Treasury Department will be pleased to cooperate with him in every proper manner.

March 25, 1938

My dear Mr. Roosevelt:

I am in receipt of your memorandum of March 24th.

I am forwarding this afternoon to the President the Treasury's comments on the transportation report.

Mr. James Roosevelt,
Secretary to the President,
The White House.

THE WHITE HOUSE
WASHINGTON

CONFIDENTIAL

March 24, 1938

Memorandum For: The Secretary of the Treasury

Dear Mr. Secretary:

Enclosed is the railroad report. Would you be good enough to send your comments to the President, having them in the mail not later than Monday.

I would appreciate your letting me know when you send them.

With my best wishes to you,

Very sincerely,

James Roosevelt

James Roosevelt
Secretary to the President

Signed 5L;15 p.m, March 25; to White House 3/26 for pouch
at 9:30 a. m.

March 25, 1938

My dear Mr. President:

In accordance with the instructions transmitted to me by Mr. James Roosevelt on March 24, 1938, I am commenting briefly on the transportation report submitted by Messrs. Splawn, Eastman and Mehaffie.

Frankly, I am disappointed by this report, and it is my strong feeling that the over-cautious approach to the pressing national problem of transportation embodied in the committee's recommendations can only intensify the need for drastic action at a later date.

While I am in sympathy with several of the recommendations for immediate action, in particular with the first two recommendations, I prefer to confine my specific comments to recommendation number seven.

First, I do not feel that creation of the type of temporary Federal Transportation Authority envisaged in the report would serve any useful purpose, and

Second, I urge that you request Congress to create immediately a Department of Transportation with power to move vigorously to properly coordinate our national transportation facilities. Page 35 of the report states that "If the idea were carried to its full logical conclusion, it might involve the creation of a new department of the Government. This new department, in addition to undertaking work such as is outlined below, could take over the conduct of various administrative duties in connection with transportation now scattered throughout the executive departments, * * *"

While I realize, as the report also states, that "The creation of such a new department of the

Government is a project of * * magnitude and difficulty, however, requiring * * much time to get it under way and involving * * many considerations which would provoke discussion, * * * I see no reason for delaying this strongly indicated and desirable action.

Sincerely yours,

The President,

Warm Springs, Georgia.

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THE RAILROAD CRISIS.

CAUSES.

Low volume of traffic.

Far below railroad capacity.

Less in 1936 than in 1916, although investment increased 8 billions.

Much less now than in 1936.

Result of COMPETITION, a permanent and growing factor, and DEPRESSION, a temporary factor.

Heavy increases in wages, prices, and taxes.

Inability to compensate for increase in average unit costs by corresponding increase in average unit revenues.

Many rates increased disproportionately, but many others held down by COMPETITION.

Financial consequences aggravated by -

Fixed charges relatively high compared with those of many industries, although materially lower in relation to revenues than in 90's.

Past unwise capital expenditures.

MEANS OF REMEDY.

Increase in revenues.

Rate increases - dealt with by Interstate Commerce Commission.

Traffic increase - largely dependent on business conditions.

Decrease in expenses.

Reduction of wages - subject of negotiations.

Reduction of prices - largely dependent on business trends.

Decrease in taxes.

Largely a State matter.

Government subsidy.

Probably inexpedient.

Shrinkage in railroad plant by abandonments.

Last resort.

MEANS OF ALLEVIATION.

Decrease in fixed charges.

Being accomplished through bankruptcies and receiverships.

Government loans.

Possibilities explored by R. F. C. and F. R. B.

MAIN OPPORTUNITIES FOR GOVERNMENT HELP.

Waste.

Resulting from large number of independent railroad systems.

Can be eliminated by CONSOLIDATION or COORDINATION.

Elimination can be accompanied by improvement in service and rates.

Will result in certain property abandonments.

COMPETITION.

Vast amount of wasteful, destructive competition.

Must determine best economic use for each kind of transportation, encourage such use, discourage uneconomic use, and promote COORDINATION.

Must appraise extent to which Government supports wasteful competition.

Reorganization Procedure.

Probably can be improved.

Capital funds.

Possible use of government credit for equipment and property improvements, particularly those which will be self-liquidating.

BASIC PROPOSITIONS.

We have a TRANSPORTATION problem, not a RAILROAD problem alone.

No sudden, spectacular solution is possible. Can be solved gradually by steady, unremitting work.

Government leadership is necessary. Conflicts in interest so great carriers cannot work out own salvation unaided.

Some government agency must be on the job continuously, planning and promoting improvements, advising President and Congress, and working in close cooperation with ALL carriers.

This work is separate and distinct from that which Interstate Commerce Commission performs. Interstate Commerce Commission is quasi-judicial regulatory body. Has not time and is not organized for planning and promotion.

New agency needed. Should be started on temporary basis, but could develop into permanent Department of Transportation. Would need small but highly competent technical staff, and authority to borrow men from carriers.

PROGRAM.

Create Transportation Board.

For work outlined above. Three members. Two-year life with power in President to extend to 5 years.

Free from quasi-judicial procedure.

Reserve Powers for Interstate Commerce Commission.

Change consolidation law. Abolish plan of consolidation.

Grant power to approve, on petition of Transportation Board, any consolidation which will promote public interest.

Grant power to compel, if necessary. Consolidations to be effected by exchange of securities without use of cash.

Grant power to approve and, if necessary, compel coordinations, upon petition of Transportation Board, barring operation of anti-trust statutes.

Labor to be cared for as per agreement of May, 1936.

These powers to be in reserve. Emphasis on cooperation rather than compulsion.

Reorganization Procedure.

Changes to be recommended by Senate Committee.

Government Loans.

Changes to be recommended by R.F.C. and F.R.B.

Spahn

Summary of Recommendations

Means of Immediate Relief

1. That facilities be provided, as was done under the National Industrial Recovery Act, for the purchase of railroad equipment, including shop equipment and appliances as well as cars and locomotives, by the use of government funds, the equipment to furnish the security for the advances; and that, say, $300,000,000 be made immediately available for this purpose.

2. That for a period of 12 months, in connection with certain loans by the Reconstruction Finance Corporation to railroads, the present requirement be suspended that the Commission, in approving, must certify "that such railroad, on the basis of present and prospective earnings, may reasonably be expected to meet its fixed charges without reduction thereof through judicial reorganization," and that substantially the requirement in connection with loans under section 210 of the Transportation Act, 1920, be substituted

> That the prospective earning power of the applicant, together with the character and value of the security offered, furnish, in the opinion of the Commission, reasonable assurance of the applicant's ability to repay the loan within the time fixed therefor, and reasonable protection to the United States.

3. That of suggestions for the use of government credit in improving railroad financial condition, the one most worthy of consideration is that such credit be so used "by underwriting or by the guaranty of bonds issued in voluntary reorganization of capital structures designed to reduce the burden of fixed charges"; that whether the government would be justified in engaging its credit to the extent necessary in so aiding voluntary reorganizationson an extensive scale presents a question of prime public policy; and that on this question the President may desire the views of government officials dealing directly with credit and financial problems.

4. That existing statutes be appropriately amended to remove the requirement for land grant reductions in connection with the movement of government traffic. The reduction on this account for 1937 is estimated at $7,000,000, and for the most part affects roads in the Western District, where financial conditions are worst.

5. That a reduction, or temporary deduction, in railroad wages and salaries, such as was made in 1932, would be a means of very definite and positive relief to the carriers; but in view of the present policy of the law, as reflected in the Railway Labor Act, and in the absence of a full hearing of both the managements and the men, the committee does not feel

justified in expressing an opinion either for or against such a reduction or deduction. The view is, however, expressed that both parties wish to be fair in the pending negotiations, and "in reaching their conclusions will take into consideration all relevant matters, including the direct and indirect consequences to the railroads and their operations and to both the employees who are now in service and those who have been laid off."

6. That there are opportunities for improvement of the reorganization procedure under section 77 of the Bankruptcy Act, and that Congress may well give attention to this matter, including, perhaps, the establishment of one court to have charge of railroad reorganizations.

The Long-Term Program.

7. That a body of three members, to be known as the Federal Transportation Authority, be created for a period of 2 years, with power in the President to extend its life to 5 years, for the purpose of planning, encouraging, and promoting action by railroad companies with a view to eliminating the waste caused by the fact that the railroad system of the nation is owned and operated by a large number of independent companies. Such action would include consolidation or other unification of companies and "coordination", this being described as "cooperation in a common interest at particular places or with

respect to particular matters", such as the pooling of traffic or unified terminal operations.

In aid of this program, it is proposed to amend section 5 of the Interstate Commerce Act to broaden greatly the powers of the Commission with respect to the pooling or division of railroad earnings or traffic, to eliminate the so-called "consolidation plan", and to permit the Commission to approve whatever unifications it finds will promote the public interest. The Authority is given power to intervene in such proceedings, and upon its petition the Commission is also given power to require "coordinations", not covered by section 5. No provision is recommended for the compulsion of consolidations, but the Authority is directed to report through the Commission to the President and Congress, if it finds that such compulsion is necessary or desirable, and to submit a draft of appropriate legislation.

The Authority is also directed to investigate the relative economy, and fitness in other respects, of rail carriers, motor carriers, and water carriers for transportation service, or any class thereof, in order that the use of each may be encouraged for purposes for which they are specially fitted, and discouraged for purposes for which they are not well fitted, and their joint and cooperative use be promoted, with a view to abating wasteful and destructive competition. In the event that further legislation directed to this end is found to be necessary or desirable, the Authority is directed to report accordingly. It is also directed to report upon the extent to which the three forms of transportation are supported, directly or indirectly, by the use of government funds, and to report the facts in regard to this matter and any changes in government policy with respect thereto which it deems desirable.

Other powers of investigation are given to the Authority.

8. Attention is directed to the subject of railroad "financial abuses", which is now under investigation by the Senate Committee on Interstate Commerce, and to the fact that this Committee may be expected to come forward with recommendations for the correction of such conditions. Certain suggestions are offered in this connection.

9. The desirability of subjecting all important forms of transportation to equal and impartial regulation by a single agency of the Government is emphasized.

March 24, 1938.

To the President:

On March 15, 1938, you brought together at the White House a group of men for the purpose of considering the serious financial situation of the railroads of the country and what action, if any, can and should be taken by the Federal Government for the relief or improvement of existing conditions. This group was composed of representatives of the Senate Committee on Interstate Commerce, the House Committee on Interstate and Foreign Commerce, the Department of the Treasury, the Department of Agriculture, the Department of Commerce, the Interstate Commerce Commission[1], the Reconstruction Finance Corporation, and the Securities and Exchange Commission and of men concerned with the railroad situation from the point of view, respectively, of the managements, the employees, and the security holders. The conference was continued on March 17, and at its close you requested a committee made up of the chairman and two other members of the Interstate Commerce Commission to bring forward a report, after consultation with the other members of the Commission, containing specific recommendations for your consideration with the advice and help of the conferees. The committee so appointed has the honor to submit its report herewith.

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[1] Hereinafter called the Commission.

Your committee has invited and received many suggestions from various of the conferees, from other members of the Commission, from representatives of the railroad, motor truck, and motor bus industries, and from representatives of those who ship by these forms of transportation. It has also sought and secured from appropriate departments of the Government detailed and valuable information in regard to general economic conditions and the bearing of the transportation situation on them. Many of the suggestions received relate to matters which are important but, in the judgment of your committee, are not of immediate pertinence in dealing with the transportation emergency. The time remaining for the consideration of matters at the present session of Congress is none too long, and it has seemed desirable, therefore, to confine recommendations to subjects which are of pressing consequence.

The other members[2] of the Commission have considered the recommendations here presented. They agree unanimously with those that are discussed under the heading "Means of Immediate Relief" and, with one exception, with those discussed under the heading "The Long-Term Program". The exception is the recommendation for the creation of a Federal Transportation Authority. The majority agree with that, but there are some who differ as to certain details, and one Commissioner who does not favor the creation of such an agency.

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[2]Commissioner McManamy, because of absence from the city, did not participate in the consideration of the recommendations.

At the conferences of March 15 and 17, it became clear that possible means of relieving or improving present transportation conditions divide themselves under two heads. In one group are means which will have an immediate or early effect in abating or relieving present financial difficulties. In the other group are means which can have only a gradual or long-range effect in improving conditions, but yet are of sufficient ultimate importance to warrant their present consideration and adoption. This report will be divided accordingly.

MEANS OF IMMEDIATE RELIEF.

As a preliminary to the presentation of specific recommendations, a brief review of the statistics which disclose present railroad financial conditions seems desirable.

The Commission receives statistics annually concerning 1,470 steam railway corporations, of which only 782 are operating companies, the others being mostly lessor or inactive companies whose property is used by the operating companies. The 782 companies themselves are to a large extent grouped in systems consisting of two or more operating, leased, and inactive companies, so that there are less than 677 companies that can be regarded as independently operated, but many of these have a minority stock interest in other companies. These 677 systems or companies are mostly small, as shown by the fact that of the 782 operating companies above referred to the 139 largest collected nearly 97 percent of the $4,197,464,000 total revenues of all of the steam railways in 1936. These are the so-called class I line-haul companies, each of which has annual operating revenues above $1,000,000.

The road mileage of all steam railways on December 31, 1936, was 240,104, of which class I railways ~~and their~~ lessor and proprietary subsidiaries account for 93 percent. The reason this percentage is smaller than that previously shown for the revenues is that the traffic is denser per mile on the large than on the small roads. It may be noted in this connection that from 1921 to 1936, 7,138 miles of new road were constructed and 17,417 miles were abandoned, making a net loss in the country's steam railway system in that period of 10,279 miles, not including changes resulting from relocations and other minor changes.

The equipment of all of the companies consisted on December 31, 1936, principally of 48,009 locomotives, 1,813,837 freight train cars, and 41,390 passenger train cars. In addition, there were on the rails or available 7,998 cars of the Pullman Company and some 287,662 private freight cars not directly owned or leased by the railways. These private cars are mostly refrigerator and tank cars.

The net book investment of the class I line-haul companies and their non-operating subsidiaries, amounting to $23,061,500,000, was 94.42 percent of the total net book investment of all of the railways on December 31, 1936. By net book investment is meant the investment in road and equipment as shown by the books, less depreciation so far as accrued on the books, and plus materials and supplies and cash.

The capitalization of all the railway companies is a complicated system of wheels within wheels. If one wishes to view the railways as one system with all intercorporate holdings eliminated, it appears that the net capitalization on December 31, 1936, was $18,335,887,000, of which $7,095,196,000 was stock and $11,240,691,000 unmatured funded debt. These totals exclude $2,933,093,000 of stock and $2,733,572,000 of funded debt held by some railway companies as investments or means of controlling their subsidiaries.

Actually, the railways are not financed as one system. From the standpoint of current railway financial problems it is more illuminating and more convenient to deal with the financial set-up of the class I line-haul operating corporations. It is the condition of these corporations that largely determines the state of railway credit, the curtailment or expansion of maintenance, and the discharge and hiring of the employees. Hence, the following paragraphs will relate to the class I line-haul operating companies.

First, as to their capitalization actually outstanding: At the close of 1936 their aggregate stock had a par value of $8,029,965,000, of which $6,179,002,000 was common and $1,850,963,000 was preferred. Their aggregate funded debt unmatured was $10,001,038,000, not including $491,584,000 of matured debt unpaid. The debt consists mostly of mortgage bonds. The equipment obligations are a relatively unimportant part of the total, $492,801,000.

The sum of their stocks and unmatured debt was $18,031,000,000, of which the debt was 55.5 percent. The total of the book assets of these companies, including their investment in road, equipment, and securities of other companies, and current and other assets, was $27,166,566,000, subject to a deduction of $2,485,948,000, accrued depreciation. Their total corporate surplus is reported as $3,349,889,000.

These companies in 1937 took in $4,166,000,000 in operating revenues from freight, passenger, mail, express, switching, and other services. The revenue from freight, $3,377,908,000, was the most important item. The revenue from passengers was only $442,809,000, or 10.6 percent of the total. They also had non-operating income (chiefly from their investments) of $179,308,000, which helps them pay their fixed charges. It is true that most of this non-operating income comes from other railway corporations, but it is also true that one element in their fixed charges, the rent for lease of roads, is also payable to other railway corporations. The fixed charges will be referred to more in detail below.

The total operating expenses for 1937 amounted to $3,119,064,000 and for 1936, to $2,931,425,000. The largest item in operating expenses is for wages and salaries. The total payroll in 1937 was $1,985,323,000, compared with $1,848,636,000 in 1936. In 1936, 94 percent of the payroll was chargeable to operating expenses, and the remainder to investment. The corresponding percentage for 1937 is not yet available. For 1936, wages and salariesamounted to 59.3 percent of the operating expenses and 42.9 percent of the operating revenues. The expenditure for fuel in 1936 was $236,932,000, which was 8.1 percent of the operating expenses. Depreciation charges, amounting to $193,501,000, constituted 6.6 percent of the total expenses. The remaining expenses $762,965,000, were for costs of materials other than fuel and miscellaneous items. Among these miscellaneous items may be mentioned loss and damage, injuries to persons, insurance, stationery and printing, advertising, and pensions.

But pensions have recently been taken over by the Railroad Retirement Board and their cost to the railways now appears in tax accruals, as noted below.

After meeting their operating expenses out of revenues, the railroads have also to meet hire of equipment and joint facility charges and taxes. The remaining amount is known as the net railway operating income, and is what is available to the investor out of operating revenues. For 1937 this sum was $590,181,000 and for 1936, $667,347,000. It is this sum which may properly be compared with whatever valuation is assigned to the property used in the railway service.

The recent opinion of the Commission in the Fifteen Percent Case, 1937-1938, 226 I.C.C. 41, takes the value of the property used by the class I railways as being $19,972,000,000, of which the net railway operating income for 1937 was 2.955 percent and for the three-year average, 1935-1937, was slightly less, 2.933 percent. The corresponding rates of return on value, by districts, were as follows:

Rate of return on value

District	1937	Three year average 1935-37
Eastern district	2.865	2.981
Southern district:		
Pocahontas region	9.039	9.048
Southern region	3.039	2.747
Western district	2.300	2.198
All districts	2.955	2.933

The net railway operating income is not available to the stockholder alone. He must share this with the bondholder by paying fixed charges, after which there is left the net income of the corporation which is available for sinking and reserve funds, dividents, and surplus. The income account of class I railways from net railway operating income to net income appears below for 1937:

Calendar Year 1937

		(Millions of dollars)
Net railway operating income		590
Other income (largely from investments)		179
Total income		769
Miscellaneous deductions		25
Income available for fixed charges		744
Fixed charges -		
Rent for leased roads	157	
Interest	473	
Other	3	633
Income after fixed charges		111
Interest charges contingent on income		12
Net income		99

It will be noted from the above that the income available for fixed charges, $744,000,000, was 1.18 times the fixed charges. The item of $473,000,000 for interest represents the accruals, not the payments. As will appear below, a large part of this interest is not being paid to the bondholders.

The average rate of interest on the funded debt of class I railways is about 4.5 percent. The rent for leased roads in many cases represents a guarantee of high interest and dividend rates agreed to many years ago when the leases were made.

The shrinkage in the net income in recent years is striking:

Net income after fixed charges
Class I steam railways

Year	Amount	
1929	$896,807,000	
1930	523,907,000	
1931	134,762,000	
1932	139,204,000	(deficit)
1933	5,863,000	(deficit)
1934	16,887,000	(deficit)
1935	7,539,000	
1936	164,630,000	
1937	98,527,000	

The net income is unevenly distributed by districts, as appears from the following figures for 1936 and 1937, the Western district having failed to cover fixed charges in both 1936 and 1937.

Net income		
District	1936	1937
Eastern district	$78,701,000	$41,359,000
Southern district:		
Pocahontas region ..	83,983,000	74,655,000
Southern region	10,744,000	6,601,000
Western district .....(deficit)	8,798,000	24,088,000 (deficit)
Total	$164,630,000	$98,527,000

The totals by districts are the net results of incomes and deficits of individual systems within each district. Thus, in 1937, 69 systems reported a net income above charges, and they had a net income of $230,733,000, while 62 systems reported a net deficit after charges, and their aggregate deficit was $132,207,000.

At the present time 37 class I railways are in the hands of the courts, 10 of them in receivership and 27 in trusteeship. The unmatured funded debt of all railways in the hands of the courts amounts to approximately $3,190,000,000. The amount of their bonds that have matured and are unpaid is over $577,000,000, and the interest on these and other bonds that is in default for as much as 90 days or more has accumulated until at the close of 1936 it was over $491,000,000. Of this amount, $354,500,000 is owed by railways in the Western district. The excess of interest accruals over interest payments is running now over $100,000,000 a year. At the present time it is safe to say the unpaid interest has accumulated to over $600,000,000.

In 1937 the class I railways declared dividends of $27,486,000 on preferred stock and $140,288,000 on common stock, a total of $167,774,000. In 1929, the corresponding total was $490,126,000.

The financial results shown above for the year 1937 taken as a whole, although unsatisfactory, would not indicate a critical situation. However, the results for 1937 cannot be taken as indicative of the situation in 1938. Costs are on a higher level and traffic is on a much lower level in 1938 than in 1937.

The chief item of increased cost is the higher level of wages and salaries. As of August 1, 1937, a wage increase of 5 cents an hour was granted to certain classes of non-transportation employees, and on October 1 an increase of 44 cents a day was granted to the transportation employees. These two increases together raise the annual payroll by about $130,000,000. There has been some decline in prices of materials recently compared with the prices early in 1937 but not on all the articles railways buy. Taxes will be on a higher level in 1938 than in 1937 because the tax for unemployment insurance is 3 percent instead of 2 percent of the payroll. On a

$1,800,000,000 payroll, the additional 1 percent means 18 million dollars a year. The total payroll tax is now 5-3/4 percent, 3 for unemployment and 2-3/4 for old age retirement. On a $1,800,000,000 payroll, this amounts to $103,500,000, but against this must be set a credit of $32,600,000 formerly charged as an operating expense for "pensions" which have now been assumed by the Railroad Retirement Board. Thus, the net increase in cost to the railroads from the new old age retirement and unemployment insurance legislation is about $70,000,000 a year.

Early in 1937 railroad ton-miles reached a relatively high level for recent years. In March they amounted to 99.2 percent of the 1923-25 base period. At that time, however, the Federal Reserve Board index of industrial production stood at 118 percent of the same base. There was a gradual decline in these indexes in succeeding months and a precipitate decline in November and December, 1937. Passenger miles reached 69.4 percent of the 1923-25 base period in March and held up well to the end of the year, as passenger travel responds more tardily than the freight volume to industrial fluctuations. The much lower index for passenger-miles than for ton-miles shows the effect of the extensive use of private automobiles.

The collapse of freight traffic in 1938 is shown by the total carloadings for the first 10 weeks, which were 20 percent below those of the same period in 1937. For January 1938, the freight revenue of the railroads was off 18.7 percent from January 1937 and preliminary reports for February indicate freight revenues 26.5 percent below February 1937. Total passenger revenue, which in January had remained practically unchanged from a year earlier, shows a decline in February of 4.8 percent below that of February 1937.

The effect of the decline in traffic and increased expense is revealed by the diminished net railway operating income for January 1938, which was only $6,920,000 compared with $38,867,000 for January 1937. The New England region and the entire Western district did not have revenues enough to cover their operating expenses and taxes in January, with nothing available for interest charges.

For the immediate low state of railroad traffic, the present marked recession in industrial activity throughout the country has a very large measure of responsibility, but its effect has been greatly aggravated by the influence of a factor of continuing and growing importance, namely, the competition with other forms of transportation. In 1936, when, as shown above, the index of industrial production stood at 118 percent of the 1923-25 base, the railroads were handling somewhat less freight traffic and much less passenger traffic than in 1916, although in the 20 intervening years the investment in their properties had increased by more than 8 billions of dollars. This influence of competition on traffic has been continuing. From 1929 to 1936, for example, tons of freight originated on Class I, II, and III railways declined from 1.4 billion to a little over 1 billion, or in excess of 28 percent, while the number of passengers carried fell from about 786 to 492 million, or more than 37 percent. Revenue ton-miles fell, roughly, from 450 billion to 341 billion, a decline of over 24 percent, and revenue passenger-miles from over 31 billion to barely 22.5 billion, or more than 27 percent. In 1937, the ton-miles for these roads are estimated to have been 80 percent and the passenger-miles 79 percent of those of 1929, but these passenger-miles were about 52 percent of those in 1920.

The increasing competition of motor trucks, water carriers, pipe lines, and other carriers with the railroads is indicated by the Commission's study of the fluctuations of railway freight tonnage originated on Class I roads as compared with the tonnage of production. This analysis would indicate that, as compared with the average condition of 1923-1925, the spread between the two trends had widened by 1936 to the extent of 196 million tons of freight. This figure is equivalent to about 20 percent of the total tonnage originated on Class I carriers in 1936. While the foregoing declines in passenger traffic were due in part to the growth of air and bus passenger transportation, they undoubtedly reflect chiefly the even more significant inroads of private passenger automobiles.

The losses of the railroads resulting from the competition of other transportation agencies, however, have not been confined to the absolute declines in the volume of traffic. To retain traffic it has often been necessary to reduce rates and fares, and these reductions are reflected in declining average revenues per ton-mile and per passenger-mile. As shown by the following table, the average freight revenue per ton-mile for 1937 was 13 percent less than that of 1929:

Year	Cents
1929	1.076
1930	1.063
1931	1.051
1932	1.046
1933	.999
1934	.973
1935	.988
1936	.974
1937	.935

This decline is in part the result of the lengthening of the haul, long haul traffic yielding lower ton-mile revenue than short haul traffic, but in the main the extensive reduction in charges to meet competition explains the reduction in the average receipts per ton-mile.

The decline in passenger-mile revenue has been greater:

Year	Cents
1929	2.81
1930	2.72
1931	2.51
1932	2.22
1933	2.01
1934	1.92
1935	1.93
1936	1.84
1937	1.79

The average for 1937 is 36 percent below that for 1929, the fares having been drastically reduced to increase passenger travel.

The presence of competitors in the field of transportation for the traffic which seemed formerly to belong exclusively to the rails is one reason why it is not possible to solve the railway problem by the simple expedient of raising the prices of the railroad service. Many freight rates have been increased disproportionately, in comparison with the average increase in unit operating costs, but many others, where competition is a vital factor, have been held down and even reduced, often materially. In this connection it is important to observe that the same competitive influences which have thus adversely affected the railroads have had like effects on their competitors. While comprehensive statistics are not presently available, it is known that the financial situation of the water carriers, motor carriers, and air carriers is, in general, quite as serious as that of the railroads. The problem by which the country is confronted is, in short, not a railroad problem alone but a transportation problem.

Emergency freight charges amounting to an estimated $119,000,000 a year, or 3.6 percent of the freight revenue, were in effect during 1936, but were canceled at the close of the year. During the year 1937 there were some increases in passenger fares in the South and West amounting to $15,000,000 a year and there were increases in freight rates on certain commodities, but not a general increase. The freight rate increases, however, for the most part became effective in November and December and consequently did not greatly affect the total revenues for the year. Recently, in 1938, general increases in freight rates of from 5 to 10 percent have been approved by the Commission to become effective shortly. However, these increases are to include and are not in addition to the rate increases of 1937. Hence it may be said that the freight rate level of 1938 will be about 7½ percent higher than it was at the beginning of 1937. The percentage of increase in 1938 over the level prevailing in December of 1937 will be slightly over 5 percent. The revenue effect of the increases in terms of dollars will obviously depend on the volume of traffic. It is estimated that on the basis of the 1936 volume, the increases of 1937 and 1938 in rates and fares will add about $260,000,000 to the annual revenues, or nearly $140,000,000 in excess of the canceled emergency charges of 1936. But, as previously indicated, the cost of operation is higher and the volume of traffic is lower in 1938 than in the beginning of 1937.

The railways are extensively curtailing the number of persons employed. Reports for February 1938 show that compared with the employment of February 1937, the class I railways have reduced their maintenance of way forces by 19.3 percent, their maintenance of equipment forces by 21.5 percent, their train and engine employees by 13.9 percent. The reduction in the total of all employees was from 1,099,088 in February 1937 to 939,663 in February 1938, or 14.3 percent. In February 1938 the railway employment was 52.6 percent of the 1923-25 base.

The effect of continued skimping of maintenance may be serious. In the 1920's the railways were liberally maintained and they entered the depression in good physical condition. In 1929 they applied nearly 2,000,000 tons of new rails. This was cut to 1,517,000 tons in 1930, to 985,000 in 1931, and to 395,000 in 1932. Since that time there has been some recovery, reaching 921,000 in 1936. In 1929 they applied 74,562,000 wooden crossties; in 1933, 37,287,000 and in 1936, 47,345,000. Painting and renewing of fences has been postponed to a large extent. It is safe to say that there is an accumulated deferred maintenance if the railways are to continue to handle as much traffic as in 1937, of not less than $500,000,000. However, this does not sufficiently state the need of the railways for more money. Large sums need to be spent for modernizing the equipment and shops, not to handle more traffic but to handle present traffic at lower cost and with greater expedition. The use of new alloys in building lighter cars and locomotives and the substitution of the latest tools and machinery in the shops offer possibilities of important saving in operating expenses. A railroad president recently testified before the Commission to the effect that such a program of improvement would justify an annual capital expenditure of $900,000,000 a year.

There were 855,261 railway stockholders in 1936 according to the annual reports, but there are duplications in this total from ownership of stock by one person in more than one railway. The number of bondholders is not known, but the widespread interest in railway bonds among the population is evidenced by the fact that in 1936 $6,617,000,000, or nearly 56 percent, of the railway funded debt was held by insurance companies, banks, endowed educational institutions, and foundations. The holdings of the life insurance companies amounted to $3,267,000,000.

Improvement in Equipment and Facilities

The continuing decline in the spread between revenues and expenses along with the current loss of traffic have, generally speaking, resulted in the destruction of railroad credit. Few railroads are in a position to borrow. With earnings so largely consumed in paying operating expenses, taxes, and other obligations, little is available for improving plant no matter how necessary such improvement may be. The railroad plant, especially its equipment, is constantly wearing out or becoming obsolete. Efficient operation requires constant renewal and replacement. To the extent such renewal and replacement are impeded transportation efficiency is lessened and cost is increased.

As of December 31, 1929, there were 56,936 steam locomotives in service on class I roads. As of December 31, 1936, there were 44,162 in service, or a decrease of 12,774 units, representing 22.4 percent decrease in locomotives of all classes when compared with those in service December 31, 1929. Of the foregoing totals, 33,605 were freight locomotives. As of December 31, 1936, there were but 26,695 freight locomotives in service, a decrease of 6,910 units, equivalent to 20.5 percent of those in service December 31, 1929.

Tractive power had similarly decreased 251,356,000 pounds, or a decrease in tractive power of freight locomotives of 14.6 percent.

Passenger locomotives had decreased in number from 11,321 units in 1929 to 7,655 units in 1936, a decrease of 3,666 units, representing 32.4 percent of those in service December 31, 1929, and a decrease in tractive effort of 25.4 percent. Locomotives available for either freight or passenger service had decreased from 1,584 units to 1,563 units in 1936, a decrease of 21 units, representing a decrease of 1.3 percent, whereas the tractive power had increased 27.2 percent, indicating more powerful units acquired for this service.

Switching locomotives numbered 10,426 in 1929 and 8,249 in 1936, or a decrease of 2,177 units, equivalent to 20.9 percent of this class of service. Tractive effort declined from 388,161,000 pounds to 331,103,000 pounds in 1936, or a decrease of 57,058,000 pounds, equivalent to 14.6 percent.

From the foregoing it will be seen that the largest decrease in percentage was represented by locomotives in the passenger group, 32.4 percent. Nevertheless, locomotives assigned exclusively to freight declined 20.5 percent and switching locomotives 20.9 percent. It is significant, however, that while units decreased, as did tractive effort, the number of units decreased faster, indicating that replacements were made with more powerful units and that the older and lighter equipment was being scrapped.

Of the freight locomotives in service December 31, 1936, 1,497 units or 5.6 percent of all freight locomotives in service were less than 10 years old, 5,425 units were more than 10 and less than 17 years, and represented 20.3 percent of available freight locomotives. It is significant that 19,773 locomotives, representing 74.1 percent of the entire freight locomotives, were more than 17 years old. In other words, nearly three-fourths of the entire number of freight locomotives are more than 17 years old, and are costing more to maintain and operate than would modern power, which might well replace at least 50 percent of these units. A similar situation exists in respect to switching locomotives. Five hundred forty nine of these units are less than 10 years old and represent 6.6 percent of the equipment so designated. Fourteen hundred seventy three units are more than 10 and less than 17 years old and represent 17.9 percent of all switching locomotives in service. However, 6,227 units representing 75.5 percent of switching locomotives are more than 17 years old. At least one-third of these switching locomotives more than 17 years old could be economically replaced by Diesel power, thereby eliminating the expense of boiler maintenance, which represents approximately 20 percent of the cost of all locomotive maintenance. A reduction in the cost of fuel would result from the fact that when a Diesel is standing it does not consume any material amount of fuel, whereas in the steam units steam must be kept to working pressure at all times regardless of whether the locomotive is standing or working.

As of December 31, 1929, Class I roads owned 2,277,464 freight-carrying cars having a capacity of 105,411,000 tons. As of December 31, 1936, there were 1,758,093 owned units having a capacity of 85,721,000 tons, or a decrease of 519,371 units, and a decrease in carrying capacity of 19,690,000 tons, representing a decrease of 22.8 percent in units and 18.7

percent in carrying capacity. Of the 1,758,093 owned units, 1,712,026 were serviceable. This indicates that the carriers have, in general, been retiring their older and less effective units. However, as of January 31, 1938, only a little more than 6 percent of all cars in service are five years old or less, while 22.31 percent are shown to be more than 25 years old and approximately another 20 percent are more than 20 years old. Under these conditions it would seem reasonable that approximately 40 percent of existing freight equipment could be replaced with modern units to the advantage of both the public and the carriers.

Should business in the near future equal or materially exceed the peak load which occurred during the week ending October 2, 1937, when approximately 850,000 cars were loaded, which is within 50,000 cars of the number which could be handled with existing equipment, it is probable that a serious car shortage would occur.

If the 519,371 units retired between December 31, 1929, and December 31, 1936, were to be replaced with approximately 300,000 cars built during the next three years, it would serve to release an equal number of older and more obsolete cars, those which are 25 or more years old, and at the same time serve as a buffer, should business return to the level of October, 1937.

Therefore, your committee believes that facilities for the purchase of equipment by the use of government funds should be provided. The equipment would itself furnish the security for advances. Loans of this character were formerly authorized and made under the terms of the National Industrial Recovery Act approved June 16, 1933. We recommend that, say, $300,000,000 be made available for loans under similar procedure.

In addition to rolling equipment many railroads could advantageously use new and improved shop equipment and appliances. Much of the present shop equipment is obsolete and can profitably be replaced. This also would provide security, and would be an appropriate use of such funds.

Earnings Certificate

Under existing law the Reconstruction Finance Corporation may make loans to railroads only with the approval of the Commission. Except as to loans to receivers, or trustees, and loans for maintenance or the purchase of equipment, the Commission must, in approving, certify "that such railroad, on the basis of present and prospective earnings, may reasonably be expected to meet its fixed charges without reduction thereof through judicial reorganization." In view of present earnings the requirement for this certificate is unduly restrictive. It may prevent loans for desirable purposes that, from the standpoint of the adequacy of collateral, reasonable assurance of repayment, or the desirability of protecting the Corporation's present position as a creditor, out to be made. Your committee suggests that consideration be given to suspending this requirement for a period of, say, 12 months, and that in lieu thereof for that period there be substituted substantially the certificate which was required under section 210 of the Transportation Act, 1920. That is:

> That the prospective earning power of the applicant, together with the character and value of the security offered, furnish, in the opinion of the Commission, reasonable assurance of the applicant's ability to repay the loan within the time fixed therefor, and reasonable protection to the United States.

Possible realization on some Reconstruction Finance Corporation loans has been impeded or perhaps prevented by injunctions issued by the courts in charge of the properties. This, of course, renders the collateral less desirable and makes loans initially more difficult to justify as adequately secured. Your committee suggests that obligations to the Reconstruction Finance Corporation, in bankruptcy proceedings, be accorded a position in this regard similar to that now given to equipment obligations.

General Credit Structure

From a national standpoint, one of the most important factors in the railroad situation is the possible effect of existing and threatened defaults on general credit conditions. So far as possible, with the facilities available to it your committee has endeavored to appraise this situation. Losses have already been incurred by credit institutions and individuals and additional bankruptcies may add to them. Necessarily such losses, and possible losses, have a depressing effect upon the general business conditions of the country. These considerations add to the importance of stabilizing the railroad industry on a sound basis as rapidly as is possible. Yet, as we view it, they do not justify its consideration as primarily other than a transportation problem.

We have given consideration to numerous suggestions that have been offered with the object of improving railroad credit. Among these are (1) a subsidy to be paid by the government based either on value, earnings over a test period, or fixed charges; and (2) the use of government credit by underwriting or by the guaranty of bonds issued in voluntary reorganization of capital structures designed to reduce the burden of fixed charges. These suggestions, like most others intended to improve the position of railroad credit and securities, contemplate the extensive use of government resources. Of the two your committee believes the second to be more worthy of consideration. Whether the government would be justified in engaging its credit to the extent necessary in so aiding voluntary reorganizations on an extensive scale presents a question of prime public policy. On that you may want the views of government officials dealing directly with credit and financial problems.

Land Grant Rates

For many years land grant reductions, usually 50 percent of the revenue accruing to that portion of the line which is government aided, have been made on government traffic. Through an equalization arrangement competing roads make the same reduction on government traffic in order to participate in the business. The reduction on this account for 1937 is estimated at $7,000,000. For the most part it affects roads in the Western District where, as above noted, financial conditions are worst. The increase in government shipments in recent years has made this reduction from the normal rates assume important proportions. No good reason appears why such reduction should continue. After all, the country must support whatever transportation system it uses. The government, as a shipper, may well pay reasonable rates. We recommend appropriate amendments to existing statutes to remove the requirement for land grant reductions.

Wages and Salaries

Representations from various sources have been made to your committee, both to the effect that the wages of railroad employees should be reduced, at least for a temporary period, as a means of affording quick financial relief to the railroads, and to the effect that such a reduction is not warranted and also might have the unfortunate result of precipitating like reductions by other large industries.

In 1932, when the railroads were in financial difficulties similar to those which they are now experiencing, although less serious in some respects, they were able to reach an agreement with their employees for a temporary deduction of 10 percent from wages which was of very material assistance. This deduction was in part eliminated, beginning in 1934, but not wholly until April, 1935. At the present time, wages are higher than they were in 1932, when this deduction was agreed upon, by about $130,000,000, based on the 1936 level of employment. The actual payroll at present, however, is probably no greater, and may be less, than it was in 1937, when the increased wage rates were agreed upon, because of the large number of employees who have been laid off.

The railroads are now engaged in conferences with their employees for the purpose of determining whether, in view of the financial emergency, an agreement can be reached for a temporary deduction from wages like that which was agreed to in 1932. Such a wage deduction would be a means of very definite and positive financial relief to the carriers. In this respect it differs from an increase in freight rates or passenger fares, the actual results from which are always problematical, owing to the possible effect on traffic.

The policy of the law, as reflected in the Railway Labor Act, is to permit the railroads and their employees to determine matters of wages and working conditions by the process of mutual negotiations, with the National Mediation Board available for the purpose of mediation or to set in motion, with the consent of the parties, processes of arbitration. Provision is also made, in the event of an emergency, such as an impending strike, for the appointment by the President of a fact-finding board. This being the policy of the law, your committee does not feel justified in expressing an opinion either for or against a wage reduction or temporary deduction, and in any event it would be inappropriate for us to express such an opinion without fully hearing both the managements and the men. We are confident that both parties wish to be fair in the pending negotiations, and in reaching their conclusions will take into consideration all relevant matters, including the direct and indirect consequences to the railroads and their operations and to both the employees who are now in service and those who have been laid off.

Reorganization of Railroads

As stated above, 37 class I railroads are in receivership or trusteeship. Obviously the public interest requires that they be reorganized as rapidly as circumstances will permit. Recasting the financial structure of a major property is a vast undertaking. It requires, among other things, a forecast of future earnings. The fluctuations in business in the recent past and the present low level of earnings not only make such a forecast difficult but make security holders unwilling to accept a plan based on present conditions. Until the level of future earnings is more clearly indicated, we are convinced that progress in completing reorganizations must necessarily be slow. Under section 77 of the Bankruptcy Act the Commission and the United States Courts share responsibility. Necessarily there is some duplication. There is an opportunity for a great deal, the extent depending largely on the degree to which these agencies are able to work in accord and along similar lines as to the fairness of plans, etc. Your committee is convinced that there are opportunities for improvement in this legislation. Possibly the establishment of one court to have charge of railroad reorganizations may be desirable. We suggest that the Congress may well give attention to the improvement of the section 77 procedure.

THE LONG-TERM PROGRAM.

There are, your committee believes, important steps which the Government can take for the ultimate and rapid, although not immediate, improvement of the railroads and of the transportation situation in general. In the proposals which we shall submit, we have kept in mind the necessary limits of governmental responsibility and authority under the present system of private ownership and operation. The proposals assume, and will be dependent for their success upon, the cooperation of the private owners (including the bondholders) and their managements within their own fields of responsibility and authority.

I. There is work for the Government to do, with relation to transportation, of a kind differing from that which the Commission was created to carry on. The Commission is essentially a regulatory body. While its duties are chiefly quasi-legislative, in the performance of most of them it functions somewhat after the manner of a court. Primarily it is occupied with the decision of controversies, or cases, involving complicated issues of both fact and law, and requiring hearings, briefs, arguments, conferences, and ultimate reports. It handles a great volume of such work.

In recent years there has been a great and radical change in transportation conditions, brought abour principally by the rapid development of new forms of transportation, not all of which are subject to the Commission's jurisdiction. The railroads have lost much of their former dominance. Competition has become a continually increasing, and often a profoundly disturbing, factor. The present "transportation problem" is very largely the product of that competition, combined with depression. It has created need for readjustments between and within the different branches of the transportation industry, for consideration of present tendencies and their probable results, for the avoidance of uneconomic and wasteful practices, for the survey and possible amendment of governmental policies, and in general for the determination, creation, and protection of the conditions most favorable to the development of a transportation system which will best serve the public interest. Much of this is planning and promotional work, as distinguished from regulation.

In view of the multitude of conflicting interests among those engaged in transportation, we believe that it is necessary for the Government to take the lead in this planning and promotional work. Probably the need has long existed, but it has been vastly intensified by the recent great change in conditions. The Commission, however, is not suited to the purpose. It was constituted for an essentially different purpose. Its methods and organization were designed for regulatory work requiring quasi-judicial procedure. We believe that planning and promotion are separate and distinct from regulation, can be separately pursued without interference, and require unlike procedures and methods.

If the idea were carried to its full logical conclusion, it might involve the creation of a new department of the Government. This new department, in addition to undertaking work such as is outlined below, could take over the conduct of various administrative duties in connection with transportation now scattered throughout the executive departments, including those performed by the Bureau of Public Roads in connection with the construction of highways, by the Army Engineers in connection with the investigation and improvement of waterways, by the Bureaus of Marine Inspection and Navigation and Air Commerce of the Department of Commerce, and by other similar agencies. The creation of such a new department of the Government is a project of such magnitude and difficulty, however, requiring so much time to get it under way and involving so many considerations which would provoke discussion, that we do not propose it as an immediate step.

II. Your committee recommends for immediate purposes the creation of a temporary Federal Transportation Authority of three men, reporting to the President and to be appointed by him with the advice and consent of the Senate. What this Board could do is indicated in subsequent paragraphs. It is hardly necessary to say that its success would depend chiefly upon the character and ability of the three members.

III. The Authority would be helped by the research work which has already been done. An enormous amount of information has been accumulated by the investigations of the Commission, the former Federal Coordinator of Transportation, the carriers, and others. Some of this information may need to be brought up to date, or to be further checked or amplified, and various other inquiries may prove desirable; but by and large basic data necessary for informed judgment and action are available.

IV. We propose that the Authority be given no power to issue orders, but that, except so far as it is authorized to recommend further legislation, it undertake to work out improvements helpful to the situation in cooperation with the carriers and other interested parties, and that it be empowered, also, to present certain matters to the Commission for action. The Authority should not be required to hold public hearings or to follow any other formal procedure. To facilitate voluntary action by the carriers and the obtaining of authority from the Commission, where necessary, certain changes in existing statutes are recommended below.

A body engaged in planning or promotional work inevitably becomes an advocate or proponent. Where a governmental order is required to effectuate what it advocates, and there are opponents who must be given a hearing, obviously such a body cannot be made the judge to pass upon its own proposal. That is why the function of regulating, which requires quasi-judicial procedure, must be kept separate and distinct from the function of planning and promotion.

The Authority could, like the former Federal Coordinator of Transportation, be empowered to issue, without hearing, orders subject to review by the Commission; but such a grant of power is largely form rather than substance. If it should be thought that this would add to the prestige of the Authority, or improve its tactical position in dealing with the Commission, the bill which we recommend can readily be changed accordingly. Our considered judgment, however, is that it is better policy to leave the responsibility for orders definitely and wholly with the Commission, and that if this is done, possible antagonism between the Authority and the Commission will be minimized.

It will be the task of the Authority by negotiations with the carriers and general educational work to reduce to a minimum the opposition to its proposals, so that orders, where necessary, will encounter less resistance. Many of the matters with which the Authority would deal are of such a character that it would be exceedingly difficult to enforce mandatory requirements against any concentrated opposition. The probable result would be prolonged litigation. Moreover, the activities of the Authority would in no wise be punitive or restrictive; on the contrary they would be aimed at the relief of the carriers and the establishment of conditions conducive to their future welfare. It would afford a test of their willingness and ability to cooperate effectively in such an undertaking on the part of the Government. The emphasis throughout should be on cooperation rather than compulsion.

V. In our judgment, the Authority would not need a large appropriation. A million dollars annually should be sufficient (twice what the Coordinator had available), provided the Authority were also authorized to borrow such temporary help from the carriers, from time to time, as they were willing to give. The salaries of the members should be fixed by the President, and there should be authority to select such employees as the Authority may deem necessary without regard to civil service regulations, but with the approval of the Civil Service Commission. Provision should be made for the free transportation of the members of the Authority and its staff by the carriers. The life of the Authority should be limited to 2 years, with power in the President to extend for an additional period not exceeding 3 years, or 5 years in all.

The expenses of the Federal Coordinator of Transportation were borne directly by the railroads, through a form of special taxation. Their financial condition is now such that we doubt the advisability of assessing the expenses of the Authority in this way. Furthermore, the Authority, as we have planned it, would have to do with motor and water carriers as well as railroads.

VI. Probably the greatest opportunity for early helpful action by the Authority lies in the reduction of operating expenses by the elimination of the waste caused by the fact that our national railroad system is owned and operated by a large number of independent companies.

Speaking broadly, there are two means of elimination, one of which we shall term "consolidation" and the other, "coordination". By "consolidation" we mean actual unification of carriers, whether by technical consolidation, merger, purchase, lease, or common control. The word "coordination" is used for convenience to mean cooperative action in a common interest at particular places or with respect to particular matters, but without actual unification of carriers. It may take various forms.

Voluntary consolidation of railroad companies may now be accomplished, subject to certain limitations, with the approval of the Commission. Below we discuss the objections to the present statute, and propose certain changes. Some forms of coordination may now be accomplished by the carriers without supervision by the Commission. In other instances, the approval of the Commission for all, or some features of, the transaction must be obtained. Thus, pooling of competitive traffic requires such approval, and certain features of terminal unifications may require it. In the case of both consolidations and coordinations, we believe that a body, such as the proposed Authority, representing the Government, can do much to promote action. The conflicting interests of railroad managements are such that disinterested intervention of this character is necessary.

The staff of the Federal Coordinatory of Transportation, 1933-36, made extensive investigations into a wide range of coordination possibilities, including, among others, opportunities for economy in:

Unified operation of terminal facilities at points served by two or more railroads.

Formation of car pools.

Unified handling of less-than-carload, freight-forwarder, and express traffics.

Pooling of passenger or freight traffic in numerous situations.

Unse of freight containers, interchangeable between all railroads and with other carriers.

Joint utilization of shops and other repair facilities.

Cooperation in scientific and engineering research, in standardization and handling of materials and supplies, in purchases, and in disposition of scrap.

Better methods of interline accounting and settlements, including establishment of a central railroad or transportation clearing house.

Cooperation in handling of fiscal work.

Progress in the realization of such opportunities was hindered by the provisions in the Emergency Railroad Transportation Act, 1933, for the protection of railroad labor, and by the fact that the detailed working out and adoption of such plans affecting many railroads require time, and much of it.

It is, we think, very generally agreed that there is a large amount of waste in the railroad industry of the character above described. There are those, however, both in and out of the industry, who do not believe that it is practicable to eliminate this waste by coordinations under present conditions. The number of independent managements is, they feel, too large for effective negotiations and agreements. They would accomplish the objectives, therefore, primarily by consolidations, to be followed by coordinations after the number of separate companies has been reduced.

Theoretically, the maximum opportunity for eliminating the present waste would be created by unification of all railroads into a single system; and the next best opportunity, by combining them into a very few systems. Practically, the difficulties of unification into a single system would be very great. It could only be accomplished by a use of the power of eminent domain on a huge scale, and would require much the same legal procedure as Government acquisition of the properties. The effective and efficient administration of such a system would require a new and wholly untried plan of organization. Public opinion would not, we believe, support such a system. Much of the same difficulties and objections would attach to the creation of a few great systems, and in addition such a plan would preserve railroad competition at certain centers of population but eliminate it at many others. There is well-founded opinion to the effect that smaller railroad companies permit of more intensive and efficient management. We incline to the belief that the best practicable results can be secured by a limited amount of consolidation, coupled with broad development of cooperative coordination. The Authority, however, would be free to give consideration to every point of view, and to direct its efforts toward consolidation or coordination, or both, as its judgment might dictate after study and experience.

The control over consolidations which the Commission would exercise, even after the change in the statute proposed below, would furnish a check upon the judgment of the Authority in this respect.

In considering this matter, it should be borne in mind that consolidations not only open the door to important savings in expense, but may also, by exchange of stock of a strong railroad for bonds of a weak railroad, afford a means of reducing fixed charges. It should also be noted that if the process of consolidation and coordination is carried to the limits possible under present conditions, much valuable railroad real estate in the larger communities will be released for sale, to the advantage of both the railroads and the communities.

VII. The Emergency Railroad Transportation Act, 1933, (under which the Coordinator was established) provided that no railroad employee in service in May 1933 could be deprived of his employment or be placed in a worse position with respect to his compensation by reason of any action taken pursuant to the Act. The Coordinator, after much research, drafted and recommended, as a substitute for this provision a bill providing for reasonable dismissal compensation in the event of coordinations displacing labor. In 1936, you urged the managements and the employees to negotiate in regard to this matter, expressing the view that it could be handled to better advantage of all concerned by agreement rather than by legislation. Negotiations resulted, and in May, 1936, the managements and employees of most of the important railroads agreed upon a plan which affords reasonable protection to employees displaced by coordination or consolidation and at the same time permits immediate realization by the railroads of some of the economies and gradual realization of the remainder.

In view of this agreement and the policy which it represents that this matter should be handled in this way rather than by legislation, we have included in the bill which we recommend no provision for the protection of labor. However, we have included a provision which would give any railroad company affected by an order under the Act the right to retire employees of 65 years of age or over who are subject to the provisions of the Railroad Retirement Act of 1937. That Act does not now authorize such compulsory retirements. They would relieve the situation with respect to displaced labor, and those so retired would have the benefit of the pensions for which the Retirement Act provides. Our information is that this can be done without increasing the present basis of taxing the companies and the men.

If any further provision for the protection of labor is desired, we suggest that the matter be considered by a special committee made up of representatives of the Social

Security Board, the Railroad Retirement Board, and the National Mediation Board.

With respect to the argument that consolidation and coordination would add to unemployment, we believe that the situation and the choice are not so simple as this argument would suggest. If all means are used to decrease the cost of railroad operations, the chances for a railroad service that will thrive and grow and be capable of adding to employment will be vastly improved. Under conditions as they now exist, the prospects point to the continuation of a shrinking railroad service. Consolidation and coordination will, therefore, pave the way to better rather than worse unemployment conditions, and the 1936 agreement will afford a protection against hardships from the process of change such as labor enjoys in no other industry and such as the Government does not even extend to its own employees. Furthermore, traffic and railroad employment are now at the bottom. It will take time to work out consolidations and coordinations, with the result that they are likely to take place in a period of rising traffic. This will greatly minimize, and may eliminate, their adverse effect on labor, especially if the railroads have the right to retire employees of 65 years of age or over.

VIII. As is well known, the Transportation Act, 1920, sought to promote the consolidation of the railroads into a limited number of systems. To this end the Commission was directed to prepare a consolidation plan conforming to certain specifications, to which future consolidations must conform. The weaknesses of this scheme were thus stated by the former Federal Coordinator of Transportation:

> 1. Consummation is dependent wholly upon the voluntary action of the carriers. No matter how good a plan it may be, it can only be made effective to the extent that it is to their liking.
>
> 2. Independent carriers have in general found it impossible to effect consolidations by mutual agreement, subject to the approval of the Commission. The prevailing method is for one carrier to acquire a controlling interest in the stock of another, or for some agency to acquire such interests in the stocks of both, prior to arranging for a consolidation or other unification. Such operations drive up the price of stock which is being acquired, often to unwarranted levels, and usually involve a diversion of railroad cash which could better be used for other purposes. The results are particularly unsound when borrowed money is used to acquire these stock equities.
>
> 3. Even if a consolidation be arranged and finally approved by the Commission, considerable amounts of cash will now usually be necessary to take care of dissenting minority interests. The inability of the railroads to obtain cash during the depression has halted progress in consolidations and unifications.
>
> 4. It is very difficult, if not impossible, to devise a plan which conforms to the elaborate specifications of the act, and any plan can only meet these specifications temporarily, owing to continual change in underlying industrial and financial conditions.

5. The rapid development of competition with the railroads from other forms of transportation has made the emphasis in the act upon the preservation of railroad competition unnecessary in the public interest.

The fourth report of the Coordinator (House Document No. 394, 74th Congress, 2d Session, Appendix C) presented a draft of legislation designed to correct these weaknesses in the present law. This proposed legislation would eliminate the present consolidation plan, and give the Commission authority to approve any unification which it finds will promote the public interest, with specification of matters to be considered in determining that issue. It would also give the Commission authority, through resort to the power of eminent domain, to require a unification, where it is sought by at least one carrier. It would further provide for consummation of mergers by exchange of securities on a fair and equitable basis without the use of cash.

Your committee is inclined to believe that a statute of this character may prove necessary, but for the present we provide, in the bill which we recommend, only for the elimination of the consolidation plan and for authorization by the Commission of any unification which it finds will promite the public interest, with appropriate specification of the matters to be considered in that connection. We do, however, include a section directing the Authority, if, after study of conditions, it reaches the conclusion that compulsion by governmental authority, or other means of facilitation, is necessary to accomplish the results desired, to report accordingly to the President and Congress, through the Commission, with a full statement of its reasons for this conclusion and a draft of the legislation recommended. The Authority is also empowered to intervene for or against any application by a carrier or carriers seeking Commission approval of a unification project.

IX. Section 5(1) of the Interstate Commerce Act now permits railroads, with the approval of the Commission, to pool or divide their traffic or earnings. All the railroads concerned, however, must assent to such a plan, and the Commission must find that it will not unduly restrain competition. Such pooling or division of traffic or earnings may often, we believe, be a very effective means of eliminating waste and strengthening the railroad situation. In the bill which we recommend, therefore, we propose to amend section 5(1), so that the Commission may require such pooling or division, whether or not the carriers assent, and we have also stricken the provision with respect to undue prestraint of competition. In view of the intense competition now prevailing between the various forms of transportation, we do not regard it as necessary to lay so much stress as in the past on the competition of railroads with each other. The bill also requires the Commission to institute a proceeding upon its own motion, if the Authority so petitions, with a view to requiring particular arrangements for pooling or division of traffic or earnings.

X. There are many possibilities in the way of coordination which are not covered by the consolidation or pooling provisions of section 5 of the Interstate Commerce Act. In the bill which we recommend, the Commission is given power, upon petition of the Authority, to require such coordinations, and it is provided that any order which it so issues shall, as in the case of an order under section 5 of the Interstate Commerce Act, bar the operation of Federal or State anti-trust statutes or similar prohibitory measures. We doubt the practicability of such orders, if the railroads generally were hostile to the project in question, but believe that the situation would be otherwise if only a minority of carriers were unwilling to make the change. Even where all carriers concerned are willing, moreover, an order may be desirable to bar the operation of prohibitory statutes, or to provide for just compensation for use of carrier property or services. The emphasis should, in short, be on cooperation, but power in the Commission to order is a desirable reserve power for the reasons above indicated.

Substitution of motor or water transportation is recognized in the bill as a means, under certain conditions, of obtaining greater economy and efficiency in operations. In such event, existing motor carriers or water carriers, as the case might be, ought to have an opportunity to provide the desired service, other things being equal. The Motor Carrier Act, 1935, does not, however, empower the Commission to establish through routes and joint rates between rail carriers and motor carriers. Our bill gives the Commission such power in acting upon a petition from the Authority. The bill does not, however, dispense with the need for securing all necessary authority, as required by the Motor Carrier Act, for new motor carrier operations or for railroad acquisitions of existing motor carriers.

XI. Some coordinations, such as unification of terminals, may involve capital expenditures to some extent, if they are to be successful. Under present conditions, the railroads may be unable to secure the necessary capital from private sources. The bill which we recommend, therefore, provides that in such an event the consummation of the project may be made contingent upon the loan by the Reconstruction Finance Corporation of the necessary funds upon such terms and conditions as the Commission may find reasonable in the circumstances. The Reconstruction Finance Corporation is authorized, in its discretion, to make such loans upon such a finding by the Commission.

XII. The jurisdiction of the Authority should extend in some degree over motor carriers and water carriers as well as over railroads. This is necessary because it is the widespread and bitter competition between these three forms of transportation particularly which is the chief cause, aside from the depression, of their present grave financial troubles. It is essential, for the future improvement of transportation conditions, that concentrated attention be given to this matter. Freight rates have become more unstable and chaotic than for long years past, and it is certain that much traffic is being carried, particularly by railroads and motor carriers, under uneconomic conditions, so that it imposes an unwarranted burden upon other traffic or on carrier finances.

In the first place, the facts ought to be brought clearly to light as to the extent that transportation is being furnished in part at government expense. The former Coordinator undertook a very extensive investigation of this matter, and the results of that investigation will soon be available in print. These reports will contain an immense amount of valuable information. Further investigation of certain phases may be desirable, but in due course the Authority would be able to present to the country the essential facts. In the light of these facts it should be possible to resurvey Government policies with respect to financial aid to transportation and the promotion of particular projects and consider their soundness and wisdom in all respects. It is probable that considerable opportunity will be found for improvement.

In the second place, and even more important, it is most desirable that the relative economy, and fitness in other respects, of the three types of carriers for transportation, or particular classes or descriptions thereof, be determined as well as may be, in order that their use may be encouraged for certain purposes and discouraged for others. This is of the very essence, if we are to have a well integrated transportation system, functioning as efficiently, effectively, and economically as possible. An important part of this study should be to determine the opportunities for the joint and cooperative use of the three kinds of transportation. All have their place and they can be made to fit together with advantage to themselves and the country as well to a very considerable extent.

The bill which we recommend provides for a thorough consideration of this general subject by the Authority. It is authorized to confer freely with the carriers and to encourage and promote voluntary action on their part which will improve conditions, but in the event that it finds that further legislation is desirable, it is directed to report, through the Commission, to the President and Congress accordingly.

XIII. There are other matters to which the Authority might well give attention with a view to the improvement of transportation conditions. The bill which we recommend contains no specifications as to such matters, but it does, in one of the sections, give the Authority blanket opportunity to give them consideration.

A draft of a bill such as your committee recommends for the creation of a Federal Transportation Authority is herewith submitted.

Fixed Charges

The railroads carry a heavy burden of "fixed charges". By this term is meant, for present purposes, payments in the nature of a return on investment which must be made each year regardless of the state of earnings, if bankruptcy or receivership is to be avoided. They chiefly include obligatory interest on debt and rentals. The amount is indicated in our preliminary statement of railroad statistics. Few industries carry as heavy a burden of this character.

There are several reasons for this. The railroad industry is old, as industries go. In the early days it was common practice to build railroads out of the proceeds of bond issues. Stock was issued as a bonus or for purposes of control. Another reason is that insurance companies, savings banks, and other fiduciary institutions have great funds of capital for conservative investment, and they are often limited by law to bonds meeting certain specifications. Such capital has in the past been available to many railroads through the issue of bonds at low interest rates, to the considerable advantage of stockholders when earnings were good. A further reason is that railroad equipment, which is movable and capable of rather general railroad use, has been regarded as exceptionally good security, so that it has been the custom to finance such purchases largely by sale of equipment-trust certificates. In many cases, railroads have been compelled to borrow, often on unfavorable terms, because their earnings did not permit the sale of new stock.

From one point of view the using public is not concerned with the amount of railroad debt. The railroads have a constitutional right to endeavor to obtain, if they can under reasonable rates, a fair return on the rate-making value of their properties. This right is in no way affected by the ratio of debt to stock. The public, however, has a very practical interest in the matter, to the extent that an unduly high ratio impairs credit and the ability of carriers to provide the most economical and efficient service, or leads them to scrimp on maintenance and service to keep out of bankruptcy.

It is probable, indeed, that during the depression this heavy burden of fixed charges has chiefly distinguished the situation of the railroads from that of many other industries.

Railroad revenues shrank very greatly, but so did revenues generally. In the case of the railroads, however, the shrinkage threatened or precipitated bankruptcies of large companies to an unusual extent, because of the high level of fixed charges.

Some have seemed to think that railroad fixed charges could be reduced by statute. Of course they are contractual obligations and cannot be avoided, except by inability to pay and the procedures of bankruptcy or receivership, or by consent of the creditors. Where a railroad is large and its bonds widely held, it has not heretofore been practicable to secure such consent, although it is possible that present conditions may change this situation somewhat.

In January 1938, steam railroads were in receivership or bankruptcy with an aggregate operated mileage of 77,729, or 30.6 percent of the total. For the time being these roads are largely relieved from fixed charges, and their pending financial reorganizations will afford much permanent relief. Because many were railroads conspicuously overburdened by fixed charges, these reorganization, if properly accomplished, will greatly improve the general situation. If low earnings persist, an increasing number of railroads will obtain relief through the bankruptcy route.

There is some misunderstanding of the fixed-charge situation and its significance. Many seem to think that these charges represent an unjust burden, and that if it could be removed, all would be well. The fact is that these charges constitute a comparatively modest return on only a part of the legitimate investment in railroad property. There is nothing unjust about this return. The objection to it lies in the contractual obligation to pay regardless of conditions, thus making it difficult for the railroads to weather our periodical business depressions.

Moreover, as above indicated, even if the investment were more largely represented by stock rather than bonds, the right to obtain, if possible, a return on the fair value of the property would still remain. The advantage of stock is that in times of depression dividends can be passed without danger of bankruptcy. But the fact that they are so passed is in itself a reason why they should, if possible, in times of prosperity be paid in generous measure, at least on stock supported by property value. Indeed companies cannot long maintain good credit unless they are paid. Careful investors will not buy bonds unprotected by a heavy margin of earnings over and above the interest charges. Not only that, but unless earnings are sufficient to make stock attractive to investors, railroads will be forced to do all their financing by borrowings, thus recreating the burden which the bankruptcies are reducing, and eventually putting a stop to financing.

Summing up the fixed-charge situation, it is in need of correction chiefly because of the difficulties which it creates in times of depression. It is in process of correction to a very considerable extent, through the procedures of receivership and bankruptcy. However, reduction of this fixed-charge burden, while much to be desired, is not a cure for basic railroad ills.

Financial Abuses

As has been shown by various investigations which have been made in the past and by that which is now being conducted by the Senate Committee on Interstate Commerce, the railroads have suffered from what may be termed, for want of a better designation, "financial abuses." Broadly speaking, they have been of four main types: (1) The acquisition of controlling interests in other railroads, or other transportation companies, at extravagant prices and often with a consequent improvident increase in indebtedness, and often associated also with the use of holding companies to this end and with a view to greatly minimizing the investment necessary for control purposes; (2) acquisition of terminal or other auxiliary properties from shipping interests on an extravagant or improvident basis for traffic control purposes; (3) improper or misleading accounting for the purpose of concealing actual financial condition; and (4) unwise issuance of securities in the interests of those who market such securities.

Legislation in 1933 had the effect of bringing such abuses under better control, but further legislation to this end, coupled with better implementation of the Commission for the purpose, is desirable. Recommendations with respect to such legislation, covering the holding company situation among others, will no doubt be brought forward by the Senate Committee. We believe it to be clear that the expenditure of carrier funds for other than strictly carrier purposes should be permitted only after approval by the Commission. As an aid in such supervision, non-carrier subsidiaries of railroad companies should be brought within the Commission's jurisdiction.

Transportation Regulation

Your committee believes that transportation presents a single problem, interrelated in all of its parts, and should be dealt with by the Government as such. In one of his reports, the former Federal Coordinator of Transportation suggested the following declaration of policy by Congress in connection with proposed legislation:

> It is hereby declared to be the policy of Congress to promote, encourage and develop an adequate national transportation system embracing all necessary transportation service and facilities for the efficient handling of the commerce of the United States and for the national defense; to deal fairly and impartially with each mode of transportation, whether by rail, by water, by air, by highway motor vehicle, by pipe line or by any combination of any two or more of the several modes of transportation; and to foster and preserve all such modes of transportation to the extent consistent with the development of an adequate national transportation system as above described.

The Commission in its annual reports has expressed similar views. If there is to be such equal and impartial treatment of all the important forms of transportation, it is highly desirable, in order that the results desired may be effectively accomplished, to concentrate regulatory activities in a single agency. This has now been done in the case of railroads, motor carriers, and pipe lines. We believe that it should be done with respect to water carriers and air carriers. A bill providing for such regulation of water carriers has been reported by the Senate Committee on Interstate Commerce and hearings on a similar bill have been concluded by the House Committee on Merchant Marine and Fisheries. The way is thus open to the enactment of such legislation at the present session. There is like opportunity with respect to the regulation of air carriers.

With respect to the concurring expression, Commissioners Eastman and Mahaffie desire to say that they do not differ from Chairman Splawn that a reorganization of the Interstate Commerce Commission is desirable, particularly if it is to be given additional or more extensive regulatory duties. However, they are not satisfied that the plan of reorganization which he suggests has been sufficiently considered and worked out, or that it is basically the most desirable plan. In their judgment this is a matter of such importance and concern to so many interested parties, and of such inherent difficulty, that it is not practicable to attempt to deal with it at the present session of Congress, or desirable to inject this issue for immediate consideration in connection with the legislation which the report recommends.

Respectfully submitted,

Walter M. W. Splawn
Joseph B. Eastman
Charles D. Mahaffie

SPLAWN, Chairman, concurring:

I am writing this separate expression to emphasize some of the recommendations we are making and to call attention to the desirability of better adapting existing organization for regulation of interstate common carriers as well as to provide for a new Authority to promote and develop coordination and the elimination of undue competition.

Before recommending legislation it is necessary to make a brief summary of the more important facts of railway transportation.

The mileage of steam railways in the United States reached its peak in the year 1916. In that year the total was 254,251 miles. There has been a decline in nearly every year since that time, and in 1936 it was 240,104. There was a further decline in 1937. However, the volume of freight originating on these rails did not reach its peak until 1926 when it aggregated 1.4 billion tons. In ton-mileage, the peak of 450 billions was reached in 1929, the average haul being somewhat longer in 1929 than in 1926. The number of passenger-miles of railway travel reached its peak of 47 billions in 1920.

The central, all important fact concerning the present railway situation is the extent of the falling off in both freight and passenger traffic since 1929. From 1929 to 1936, for example, tons of freight originated on Class I, II, and III railways declined from 1.4 billion to a little over 1 billion, or in excess of 28 percent, while the number of passengers carried fell from about 786 to 492 million, or more than 37 percent. Revenue ton-miles fell, roughly, from 450 billion to 341 billion, a decline of over 24 percent and revenue passenger-miles from over 31 billion to barely 22.5 billion, or more than 27 percent. In 1937, the ton-miles for these roads are estimated to be 80 percent and the passenger-miles 79 percent of those of 1929, but these passenger-miles were about 52 percent of those in 1920.

The increasing competition of motor trucks, pipe lines, and other carriers with the railways is indicated by the Interstate Commerce Commission's study of the fluctuations of railway freight tonnage originated on Class I roads as compared with the tonnage of production. This analysis would indicate that, as compared with the average condition of 1923-1925, the spread between the two trends had widened by 1936 to the extent of 196 million tons of freight. This figure is equivalent to about 20 percent of the total tonnage originated on Class I carriers in 1936. While the foregoing declines in passenger traffic are due in part to the growth of air and bus passenger transportation, they undoubtedly reflect chiefly the even more significant inroads of private passenger automobiles.

The losses of the railways resulting from the competition of other transportation agencies, however, have not been confined to the absolute declines in the volume of traffic. The traffic declines referred to above are rendered the more serious because of the declining prices per ton and per passenger mile. Thus the revenue per ton-mile for all freight traffic on all Class I, II, and III roads dropped from 1.088 cents in 1929 to .984 cents in 1936, or not far from a loss of 10 percent. This decline was due for the most part to voluntary reductions by the rail carriers to meet competition. For the Class I roads from 1929 to 1937 the ton-mile revenue declined more than 13 percent.

In the case of passenger traffic, not only has there been the pronounced decline in the number of passengers carried and the passenger-miles, but a steady and progressive decrease in revenues per passenger-mile resulting principally from fare reductions designed either to prevent further losses or procure increases in traffic in competition with private automobiles and busses. In 1929, for all three classes of roads the revenue per passenger-mile was 2.811 cents; in 1936, it was 1.840 cents, a decrease of over 34 percent. For the Class I roads from 1929 to 1937 the decline was in excess of 36 percent.

As a result of the foregoing developments, railway passenger revenues for Class I, II, and III roads fell from not quite 876 million dollars in 1929 to 413 million in 1936, or over 52 percent. Railway freight revenues for the same roads declined from barely 4.9 billion in 1929 to less than 3.4 billion dollars in 1936, or over 31 percent. If the unit revenues of 1937 for the Class I roads had been as high as those of 1929, the gross revenues in 1937 would have been greater by over 750 million dollars.

Although the roads have rather consistently succeeded in reducing their operating expenses, in the face of the aforesaid declines in traffic and revenues, the amount of their losses in the latter respects has been so great that the net railway operating income has suffered severe declines. Thus in 1936 the operating expenses of the Class I, II, and III roads were just under 3 billion dollars, or more than 35 percent below those of nearly 4.6 billion in 1929. Despite this decline in operating expenses, total net railway operating income none the less fell from not quite 1.3 billion dollars in 1929 to about 676 million in 1936, or over 46 percent.

The presence of competitors in the field of transportation for the traffic which seemed formerly to belong exclusively to the rails explains why it is not possible to solve the railway problem by the simple expedient of raising the prices of the railroad service. It is true that the motor carrier industry has in recent years been brought under Federal regulation. The Interstate Commerce Commission recently said that (226 I.C.C. 73), a very practical situation confronts the organized motor carriers. "Because of the vast number of carriers, common, contract, and private, which are competing for the traffic with the rail and rail-water lines, it would be impossible for the organized highway carriers to proceed independently or as individuals. Should this be attempted, the remaining highway carriers which did not increase their rates might gather to themselves

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the traffic, and because of the increased volume secured their situation would improve while that of the carriers which attempted to make increases would become so much the worse."

The decline in railway rates and fares since 1929 is largely the result of voluntary reductions made by the railways themselves. These reductions have been unevenly distributed, the cuts being made only where necessary to hold the traffic, especially for the shorter distances. Many of the most important rates are still no lower than the 1929 level. To increase all freight rates by the uniform percentage of 15 percent recently requested by the railways could greatly accentuate the disparities. The Interstate Commerce Commission granted increases in its decision of March 8, 1938, which, added to the increases in rates effective at various dates in 1937, will raise the maximum freight rate level above that in effect at the beginning of 1937 by about 7½ percent. The increases granted will little more than compensate for increased wage and material costs and taxes recently effective compared with those of 1936.

In addition to these increases which the carriers estimate they can get by applying uniformly a percentage, they are free to restore the rates which they have voluntarily reduced. But for competition such restoration could be made. The maximum which could be realized from such restoration of voluntarily reduced rates would be about 10 percent of the gross freight revenue. This, added to the average increase of 5 percent on the maximum reasonable rates

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authorized in Ex Parte 123, makes a possible increase in gross freight revenues of 15 percent. Because of undue competitive conditions nothing like this 15 percent will be realized. These competitive conditions likewise bear down with comparable heaviness upon common carriers by highway and by water.

At the present session of Congress, legislation should be enacted which would accomplish the following:

A Stabilization of Railway Credit

Necessary amendments to existing statutes should place the Reconstruction Finance Corporation in a position to make any loans for the payment of interest on railroad bonds to banks which might appear to be necessary in the general public interest. The Reconstruction Finance Corporation should further be authorized to make loans for the purchase of new equipment up to at least $300,000,000. A survey might disclose that such loans could well be made to a much greater amount. The Reconstruction Finance Corporation should also be authorized to make loans for rehabilitation of properties. These loans should be on liberal terms, perhaps in exchange for preferred stock or for certificates comparable to equipment trust obligations, placing the government's claim for these loans in behind existing bonds. Consideration should be given to the feasibility of legislation which would enable the Reconstruction Finance Corporation, perhaps with the advice of the Interstate Commerce Commission, to refund outstanding railroad bonds at an interest rate not to exceed $2\frac{1}{2}$ percent. In order to effect such a refunding it might be necessary for the government to stand behind the interest of the bonds for a period of years.

Protection of Railway Companies from Exploitation

The Senate Committee on Interstate Commerce has been making an intensive study of the problem of railway holding companies. In the light of their investigations an amendment should be promptly drawn to the holding company provisions of the Interstate Commerce Act which would at least prevent the development in the future of the control of railroad companies through the holding company device; which would encourage the dissolution of existing holding companies set up and used for such control; and which would give the Interstate Commerce Commission access to the books and accounts and jurisdiction over such holding companies as may be necessary to a system to meet the requirements of State laws. Such legislation in connection with other remedial statutes recommended would go far toward protecting railroad companies against dissipation of their revenues.

The Reorganization of Insolvent Railroad Companies

At the end of 1936 there were 91 roads of all classes in the hands of receivers and trustees, operating 69,712 miles of road, of which 64,878 were owned. The investment of these companies in road and equipment was slightly more than 5 billion dollars, and they had capital stock and unmatured funded debt in excess of 3.5 billion. Several additional roads passed into receivership or trusteeship in 1937 and the first part of 1938. At the present time there are 10 Class I roads operated by receivers and 27 by trustees. These 37 companies own 62,767 miles of road with a little over 3 billion dollars unmatured funded debt and 2 billion dollars of capital stock. In addition, these roads had substantial amounts of funded debt matured and unpaid, receiver's certificates and the like outstanding.

In order to bring about the most equitable reorganizations, it appears desirable further to amend section 77 of the Bankruptcy Act so as to relieve the Federal district courts of all responsibility for the reorganization of the properties. This task should be transferred to a specially created court of at least three judges with a provision for appeal direct to the Supreme Court. This court should be tied in with the Finance Division of the Interstate Commerce Commission, perhaps by the President, with the advice and consent of the Senate, designating a commissioner to be a member of the court, and further by making available to the court the facilities of the Commission. Either the Commission with the approval of the reorganization court, or the court on its own motion, should be authorized to draw up a plan of reorganization of a company and be empowered to put it into effect. Where there is doubt as to the existence of an equity for a class of security holders, rights might be exchanged for such securities with a limitation of the period within which such rights could be exercised.

This court could be either constitutional or legislative. If constitutional, it could be an existing circuit court of appeals designated for this task; or a court composed of judges to be designated by the Chief Justice of the Supreme Court; or it could be composed of new judges appointed by the President with the advice and consent of the Senate. An existing circuit court of appeals would already be busy with the grist of litigation. Judges in districts or circuits who might be particularly fitted for service on this court are likewise busy. If a constitutional court is set up, it would perhaps be best to be composed of new judges, appointed by the President with a view to their fitness for this special work. If the work should be completed within a few years, the judges could be assigned to other courts.

A legislative court like the Court of Claims could be composed of judges who would serve while the court is needed. Appeals might be taken from the legislative court directly to the Supreme Court as is now done from the Court of Claims. The Court could be given access to the facilities of the Interstate Commerce Commission. If necessary the staff of the Commission's Bureau of Finance could be increased in order to serve this court during the pendency of reorganization proceedings.

An officer could be attached to the court known as a Conservator. This Conservator could pass upon the qualifications and fitness of receivers and trustees appointed by the district courts. He could keep in close touch with the management of the properties under reorganization and advise the court when it would be feasible to adopt a plan of reorganization. He might be permitted to nominate to the Federal District Court receivers and trustees.

Reorganization of the Interstate Commerce Commission

At first the Interstate Commerce Commission was composed of five members and its authority was for the most part limited to the regulation of charges and the prevention of discrimination in charges and practices. By 1920 the membership had been increased to eleven and the administration of a variety of statutes had been assigned to the Commission.

The most important work of the Commission continues to be the regulation of the charges which carriers may make for their services and the prevention of unlawful discriminations. There are, however, a number of other very important duties assigned to the Commission.

At present the Commission carries on most of its work through its divisions. Appeals lie from the divisions to the entire Commission. Each of the eleven commissioners must pass upon every petition for reconsideration of the action of a division.

Paragraph (4) of section 17 should be amended so as to authorize a division to make a final order subject to review by the courts. With such an amendment, the Commission could then organize into appropriate divisions, each of which could finally pass upon matters submitted, subject always to review by the courts. I am submitting my view of a workable reorganization of the Commission along functional lines. While I have submitted this idea to the Commission for study, there has been no action by the Commission with reference to it. In the event of serious consideration of this suggestion, the criticisms and judgment of the Commission should be sought. Such a reorganization could be as follows: A General Division, a Finance Division, and a Rate Division. To the Division of Rates there would be assigned the regulation of all rates over which the Interstate Commerce Commission has jurisdiction, the valuation of carrier properties for rate-making purposes, and the division of rates between carriers. To the Finance Division would be assigned all matters pertaining to the issuance of securities, certificates of public convenience and necessity, and related matters. To the General Division would be assigned all other matters not assigned to the Rate Division and the Finance Division.

The Rate Division should be composed of seven commissioners; the Finance Division of three commissioners, and the General Division of three commissioners. That would make thirteen assignments for the eleven commissioners. Such a division of labor could be made by having the Chairman of the Commission serve only on the General Division and one commissioner give all of his time as Chairman of the Finance Division. Two commissioners could be assigned both to the General Division and to the Finance Division. When necessary the Chairman of the Commission could assign to the Finance Division one or two commissioners from the Rate Division. It could be provided that upon a motion of any division the entire Commission could consider whether or not it would pass upon a question which might appear to be of commanding national interest. One member of the General Division could be a permanent Chairman of the Commission and ex officio chairman of the General Division, to be appointed by the President of the United States as has already been recommended by the Federal Coordinator of Transportation. To this chairman could be assigned such duties as were described by the Coordinator in his report on the reorganization of the Commission. The new Authority which we recommend could report through the General Division of the Commission. The General Division could, in most cases, dispose of all matters brought to the Commission by the Authority.

At the present time the Chairman of the Commission performs the duties of the chairmanship for only one year. During that time he also performs the ordinary duties of a commissioner and is not relieved therefrom in any respect in consideration of his duties as Chairman. For many years it has been the custom for the Commission to select each year a new chairman, each member serving in rotation. The result is that the chairmanship is not necessarily held by the member best fitted for the position. Due to the necessity of performing the usual duties of a commissioner the Chairman can not devote the attention to the chairmanship which it should have. There is little opportunity for him to give special study to reforms or improvements in procedure or administration. Such matters, moreover, are not made the particular function of the Chairman but are left to the discretion of the entire Commission whose time is fully occupied with other duties.

The Chairman would be primarily the administrative director of the work of the entire Commission. This change in the functions and authority of the Chairman would give the Commission what it does not now have, a permanent executive officer relieved from many routine duties but with the specific duty of expediting and promoting efficient conduct of Commission business and initiating improvements in procedure.

AN ACT

To create the Federal Transportation Authority and to amend section 5 of the Interstate Commerce Act, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Transportation Authority Act."

TITLE I -- FEDERAL TRANSPORTATION AUTHORITY.

Section 1. In view of the serious financial situation of rail, motor, and water carriers in general and the grave danger that they will be unable for the future to serve the nation as adequately, efficiently, and cheaply as its welfare demands, it is hereby declared to be the policy of Congress to strengthen the transportation system of the nation by eliminating sources of waste and weakness and by utilizing each type of transportation in the most effective economic way with a minimum of destructive competition, so that the carriers will better be able to meet present and prospective needs for growth and modernization and for the development of the best practicable service at the lowest reasonable cost.

Section 2. As used in this act -

(a) The term "Commission" means the Interstate Commerce Commission.

(b) The term "Authority" means the Federal Transportation Authority hereinafter provided for.

(c) The term "rail carrier " means any common carrier subject to the provisions of part I of the Interstate Commerce Act, as amended, any common carrier forwarding company utilizing railroad service, and any company owning and leasing cars for railroad use, including any receiver or trustee of any such carrier or company.

(d) The term "motor carrier" means any common or contract carrier subject to the provisions of part II of the Interstate Commerce Act, as amended, including any receiver or trustee thereof.

(e) The term "water carrier" means any common or contract carrier, including any receiver or trustee thereof, which engages by water in the transportation of passengers or property for compensation or hire from one State or territory of the United States, or the District of Columbia, to any other State or Territory of the United States, or the District of Columbia, whether such transportation be wholly by water or partly by water and partly by rail or highway.

(f) The term "carrier" means a rail, motor, or water carrier, as above defined.

Section 3. There is hereby created a body, to be known as the Federal Transportation Authority and composed of three members, who shall be appointed by the President by and with the advice and consent of the Senate. The Authority shall have such powers and duties as are hereinafter set forth and prescribed, and may, without regard to the civil service laws and the Classification Act of 1923, as amended, but subject to the approval of the Civil Service Commission, appoint and fix the compensation of such assistants and agents as may be necessary in the performance of its duties under this act. The Authority may also accept and utilize the voluntary and uncompensated services of officers or employees of carriers or carrier organizations in investigating matters pertaining to the physical operations of carriers and the facilities and properties used therein, and avail itself as fully as may be practicable and desirable of the cooperation, services, records, and facilities of all departments and bureaus of the Government, authorities of any State or municipality, and organizations representing the employees of carriers or users of carrier service. The office of the Authority shall be in Washington, District of Columbia, but it may establish branch offices at other places. The President shall designate one member to serve as chairman, and each member shall receive such compensation as the President shall fix.

Section 4. It shall be the duty of the rail carriers, in furtherance of the policy declared in section 1, to take such practicable action as will (a) have the effect of reducing the operations, facilities, or properties, or the cost thereof, required to meet the reasonable demands of the public for adequate and efficient rail transportation, or (b) enable such carriers by cooperative effort directed to a common end to meet such demands more efficiently, effectively, and economically, including, among other things, the consolidation or other unification of properties, arrangements for the pooling or division of earnings or traffic, the joint use of terminals, shops, and other facilities, the pooling of equipment, or any class thereof, under common ownership or control, collective or cooperative arrangements for the handling of any class of traffic, like arrangements with respect to purchases and various accounting or fiscal matters, and the substitution of motor or water transportation for rail transportation, whether by joint arrangements with motor or water carriers or otherwise. It shall be the duty of the Authority to plan, encourage, and promote such action by rail carriers. In the performance of this duty, the Authority shall particularly direct its attention to the rail carriers which are in receivership or bankruptcy, and especially to those operating in the territory known as western trunk-line territory; and it shall bring to the attention of the Commission any situations where, in its judgment, consolidations or other unifications of railroad properties should be considered in connection with the financial reorganization of carriers in receivership or bankruptcy.

Section 5. Whenever a rail carrier applies or rail carriers apply to the Commission, under section 5 (4) (b) of the Interstate Commerce Act, as amended, for authority to effect a consolidation, merger, purchase, lease, operating contract, or acquisition of control, the Authority is hereby authorized, if it so desires, to intervene on behalf of or in opposition to the applicant or applicants.

Section 6. Whenever a rail carrier applies or rail carriers apply to the Commission, under section 5 (1) of the Interstate Commerce Act, as amended, for authority to pool or divide traffic or earnings, the Authority is hereby authorized, if it so desires, to intervene on behalf of or in opposition to the applicant or applicants. Upon petition of the Authority, also, the Commission shall upon its own initiative institute a proceeding under said section 5 (1) to determine whether it shall by order require the pooling or division of traffic or earnings of rail carriers specified by the Authority in said petition.

Section 7. Upon petition of the Authority, the Commission is hereby authorized and directed to issue and enforce an order giving appropriate directions to rail carriers named in said petition, and made parties to the proceeding with due notice, to take action of the character described in section 4 of this act, (other than action subject to the provisions of section 5 of the Interstate Commerce Act, as amended), as specified in said petition, or to take some part or modification of such action, provided the Commission shall find, after hearing, that such order will be in furtherance of the policy declared in section 1 of this act and of the duties imposed upon said carriers by section 4 and will otherwise be just and consistent with the public interest. Such order may include provisions for such compensation for the use of property or for carrier services as the Commission may deem necessary and just, and at the same time and without further proceedings the Commission may grant any authority necessary under other provisions of the Interstate Commerce Act, as amended, in connection with the action which the order directs said rail carriers to take. In such petition, the Authority may also seek the establishment of through routes and reasonable maximum or minimum, or maximum and minimum, joint rates or fares thereover between named rail carriers and named motor carriers or water carriers; and in that event such motor carriers or water carriers as well as such rail carriers shall be made parties to the proceeding with due notice, and to the extent that the Commission finds, after hearing, that such through routes and joint rates, or any of them, are necessary and desirable in the public interest, it shall by order require them to be established and maintained.

Section 8. If, following a petition by the Authority under section 7 hereof, the Commission after hearing shall find that action by the rail carriers, as specified in the petition, or any part or modification of such action, will require capital expenditures and that the rail carriers concerned are unable to obtain the necessary funds on reasonable terms from private sources, it shall make such order as it may issue, directing such action, contingent upon the loan by the Reconstruction Finance Corporation of such funds; and the Reconstruction Finance Corporation is hereby authorized, in its discretion, to make such a loan upon such terms and conditions as the Commission may, in the circumstances, find to be consistent with the public interest.

Section 9. The carriers affected by any order of the Commission made pursuant to this act shall, so long as such order is in effect, be, and they are hereby, relieved from the operation of the anti-trust laws, as designated in section 1 of the act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and other purposes", approved October 15, 1914, and of all other restraints or prohibitions of law, State or Federal, other than such as are for the protection of the public health or safety, insofar as may be necessary to enable them to do anything authorized or required by such order made pursuant to this act: Provided, however, That nothing herein shall be construed to repeal, amend, suspend, or modify any of the requirements of the Railway Labor Act, as amended, or the duties and obligations imposed thereunder or through contracts entered into in accordance with the provisions of said act; and provided, further, that the Commission shall issue no order which shall have the effect of relieving any carrier from the operation of the law of any State or the order of any State authority, unless it shall have given the Governor of such State prior notice of the proceeding and an opportunity to be heard.

Section 10. The carriers affected by any order of the Commission made pursuant to this act shall thereafter have the right to retire employees who are subject to the provisions of the Railroad Retirement Act of 1937, and who, at the time of such retirement, are sixty-five years of age or over.

Section 11. If the Authority, after study of conditions, shall at any time arrive at the conclusion that the purposes of this act cannot effectively be accomplished without provision for compelling, by exercise of the authority of the Federal Government, or for otherwise facilitating the consolidation or other unification of rail carriers, it shall so report to the Commission with a full statement of its reasons for such conclusion, including in its report a draft of proposed legislation designed to provide the necessary means for such compulsion or facilitation; and the Commission shall promptly transmit such report, together with its comments thereon, to the President and to the Congress.

Section 12. The Authority is hereby authorized and directed to investigate, in such way as it may see fit, the competition existing between rail carriers, motor carriers, and water carriers, with a view to determining, as nearly as may be, the relative economy, and fitness in other respects, of these three types of carriers for transportation service, or for particular classes or descriptions thereof, and what steps which are practicable and in the public interest may be taken to encourage their use for purposes for which they are specially fitten and to discourage their use for purposes for which they are not well fitted, and to promote their joint and cooperative use, all to the end that a system of transportation may be developed and maintained for the nation which will utilize these three types of carriers in the most effective, economic, and efficient way and with a minimum of wasteful or destructive competition. The Authority shall confer freely with the carriers for the purpose of encouraging and promoting voluntary action to this end, and if in its judgment further legislation is necessary in the public interest for the more effective accomplishment of such purposes, it shall so report to the Commission with a full statement of its reasons for this conclusion, including in its report a draft of such further legislation; and the Commission shall promptly transmit such report, together with its comments thereon, to the President and to the Congress. The Authority shall also investigate the extent to which the operations of the three types of carriers are, directly or indirectly, dependent upon or assisted by expenditures of public funds or donations of public property;

and if, after such investigation, it shall be of opinion that conditions exist, or are likely to be created, which are or will be inconsistent with sound public policy in the development and maintenance of the most effective, economic, and efficient system of transportation for the nation, it shall so report to the Commission with a full statement of its reasons for this conclusion and of the steps which in its opinion should be taken to correct such conditions, including in its report a draft of any legislation which it deems necessary and appropriate for such purpose; and the Commission shall promptly transmit such report, together with its comments thereon, to the President and to the Congress.

Section 13. The Authority is further authorized, in its discretion, to investigate or consider any other matter relating to rail carriers, motor carriers, or water carriers which it may deem important to investigate for the improvement of transportation conditions, for the purpose of encouraging and promoting voluntary action on the part of the carriers which will result in such improvement or for the purpose of reporting to the Commission the need for further legislation in the public interest to that end.

Section 14. The Authority and its assistants and agents shall at all times have access to all accounts, records, and memoranda of the carriers and to their properties, and it shall be the duty of the carriers to furnish the Authority, or its assistants and agents, such information and reports as it may desire in investigating any matter within the scope of its duties under this act.

Section 15. Insofar as may be necessary for the purposes of this act, the Commission and the members and examiners thereof shall have the same power to administer oaths and require by subpoena the attendance and testimony of witnesses and the production of books, papers, tariffs, contracts, agreements, and documents and to take testimony by deposition, relating to any matter under investigation, as though such matter arose under the Interstate Commerce Act, as amended and supplemented; and any persons subpoenaed or testifying in connection with any matter under investigation under this title shall have the same rights, privileges, and immunities and be subject to the same duties, liabilities, and penalties as are provided in the case of persons subpoenaed or testifying in connection with any matter under investigation under the Interstate Commerce Act, as amended.

Section 16. The willful failure or refusal of any carrier or of any officer or employee of any carrier to comply with the terms of any order of the Commission made pursuant to this act shall be a misdemeanor, and upon conviction thereof the carrier or person offending shall be subject to a fine of not less than $1,000 or more than $20,000 for each offense, and each day during which such carrier or person shall willfully fail or refuse to comply with the terms of such order shall constitute a separate offense. It shall be the duty of any district attorney of the United States to whom the Commission may apply to institute in the proper court and to prosecute under the direction of the Attorney General of the United States all necessary proceedings for the enforcement of the provisions of this title and for the punishment of all violations thereof, and the costs and expenses of such prosecution shall be paid out of the appropriation for the expense of the courts of the United States; Provided, That nothing in this act shall be construed to require any employee or officer of any carrier to render labor or service without his consent, or to authorize the issuance of any orders requiring such service, or to make illegal the failure or refusal of any employee individually, or any number of employees collectively, to render labor or services.

Section 17. Any final order made under this act shall be subject to the same right of relief in court by any party in interest as is now provided in respect to orders of the Commission made under the Interstate Commerce Act, as amended. The provisions of the Urgent Deficiencies Appropriation Act of October 22, 1913 (38 Stat. L. 219) shall be applicable to any proceeding in court brought to suspend or set aside any order of the Commission entered pursuant to the provisions of this title.

Section 18. The carriers shall be permitted, anything in the Interstate Commerce Act, as amended, to the contrary notwithstanding, to provide free transportation and other carrier service to the Authority and its assistants and agents.

Section 19. This act shall cease to have effect at the end of two years after the effective date, unless extended by a proclamation of the President for a further period of not to exceed three years, but orders of the Commission made thereunder shall continue in effect until vacated by the Commission or set aside by other lawful authority.

TITLE II -- AMENDMENTS TO INTERSTATE COMMERCE ACT.

Section 201. Section 5 of the Interstate Commerce Act, as amended, is hereby further amended by changing paragraph (1) to read as follows:

> "(1) That, except upon specific approval by order of the Commission as in this section provided, and except as provided in paragraph (16) of section 1 of this part, it shall be unlawful for any common carrier subject to this part to enter into any contract, agreement, or combination with any other common carrier or carriers for the pooling or division of ~~freights~~ traffic of different and competing railroads, or to divide between them the aggregate or net proceeds of the earnings of such railroads, or any portion thereof; and in any

case of an agreement for the pooling or division of ~~freights~~ traffic or the division of earnings as aforesaid each day of its continuance shall be a separate offense: Provided, That whenever the Commission is of opinion, after hearing upon application of any carrier or carriers engaged in the transportation of passengers or property subject to this part, or upon its own initiative, that the pooling or division of their traffic or earnings, to the extent indicated by the Commission, will be in the interest of better service to the public, or economy in operation, ~~and-will-not-unduly-restrain competition~~, the Commission shall have authority by order to approve and authorize, or require, ~~if-assented to-by-all-the-carriers-involved~~, such pooling or division of traffic or earnings, under such rules and regulations, and for such consideration as between such carriers and upon such terms and conditions as shall be found by the Commission to be just and reasonable in the premises."

Section 202. Such section 5 is further amended by striking out paragraphs (2) and (3), by renumbering the remaining paragraphs accordingly, and by changing the renumbered paragraph (3) (b) after the first sentence to read as follows:

"If after such hearing the Commission finds that, subject to such terms and conditions and such modifications as it shall find to be just and reasonable, the proposed consolidation, merger, purchase, lease, operating contract, or acquisition of control will promote the public interest, it may enter an order approving and authorizing such consolidation, merger, purchase, lease, operating contract, or acquisition of control, upon the terms and conditions and with the modifications so found to be just and reasonable. In determining the public interest, the Commission shall give due consideration to the promotion of the efficiency and economy of the carriers' service, the affording of better and cheaper service to the public, the securing of a simplified and more effective regulation of the carriers, the ultimate establishment of a number of strong and efficient systems, the due protection of the interests of the stockholders and creditors, the maintenance of such competition among the carriers as is necessary and reasonable in the protection of the public interest; and to all other relevant matters."

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Revenues and Expenses of Transportation in the United States
Year 1936
Separated between Types of Transport

January, 1938
WASHINGTON, D. C.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Revenues and Expenses of
TRANSPORTATION IN THE UNITED STATES - YEAR 1936
Separated between Types of Transport

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INTERSTATE COMMERCE COMMISSION
Bureau of Statistics
Revenues and Expenses of
TRANSPORTATION IN THE UNITED STATES - YEAR 1936
Separated between Types of Transport

Line No.	Type of transport	Source references (See next sheet)	Transportation revenues of common carriers and contract carriers (Millions)	Operating expenses, depreciation and taxes of all carriers: Aggregate (Millions)	Operating expenses, depreciation and taxes of all carriers: Percent of grand total
	Rail Operations				
1	Steam railroads including Class I, II, III line-haul and switching carriers and lessors	1	$4,103	$3,237	15.59
2	Electric railways including their bus operations	6, 16	690	586	2.82
3	Parlor and sleeping car companies .	1	56	50	.24
4	Express companies	1	162	101	.49
5	Less duplications in revenue account payments by sleeping car and express companies to railroads for transportation privileges	1	Cr. 66	-	
6	Sub-total for rail operations.		4,945	3,974	19.14
	Highway Operations				
7	Highway motor trucks, common and contract carriers 1/	4, 13, 17	742	667	3.22
8	Publicly owned motor trucks 2/	9, 13	-	219	1.05
9	Privately owned motor trucks - not for hire	9, 13, 17	-	3,600	17.35
10	Highway motor busses, common and contract carriers 1/ 3/	5	168	146	.70
11	Sightseeing busses	5, 7, 16	8	6	.03
12	School busses (public and private).	16	-	55	.26
13	Other publicly owned busses 2/	9, 16	-	5	.02

Continued on next page

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Summary
Sheet 2 of 4 sheets

Revenues and Expenses of
TRANSPORTATION IN THE UNITED STATES - YEAR 1936
Separated between Types of Transport - Continued

Line No.	Type of transport	Source references (See next sheet)	Transportation revenues of common carriers and contract carriers	Operating expenses, depreciation and taxes of all carriers — Aggregate	Operating expenses, depreciation and taxes of all carriers — Percent of grand total
			(Millions)	(Millions)	
	Highway Operations - Cont'd.				
14	Private busses	16	-	1	-
15	Taxicabs	7, 18	220	220	1.06
16	Publicly owned automobiles 2/ ..	3, 9	-	35	.17
17	Privately owned automobiles	3, 7, 9, 16	-	10,727	51.68
18	Publicly owned motorcycles 2/ ..	9, 18	-	1	-
19	Privately owned motorcycles	9, 18	-	20	.10
20	Maintenance of highways (excl. construction) of new roads 2/.	9	-	#592	-
21	Sub-total for highway operations (See Note) ...		1,138	15,702	75.64
	Waterway Operations				
22	Waterway operations - common and contract carriers and private terminals	11	667	639	3.08
23	Waterway operations - private carriers	18	-	200	.96
24	Maintenance of waterways and operation of public terminals 4/	12, 14, 15	82	78	.38
25	Sub-total for waterway operations		749	917	4.42
	Airway Operations				
26	Airway operations - mail lines only	2	36	35	.17

Continued on next page

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics
Revenues and Expenses of
TRANSPORTATION IN THE UNITED STATES - YEAR 1936
Separated between Types of Transport - Continued

Line No.	Type of transport	Source references (See next sheet)	Transportation revenues of common carriers and contract carriers	Operating expenses, depreciation and taxes of all carriers	
				Aggregate	Percent of grand total
			(Millions)	(Millions)	
	Airway Operations - Cont'd.				
27	Maintenance and operation of airports and airways 2/ 5/	8, 10	-	7	.03
28	Sub-total for airway operations and maintenance		36	42	.20
	Pipe Line Operations				
29	Pipe line operations - fuel oil and gasoline only	1	216	125	.60
30	GRAND TOTAL ALL TRANSPORTATION (See Note)		$7,084	$20,760	100.00

#NOTE: To avoid duplications Highway Maintenance Costs are excluded from totals as they are generally covered by gasoline taxes which are included in cost of operating highway vehicles.

1/ Local, intrastate and interstate operators.
2/ Federal, state, county, and municipal.
3/ Excludes busses operated by street railway companies, the revenues and expenses of which are not separable from those of the electric railways. See line 2
4/ Covers only maintenance costs for navigation purposes.
5/ Excludes $2,000,000 rental for airports included in expenses of airway operations.

Continued on next page

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

SOURCE REFERENCES

1. Interstate Commerce Commission, Bureau of Statistics
2. Interstate Commerce Commission, Bureau of Air Mail
3. Federal Coordinator of Transportation - "Passenger Traffic Report"
4. U. S. Department of Commerce, Bureau of Census, Census of Business 1935 - "Motor Trucking for Hire"
5. U. S. Department of Commerce, Bureau of Census, Census of Business 1935 - "Motor Bus Transportation"
6. U. S. Department of Commerce, Bureau of Census, Census of Electrical Industries for 1932, summary of "Electric Railways and Motor-Bus Operations of Affiliates and Successors"
7. U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce - "National Income 1929-1935"
8. U. S. Department of Commerce, Bureau of Air Commerce.
9. U. S. Department of Agriculture, Bureau of Public Roads
10. U. S. Department of Agriculture, Weather Bureau
11. U. S. Treasury Department, Bureau of Internal Revenue, "Statistics of Income for 1934"
12. U. S. War Department, Office of the Chief of Engineers - Annual Report, 1936
13. State of Washington Supplemental Report of the Highway Cost Commission to the State Legislature, January 1937
14. Governor of the Panama Canal - Annual Report, 1936
15. New York State Department of Public Works - Annual Report, 1936
16. National Association of Motor Bus Operators, Washington, D. C., Bus Facts, 1937
17. N.R.A. Registrations - U.S. Senate Hearings, 74th Congress, 1st Session, S. 1629, S. 1632, and S. 1635, Part 1, page 327. Such registrations indicated that about 10 percent of all trucks were used in for-hire service.
18. Estimate by I.C.C. Bureau of Statistics based upon data from various sources.

NOTE: The sources above mentioned furnished actual revenues and expenses where available. In other cases they furnished only such basic data as the number of employees, number of vehicles, average operating costs per vehicle, tons carried, etc. These basic data were used to estimate total costs where necessary.

ACKNOWLEDGMENTS: Assistance was given in locating source material by I.C.C. Bureau of Motor Carriers; U. S. Department of Labor; U. S. Department of Agriculture, Bureau of Public Roads; National Highway Users Conference and the National Highway Research Board.

Steam Railways
Detail sheet for line 1

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Steam Railroads Including Class I, II, III Line-haul and Switching Carriers and Lessors

Item and source	Number of vehicles owned and leased in service*	Rail line transportation revenues	Rail line operating expenses, taxes and rents (excl. misc. oper.)¢
Year 1936			
Class I-Line Haul Carriers			
I.C.C. Statistics of Railways	1,798,801	1/ $3,957,510,910	5/ $3,079,624,848
Class II - Line Haul Carriers			
I.C.C. Statistics of Railways	17,313	2/ 48,934,607	6/ 38,096,037
Class III - Line Haul Carriers			
I.C.C. Statistics of Railways	3,204	3/ 9,825,428	7/ 8,305,099
Switching and Terminal Carriers			
I.C.C. Statistics of Railways	12,115	4/ 86,393,373	8/ 111,157,173
Total	1,831,433	4,102,664,318	3,237,183,157

(See following page for footnotes)

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Notes for preceding page

∮ Includes lessors.

* Freight-train (excluding caboose cars) and passenger-train cars only. Does not include cars operated by private car lines, cars owned by the Pullman Company, and cars owned by express companies. Source: 1936 Statistics of Railways, Statement No. 13, p. S-22, line 9 plus line 19, minus line 7.

1/ Source: 1936 Statistics of Railways, Statement 55, p. S-126, line 16.

2/ Source: 1936 Statistics of Railways, Statement 55-A, p. S-146, line 9.

3/ Source: 1936 Statistics of Railways, Statement 55-B, p. S-148, line 11.

4/ Source: 1936 Statistics of Railways, Statement 55-C, p. S-150, line 11.

5/ Sources: 1936 Statistics of Railways, Statement 55 (line 222 [p. S-134] - line 200 [p. S-134] - line 207 [p. S-134] plus line 6 [p. S-122] plus line 22 [p. S-122]) plus line 7 in Statement 55-D, p. S-152, plus line 22 of column 4 of Sheet 1 in unpublished table located in annual reports section, Table II, "Income and Profit and Loss."

6/ Sources: 1936 Statistics of Railways, Statement 55-A, p. S-146 (line 22- line 18 - line 19 plus line 23) plus line 7 in Statement 55-E, p. S-152; plus the following in unpublished table located in annual reports section, Table II "Income and Profit and Loss", sheet 1, line 22, column 2 plus line 22 in column 5.

7/ Sources: 1936 Statistics of Railways, Statement 55-B, p. S-148 (line 25 - line 21 - line 22 plus line 26) plus line 7 in Statement 55-F, p. S-152; plus the following in unpublished table located in annual reports section, Table II, "Income and Profit and Loss", sheet 1, line 22, column 3 plus line 22, column 6.

8/ Sources: 1936 Statistics of Railways, Statement 55-C, p. S-152 (line 25 - line 21 - line 22 plus line 26); plus line 22 of column 7 of sheet 1 in unpublished table located in annual reports section, Table II, "Income and Profit and Loss."

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Electric Railways Including Their Motor Bus Operations

Item and source	Transportation revenues	Operating expenses and taxes
Source: Bus Facts for 1937		
Revenue from cars	$551,800,000	
Additional revenue from busses	138,020,000	
(1) Total revenue	689,820,000	
(2) 85 percent of (1)		$586,347,000

Note: The Census of Electrical Industries for 1932 in its summary for "Electric Railways and Motor-Bus Operations of Affiliates and Successors", on page 5, shows that in 1932 operating revenues were $572,833,726, and operating expenses (including taxes) were $490,248,937, giving an operating ratio of about 85 percent.

Sleeping Car Companies
Detail sheet for lines 3 and 5

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Sleeping Car Companies - Year 1936

Item and source	Number of vehicles owned	Transportation revenues plus net rents from transportation property	Operating expenses, taxes, and rents
I.C.C. Statistics of Rys., year 1936 Pullman Co. - Table B	7,998	$56,379,460	$50,101,959
Payments to the railroads included above .		4,579,670	

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Express Companies - Year 1936

Item and source	Transportation revenues	Operating expenses and taxes
I.C.C. Statistics of Rys., Year 1936 Express Cos. - Table E	1/ $161,701,124	2/ $101,032,309
Payments to the railroads included above	61,810,040	

1/ Less uncollectible revenue from transportation.
2/ Includes expenses other than for transportation, because such costs cannot be separated from the total. However, these expenses are probably negligible as the revenues obtained from these activities are but 1.6 percent of the total revenue.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

MOTOR TRUCKS

Common, contract and private, excluding Federal, State, County and Municipal

Item and source	Number of vehicles	Operating revenues		Operating expenses	
		Per vehicle	Total	Per vehicle	Total
I Common and contract carriers					
A. For-hire trucks reported by Census of Business, 1935- "Motor Trucking for Hire" (Bureau of the Census) ..	188,809	$2,812	$530,860,000	$2,412	$455,841,000
B. For-hire trucks not reported by the Census of Business	1/ 211,191	2/ 1,000	211,191,000	2/ 1,000	211,191,000
C. Total for-hire trucks	3/ 400,000		742,051,000		667,032,000
II Privately operated trucks	4/ 3,600,000			2/ 1,000	3,600,000,000
III Total - common, contract and private	5/ 4,000,000				4,267,032,000

1/ Item I-C minus I-A.

2/ Estimated on basis of average of 6,700 miles per year at 15 cents per mile from figures given in supplemental report of Washington State Highway Cost Commission, Jan. 1937, p. 132. Includes drivers' wages amounting to 6.6 cents per mile, gasoline taxes at 0.6 cents per mile and other costs at 7.9 cents per mile.

3/ Based on N.R.A. registrations for 1935 compared with total truck registrations (10%) U.S. Senate Hearings, 74th Congress, 1st Session, S-1629, S-1632, and S-1635, Part I, p. 327. Such registrations indicated that about 10 percent of all trucks were used in for-hire service.

4/ Item III minus Item I-C.

5/ Total truck registrations, year 1936 - source "Public Roads", June 1937, U. S. Department of Agriculture, Bureau of Public Roads.

Government vehicles
Detail sheets for lines 8, 13, 16 and 18

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INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Federal, state and municipal operations

Item	Number of vehicles			Operating expenses depreciation and taxes	
	Federal 1/	State and municipal	Total	Per vehicle	Total
Year 1936					
Motorcycles	839	2/ 5,732	6,571	4/ $200	$1,314,200
Automobiles	14,658	3/ 60,720	75,378	5/ 458	34,523,124
Busses	453	1/ 6,788	7,241	6/ 748	5,416,268
Trucks	85,956	3/ 132,722	218,678	7/ 1,000	218,678,000

1/ Source: By telephone from Bureau of Public Roads, Department of Agriculture.
2/ Source: U. S. Department of Agriculture, Bureau of Public Roads, Public Roads, June 1937, p. 78.
3/ Partially estimated from data supplied by telephone by Bureau of Public Roads, Department of Agriculture.
4/ Estimated to be equal to that of private motorcycles (which see).
5/ Estimated to be equal to that of private automobiles (which see).
6/ Estimated on the basis of school busses (which see).
7/ Estimated to be equal to that of privately operated trucks (which see).

Motor Busses
(Common and Contract)
Detail sheet for line 10

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Motor Busses of Common and Contract Carriers
(Other than sightseeing)

Item and source	Number of vehicles	Transportation revenues	Operating expenses and taxes
Year 1935			
Census of Business, 1935, "Motor Bus Transportation" - Department of Commerce, Bureau of the Census	19,132	$167,933,000	$146,438,000

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Sight-seeing busses

Item and source	Number of vehicles	Revenues	Expenses
Bus Facts, 1937 p. 4	2,250	$8,000,000	
See below			$6,444,000#

\# Basis of estimate of expenses.

Salaries and wages of sightseeing bus employees 1936 (Source: by telephone by Department of Commerce, Bureau of Foreign and Domestic Commerce) bringing up to date figures in "National Income in the U. S., 1929-35", Table 114, p. 147.	$3,222,000
Ratio of payroll to total expenses for 1935 local common carrier Motor busses: Source, Census of Business, 1935; "Motor Bus Transportation", P. 35	50% (approximately)
Estimated total expenses	$6,444,000

School Busses
Detail sheet for line 12

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

School Busses

Item and source	Number of vehicles	Expenses	
		Per vehicle	Total
(1) Bus Facts, 1937, p. 5 - Year 1936 ..	73,900		
(2) p. 10 - Year 1936 ..			$55,280,496
(3) (2) ÷ (1)		$748	

Private busses
Detail sheet for line 14

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Private busses
(other than school busses)

Line No.	Item and source	Number of vehicles	Operating expenses, depreciation and taxes	
			Per vehicle	Total
1	"Bus Facts for 1937" p. 5	1,000	-	-
2	Estimated	-	$1,000	-
3	Line 1 x 2	-	-	$1,000,000

Taxicabs
Detail sheet for line 15

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Taxicabs

Item and source	Number of vehicles	Revenue	Operating expenses
Year 1936: for sources, see footnotes	1/ 100,351	2/ $220,250,000	3/ $220,250,000

1/ Sum of number of taxicab employees and entrepreneurs as reported by telephone by Department of Commerce, Bureau of Foreign and Domestic Commerce, to bring up to date figures in "National Income in the U. S., 1929-35", Table 113, page 146.

2/ Assumed to be equal to expenses, since taxicab companies are mainly cooperative enterprises.

3/ Based on estimate by I.C.C. Bureau of Statistics that employee salaries plus entrepreneurs withdrawals ($110,125,000 in 1936 as reported by telephone by the Department of Commerce, Bureau of Foreign and Domestic Commerce) amounted to 50% of the total expenses. This 50% is based upon the following data: First, the employees' salaries and entrepreneurs' withdrawals of $110,125,000 representing an average of $1,100 per taxicab per year. The other expenses are estimated as follows:

(a) Depreciation, repairs, insurance, etc., $2.50 per day for 300 working days a year $750
(The $2.50 is the rental now being charged currently by taxicab companies to the drivers in Washington, D.C.)

(b) Cost of gasoline based on average annual mileage of 25,000 miles, average consumption of 14 miles per gallon, and average cost of 20 cents per gallon $350
(These figures are from the U. S. Bureau of Public Roads' report on "Taxation of Motor Vehicles in 1932", page 267) except the price of gasoline, which has been estimated by I.C.C. Bureau of Statistics.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Private Automobiles
Detail sheet for line 17

Private Passenger Automobiles

Item and source	Number of vehicles	Miles operated	Operating expenses, depreciation and taxes: Per vehicle	Per mile	Aggregate
(1) Total registrations of private and commercial autos, busses, and taxis, year 1936 - "Public Roads", June 1937, U. S. Department of Agriculture, Bureau of Public Roads	24,197,685				
Less:					
Number of busses of fixed route operators in 1936: "Bus Facts for 1937", p. 9	38,505				
Sightseeing busses: "Bus Facts for 1937", p. 4	2,250				
School busses: "Bus Facts for 1937" p. 5.	73,900				
Other busses: "Bus Facts for 1937", p. 5.	1,000				
Taxicabs: based upon figures of Department of Commerce, Bureau of Foreign and Domestic Commerce	100,351				
(2) Balance: number of private automobiles	23,981,679				
(3) Average annual mileage per automobile 7,000 from "Taxation of Motor Vehicles in 1932" - U. S. Bureau of Public Roads, Department of Agriculture, p. 267*		167,871,753,000			
(4) Federal Coordinator of Transportation, "Passenger Traffic Report", Appendix I, p. 259				6.39¢	
(5) 7,000 miles x $.0639 per mile			$447		
(6) Total cost (item 3 x 4)					$10,727,[illegible]

([illegible] following page [illegible] footnotes)

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Private Automobiles
Detail sheet for line 17

Notes for preceding page

* This estimate was based upon data collected by the U. S. Bureau of Public Roads from various states; the known consumption of gasoline in the United States and the average consumption per automobile per mile.
Other estimates of annual mileage per automobile obtained by questionnaires as follows:

(a) Federal Coordinator of Transportation's Passenger Traffic Report, Appendix I, p. 259, from 26,607 returns to questionnaire made in 1933 by all classes of persons in all parts of the United States	11,175
(b) Robley Winfrey, Research Engineer, Iowa State College, in article "Do the Better Surfaces Reduce Driving Costs" published in the magazine "Better Roads", February 1936, page 21	8,000
(c) American Automobile Association Pamphlet, "Americans on the Highway" issued August, 1937, giving returns from questionnaire	13,567
(d) State of Washington - Supplemental Report of Highway Cost Commission, January 1937, page 131, giving summary of answers to question on 1935 applications for motor vehicle licenses reading "About how many miles do you operate annualy over streets and highways?"	6,900

To be conservative for the purpose of computing total transportation costs we have used the U. S. Bureau of Public Roads' figure of 7,000 miles per automobile per year.

Private Motorcycles
Detail sheet for line 19.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Private Motorcycles

Item and source	Number of vehicles	Operating expenses, depreciation and taxes	
		Per vehicle	Total
(1) U. S. Department of Agriculture, Bureau of Public Roads "Public Roads", June 1937, p. 78	98,541		
(2) Estimated by I.C.C. Bureau of Statistics#		$200	
(3) Total (1) x (2)			$19,708,000

Based on data received by telephone from Statistician of National Park Service which operates 22 motorcycles at average annual cost of about $80 a year for gasoline and repairs only. The machines cost $410 each and are renewed every two years; therefore, it is estimated that the annual depreciation is about $120 a year after deducting trade-in value.

Highway Maintenance
Detail sheet for line 20

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

HIGHWAY MAINTENANCE EXPENDITURES

Period, calendar years	State highway expenditures ($ million)	County and local highway expenditures ($ million)	Total ($ million)
1921-1932	1,861	3,169	5,030
1936	219	1/ 373	592

Source: U. S. Bureau of Public Roads.

1/ County and local highway maintenance expenditures have not been compiled in recent years. The 1936 figure was estimated on the basis of the ratio between State highway and county-local highway maintenance expenditures of the years 1921-1932. Although this estimate is open to criticism, there seems to be no better way to obtain the 1936 figure.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Cost of Waterway Transportation in the United States - Year 1936
Separated between Types of Transport

Type of transport	Source references	Transportation revenue of common carriers and contract carriers	Operating expenses, depreciation and taxes of all carriers
Waterway Operations			
Waterway operations - common and contract carriers and private terminals 4/	10	$667,000,000	$639,000,000
Waterway operations - private carriers 5/		-	200,000,000
Maintenance of waterways and operation of public terminals 6/	11	82,000,000	78,000,000
Sub-total for waterway operations		749,000,000	917,000,000

4/ The Bureau of Internal Revenue figures of 1934 revenues and expenses for the water carrier industry and related industries, such as wharfing and docking, were used as a basis for estimating the figures for 1936. Increases of 21 percent for revenues and 14 percent for operating costs, were applied, those being the increases from 1934 to 1936 of water carriers reporting to the I.C.C. These estimates reflect foreign trade as well as domestic trade, but the former is of relatively small importance. On the other hand, there are probably some small domestic carriers not included.

5/ Excludes carriers separately incorporated which for purposes of this statement are included with contract carriers above. No complete figures are available for private water carriers conducted as departments of other industries such as steel, coal, mining, petroleum, etc. One indication of private water transportation is found in data of "Transportation Lines on the Great Lakes, 1935", published by the War Department. This compilation includes all vessels operated on the Great Lakes in the transportation of freight and passengers with certain exceptions as fishing boats, yachts, and vessels with less than 5 tons registry. The data show that 30 percent of the American registered net tonnage consisted of

Notes continued

5/ private carriers. If the costs of private water transportation are about the same as commercial water transportation, and if 30 percent of the total water operations are private, the cost of private water transportation would have been about $200 million in 1936.

6/ Covers only maintenance costs for navigation purposes. The revenue figure consists of $60 million estimated for public terminals, $1 million for the New York Barge Canal facilities, and $21 million for the Panama Canal which was figured on the basis of domestic canal traffic.

The cost figure consists of the following: War Department expenditures for harbors, channels, etc. $33 million; New York Barge Canal Operation, $2 million; operations of public terminals, estimated, $35 million; expenditures of Mississippi River Commission as applied to transportation, $2 million; and operation of Panama Canal, apportioned on a tonnage basis of domestic traffic, $6 million.

Source References:

10. U. S. Treasury Department, Bureau of Internal Revenue, "Statistics of Income for 1934".
11. Report of the Chief of Engineers, U. S. Army; Department of Public Works, New York State; and Annual Report of the Governor of Panama Canal.

Note: The sources above mentioned furnished actual revenues and expenses where available. In other cases they furnished only such basic data as the number of employees, number of vehicles, average operating costs per vehicle, tons carried, etc. Those basic data were used to estimate total costs where necessary.

Air lines
Detail sheet for line 26

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Air Transportation - Mail Lines Only

Year 1936	Revenue	Expenses
Furnished by I.C.C. Bureau of Air Mail	$35,560,608	$34,933,958

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Maintenance of Airports and Airways

1936	Revenues	Expenses
Total expenditures for operation and maintenance of the Federal airways system, year ended June 30, 1936 1/		$3,890,380
Operation and maintenance of airports which serve scheduled flying operations - 1936 2/	$2,839,011	4,101,100
Commercial airway meteorological service by the Weather Bureau, year ended June 30, 1936 3/		972,032
Total		8,963,512
Duplications due to rental payments by carriers to airports 4/		2,000,000
Total expenses less duplications		6,963,512

1/ Source: Air Commerce Bulletin, No. 3, Volume 9, September 15, 1937 by U. S. Department of Commerce, Bureau of Air Commerce. Includes operation and maintenance of field, lighting and communications, and teletype circuit rentals. Excludes Weather Bureau expenses shown on line 3.
2/ Source: U. S. Department of Commerce, Bureau of Air Commerce.
3/ Source: U. S. Department of Agriculture, Weather Bureau.
4/ Estimated from total airport revenues.

Pipe Lines -
Oil and Gasoline

Detail sheet for line 29

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Pipe Line Companies Handling Oil and Gasoline - Year 1936

Item and source	Transportation revenues plus net rents from transportation property	Operating expenses, taxes, and rents
I.C.C.Statistics, year 1936 - Summary of Pipe Line Co. Annual Reports	1/ $215,585,027	2/ $124,620,376

1/ Source: Unpublished table "Operating Revenue Accounts for Carriers by Pipe Line - Year ended December 31, 1936", page 5, Account 501 plus Account 551, plus unpublished table "Income Statement", page 5, Account 402.
2/ Source: Unpublished table "Income Statement", page 5, Account 411, plus Account 412.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Class I Steam Railways
Year 1937
(Based on monthly reports)

Region and district	Net railway operating income	Other income	Total fixed charges	Net income 1/	Dividend appropriations, common and preferred stock
New England Region	$14,979,824	$6,905,573	$28,825,716	d $7,893,421	$545,880
Great Lakes Region	93,807,492	33,718,995	113,433,675	9,275,521	10,525,487
Central Eastern Region	138,406,635	52,311,182	144,118,102	39,976,848	33,846,428
Eastern District	247,193,951	92,935,750	286,377,493	41,358,948	44,917,795
Pocahontas Region	85,868,712	5,097,103	14,301,312	74,654,667	58,260,124
Southern Region	74,160,010	16,285,019	81,481,714	6,601,154	13,727,985
Southern District	160,028,722	21,382,122	95,783,026	81,255,821	71,988,109
Northwestern Region	63,309,605	11,755,377	84,086,015	d 19,949,387	16,498,218
Central Western Region	79,168,842	48,616,967	104,721,550	14,552,545	32,750,784
Southwestern Region	40,479,444	4,617,761	62,561,633	d 18,950,340	1,619,063
Western District	182,957,891	64,990,105	251,369,198	d 24,347,182	50,868,065
United States	590,180,564	179,307,977	633,529,717	98,267,587	167,773,969

d Deficit.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Class I Steam Railways
Year 1937
(Based on monthly reports)

Region and railway	Net railway operating income	Other income	Total fixed charges	Net income 1/	Dividend appropriations, common and preferred stock
NEW ENGLAND REGION					
Bangor & Aroostook R.R.	$1,511,650	$70,028	$724,211	$845,224	$545,880
Boston & Maine	6,548,869	1,200,205	7,481,247	202,220	-
Canadian National Lines in New England	d 562,690	1,216,760	638,712	15,354	-
Canadian Pacific Ry. in Vermont	d 436,441	700,447	264,000	#	-
Central Vermont Ry.	119,672	42,148	1,297,933	d 1,141,908	-
Int. Ry. Co. of Maine	49,411	68,269	117,280	#	-
Maine Central R.R.	2,085,103	459,087	2,044,536	473,547	-
New York Connecting R.R.	1,142,948	15,463	1,293,905	d 165,799	-
New York, New Haven & Hartford R.R.**	4,591,390	3,058,630	14,555,786	d 7,713,451	-
Rutland R.R.	d 70,088	74,536	408,106	d 408,608	-
Total	14,979,824	6,905,573	28,825,716	d 7,893,421	545,880
GREAT LAKES REGION					
Ann Arbor R.R.*	294,065	21,540	456,646	d 151,142	-
Cambria & Indiana R.R.	919,598	18,576	63,561	844,043	600,000

d Deficit or other reverse items.
* In receivership.
** In trusteeship.
\# Net income (or deficit) was absorbed by the controlling company.

1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Class I Steam Railways
Year 1937 - Continued
(Based on monthly reports)

Region and railway	Net railway operating income	Other income	Total fixed charges	Net income 1/	Dividend appropriations, common and preferred stock
GREAT LAKES REGION - Continued					
Delaware & Hudson R.R.	$2,815,198	$204,864	$3,963,332	d $998,165	-
Delaware, Lackawanna & Western R.R.	5,628,901	1,284,325	7,783,346	d 936,772	-
Detroit & Mackinac Ry.	91,441	3,104	105,843	d 14,250	-
Detroit & Toledo Shore Line R. R.	1,076,002	17,393	121,144	970,963	$990,000
Erie Railroad ∅ (incl. Chicago & Erie)	13,614,008	1,186,046	14,546,710	d 433,293	-
Grand Trunk Western R. R.	2,423,752	962,816	4,132,875	d 863,852	-
Lehigh & Hudson River Ry.	204,924	39,331	43	243,498	235,350
Lehigh & New England R.R.	754,237	31,826	378,094	382,944	68,000
Lehigh Valley R.R.	6,245,454	1,059,314	7,212,301	d 898,553	-
Monongahela Ry.	1,197,132	17,507	643,996	568,173	624,500
Montour R.R.	1,036,774	8,693	90,071	947,923	918,000
New Jersey & New York R.R.	d 346,304	4,108	51,101	d 394,523	-
New York Central R.R.	36,028,267	24,317,396	52,197,064	6,352,612	-
New York, Chicago & St. Louis R.R.	7,660,564	2,436,020	7,360,357	2,655,561	-
New York, Ontario & Western Ry.**	d 174,817	48,587	1,547,271	d 1,675,286	-
New York, Susquehanna & Western R.R.**	368,297	60,401	655,593	d 434,283	-
Pere Marquette Ry.	4,461,045	608,634	3,332,270	1,669,858	1,260,000
Pittsburgh & Lake Erie R.R.	4,137,830	485,899	54,248	4,039,530	5,829,637
Pittsburg & Shawmut R.R.	21,775	36,252	112,059	d 56,430	-

d Deficit or other reverse items.
∅ In trusteeship 1938.
** In trusteeship.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Class I Steam Railways
Year 1937 - Continued
(Based on monthly reports)

Region and railway	Net railway operating income	Other income	Total fixed charges	Net income 1/	Dividend appropriations, common and preferred stock
GREAT LAKES REGION - Continued					
Pittsburgh & West Virginia Ry.	$1,110,999	$436,011	$882,857	$638,541	-
Pittsburg, Shawmut & Northern R.R.*	d 9,506	8,146	128,314	d 129,785	-
Wabash Ry.*	4,247,856	422,206	7,614,579	d 3,051,791	-
Total	93,807,492	33,718,995	113,433,675	9,275,521	$10,525,487
CENTRAL EASTERN REGION					
Akron, Canton & Youngstown Ry.**	306,525	101,552	309,870	89,466	-
Baltimore & Ohio R.R.	24,908,625	8,517,844	32,184,031	d 720,695	-
Bessemer & Lake Erie R.R.	7,680,668	182,252	1,502,073	6,361,588	5,200,000
Central R.R. of New Jersey	2,147,765	970,654	4,904,478	d 2,082,386	-
Chicago & Eastern Illinois Ry.**	1,336,582	251,892	2,273,714	d 715,824	-
Chicago & Illinois Midland Ry.	870,043	16,517	263,704	529,908	360,000
Chicago, Indianapolis & Louisville Ry.**	d 119,087	95,868	1,509,770	d 1,549,681	-
Detroit, Toledo & Ironton R.R.	2,348,112	37,370	800,487	1,573,035	1,471,996
Elgin, Joliet & Eastern Ry.	3,723,271	168,570	2,376,079	1,498,921	800,000
Illinois Terminal R.R.	1,398,457	27,692	1,368,034	44,079	-
Long Island R.R.	d 176,253	604,679	2,295,462	d 2,115,812	-
Missouri-Illinois R.R.**	195,366	2,368	136,914	59,012	-
Pennsylvania R.R.	73,000,926	37,559,228	80,679,411	27,278,638	16,459,692

d Deficit or other reverse items.
* In receivership.
** In trusteeship.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Class I Steam Railways
Year 1937 - Continued
(Based on monthly reports)

Region and railway	Net railway operating income	Other income	Total fixed charges	Net income 1/	Dividend appropriations, common and preferred stock
CENTRAL EASTERN REGION - Continued					
Pennsylvania-Reading Seashore Lines	d $1,733,363	$161,992	$1,053,540	d $2,651,350	-
Reading Co.	13,856,835	2,332,185	8,462,171	6,839,345	$5,598,038
Staten Island Rapid Transit Ry.	d 400,881	980,502	561,371	#	-
Western Maryland Ry.	4,840,822	135,665	2,799,874	1,803,137	1,241,947
Wheeling & Lake Erie Ry.	4,222,222	164,352	637,119	3,735,467	2,714,755
Total	138,406,635	52,311,182	144,118,102	39,976,848	33,846,428
POCAHONTAS REGION					
Chesapeake & Ohio Ry.	42,614,450	1,470,846	9,408,271	34,562,446	30,084,308
Norfolk & Western Ry.	32,715,282	3,372,051	2,160,166	32,053,214	23,423,420
Richmond, Fredericksburg & Potomac R.R.	1,102,567	205,727	317,311	980,273	573,376
Virginian Ry.	9,436,413	48,479	2,415,564	7,058,734	4,179,020
Total	85,868,712	5,097,103	14,301,312	74,654,667	58,260,124
SOUTHERN REGION					
Alabama Great Southern R.R.	1,252,744	1,063,324	493,851	1,820,665	1,569,449
Atlanta & West Point R.R.	d 78,583	24,161	d 246	d 58,957	-
Atlanta, Birmingham & Coast R.R.	d 112,575	42,753	14,534	d 87,635	-
Atlantic Coast Line R.R.	4,938,774	4,846,962	6,451,633	2,454,141	1,244,976
Central of Georgia Ry.*	854,911	399,550	3,467,753	d 2,372,810	-

d Deficit or other reverse items.
Net income (or deficit) was absorbed by the controlling company.
* In receivership.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Class I Steam Railways
Year 1937 - Continued
(Based on monthly reports)

Region and railway	Net railway operating income	Other income	Total fixed charges	Net income 1/	Dividend appropriations, common and preferred stock
SOUTHERN REGION - Continued					
Charleston & Western Carolina Ry.	$496,719	$21,558	$296,057	$215,421	$216,000
Cincinnati, New Orleans & Texas Pacific Ry. .	4,874,611	114,157	1,713,665	3,262,589	3,262,170
Clinchfield R.R.	3,207,138	20,658	2,670,646	#	-
Columbus & Greenville Ry.	d 11,811	18,927	16,646	d 9,896	-
Florida East Coast Ry.*	741,578	94,525	2,974,961	d 2,181,193	-
Georgia R.R.-Lessee Organization	522,003	42,055	657,091	d 128,256	-
Georgia & Florida R.R.*	34,875	10,314	670,864	d 628,079	-
Georgia Southern & Florida Ry.	241,741	10,198	302,826	d 53,381	-
Gulf & Ship Island R.R.	d 67,095	30,601	72,396	d 110,681	-
Gulf, Mobile & Northern R.R.	1,151,500	160,637	961,404	345,118	285,390
Illinois Central R.R.	14,635,913	4,497,503	17,132,860	1,960,316	-
Louisville & Nashville R.R.	15,551,121	1,221,656	9,576,571	7,100,346	7,020,000
Mississippi Central R.R.	31,987	4,122	130,519	d 94,985	-
Mobile & Ohio R.R.*	930,460	56,900	1,624,679	d 647,439	-
Nashville, Chattanooga & St. Louis Ry.	840,290	243,456	1,499,557	d 471,623	-
New Orleans & Northeastern R.R.	596,414	26,763	391,573	229,781	-
Norfolk Southern R.R.*	378,782	184,244	880,027	d 323,541	-
Northern Alabama Ry.	142,653	1,240	109,437	34,448	-
Seaboard Air Line Ry.*	4,348,988	380,355	9,319,256	d 4,630,279	-

d Deficit or other reverse items.

Net income (or deficit) was absorbed by the controlling company.
* In receivership.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Class I Steam Railways
Year 1937 - Continued
(Based on monthly reports)

Region and railway	Net railway operating income	Other income	Total fixed charges	Net income 1/	Dividend appropriations, common and preferred stock
SOUTHERN REGION - Continued					
Southern Ry.	$15,112,246	$2,594,660	$16,514,037	$805,922	-
Tennessee Central Ry.	334,451	24,763	237,453	120,011	$70,000
Western Railway of Alabama	77,573	49,271	69,608	51,151	60,000
Yazoo & Mississippi Valley R.R.	3,132,602	99,706	3,232,056	#	-
Total	74,160,010	16,285,019	81,481,714	6,601,154	13,727,985
NORTHWESTERN REGION					
Chicago & North Western Ry.**	37,401	1,900,764	16,702,507	d 14,811,098	-
Chicago Great Western R.R.**	862,928	147,406	1,898,783	d 902,363	-
Chicago, Milwaukee, St. Paul & Pacific R.R.**	8,790,661	1,134,641	14,902,320	d 14,221,271	-
Chicago, St. Paul, Minneapolis & Omaha Ry.	d 174,546	66,719	2,498,797	d 2,612,094	-
Duluth, Missabe & Iron Range Ry.	12,721,781	208,526	1,459,770	11,455,742	10,281,250
Duluth, South Shore & Atlantic Ry.**	463,510	21,905	945,087	d 462,942	-
Duluth, Winnipeg & Pacific Ry.	3,227	480,029	474,811	7,635	-
Great Northern Ry.	23,769,408	3,240,382	16,022,964	10,089,920	4,997,788
Green Bay & Western R.R.	263,462	44,964	155	173,111	62,500
Lake Superior & Ishpeming R.R.	1,383,488	3,552	104	1,386,666	1,156,680

d Deficit or other reverse items.
\# Net income (or deficit) was absorbed by the controlling company.
** In trusteeship.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Class I Steam Railways
Year 1937 - Continued
(Based on monthly reports)

Region and railway	Net railway operating income	Other income	Total fixed charges	Net income 1/	Dividend appropriations, common and preferred stock
NORTHWESTERN REGION - Continued					
Minneapolis & St. Louis R.R.*	$503,215	$85,055	$2,995,095	d $2,418,069	-
Minneapolis, St. Paul & S.S. Marie Ry. ϕ	2,387,239	190,530	8,038,727	d 5,735,097	-
Northern Pacific Ry.	10,651,002	4,119,058	14,411,675	117,740	-
Spokane International Ry.**	109,472	10,741	273,155	d 154,594	-
Spokane, Portland & Seattle Ry.	1,537,357	101,105	3,462,065	d 1,862,673	-
Total	63,309,605	11,755,377	84,086,015	d 19,949,387	$16,498,218
CENTRAL WESTERN REGION					
Alton R.R.	712,057	115,197	1,789,187	d 1,010,514	-
Atchison, Topeka & Santa Fe Ry. (incl. G.C. & S.F. & P. & S.F.)	16,991,973	4,121,665	11,106,643	7,576,497	11,062,760
Chicago, Burlington & Quincy R.R.	13,326,496	1,354,862	9,683,601	4,907,254	3,416,774
Chicago, Rock Island & Gulf Ry.**	531,520	130,583	1,399,148	d 713,123	-
Chicago, Rock Island & Pacific Ry.**	3,927,186	622,753	14,471,101	d 10,054,466	-
Colorado & Southern Ry.	675,992	1,629,009	2,044,033	251,552	-
Denver & Rio Grande Western R.R.**	d 283,337	346,596	6,007,722	d 5,945,944	-
Denver & Salt Lake Ry.	930,161	14,748	513,948	8,691	-
Fort Worth & Denver City Ry.	1,880,879	45,034	1,058,362	748,161	547,066
Nevada Northern Ry.	256,655	14,049	1,912	268,792	230,000

d Deficit or other reverse items.
* In receivership.
ϕ In trusteeship 1938.
** In trusteeship.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Class I Steam Railways
Year 1937 - Continued
(Based on monthly reports)

Region and railway	Net railway operating income	Other income	Total fixed charges	Net income1/	Dividend appropriations, common and preferred stock
CENTRAL WESTERN REGION - Continued					
Northwestern Pacific R.R.	d $185,017	$19,347	$1,434,472	d$1,664,098	-
Southern Pacific Co.	17,876,124	21,492,422	31,888,840	6,207,571	-
Toledo, Peoria & Western R.R.	306,564	21,491	90,709	229,269	$75,000
Union Pacific R.R.	22,886,260	17,563,328	19,372,113	17,275,357	17,319,184
Utah Ry.	140,423	4,050	225,009	d 81,489	-
Western Pacific R.R.**	d 805,094	1,121,833	3,634,750	d 3,450,965	-
Total	79,168,842	48,616,967	104,721,550	14,552,545	32,750,784
SOUTHWESTERN REGION					
Beaumont, Sour Lake & Western Ry.**	316,225	2,586	174,955	143,781	-
Burlington-Rock Island R.R.	d 104,693	4,981	766,983	d 866,876	-
International-Great Northern R.R.**	197,568	56,684	2,825,524	d 2,579,407	-
Kansas City Southern Ry.	3,371,629	292,060	2,774,714	842,128	315,000
Kansas, Oklahoma & Gulf Ry.	832,040	69,643	261,361	637,792	531,488
Louisiana & Arkansas Ry.	1,216,265	86,728	870,636	409,825	180,000
Louisiana, Arkansas & Texas Ry.	59,599	6,824	45,343	19,356	-
Midland Valley R.R.	494,576	92,873	335,977	124,111	-
Missouri & Arkansas Ry.	12,857	9,320	683	21,135	-
Missouri-Kansas-Texas R.R. (incl. M.K.T. of Texas)	2,962,698	381,858	4,220,211	d 1,625,477	-

d Deficit or other reverse items.
** In trusteeship.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.

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INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Class I Steam Railways
Year 1937 - Continued
(Based on monthly reports)

Region and railway	Net railway operating income	Other income	Total fixed charges	Net income 1/	Dividend appropriations, common and preferred stock
SOUTHWESTERN REGION - Continued					
Missouri Pacific R.R.**	$11,003,379	$1,470,250	$21,119,649	d $8,778,894	-
New Orleans, Texas & Mexico Ry.**	868,587	430,838	2,782,791	d 1,495,222	-
Oklahoma City-Ada-Atoka Ry.	86,693	3,263	d 17,517	49,281	-
St. Louis, Brownsville & Mexico Ry.**	2,028,041	63,403	818,000	1,272,487	-
St. Louis-San Francisco Ry.**	4,967,011	171,553	12,855,098	d 7,756,656	-
St. Louis-San Francisco & Texas Ry.	d 201,072	14,149	136,237	d 323,983	-
St. Louis Southwestern Ry. (incl. St. L. S.W. of T.)**	2,227,179	93,921	3,248,668	d 944,163	-
San Antonio, Uvalde & Gulf R.R.**	d 317,867	10,663	241,647	d 548,858	-
Texas & New Orleans R.R.	4,740,156	341,719	4,735,445	208,431	-
Texas & Pacific Ry.	5,512,247	1,001,149	3,947,408	2,440,627	$592,575
Texas Mexican Ry.	206,326	13,296	417,820	d 198,758	-
Total	40,479,444	4,617,761	62,561,633	d 18,950,340	1,619,063
Total U. S.	590,180,564	179,307,977	633,529,717	98,267,587	167,773,969

d Deficit or other reverse items.
** In trusteeship.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936

RECAPITULATION

Region and district	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of ∅: Capital stock actually outstanding	Par value of ∅: Funded debt unmatured actually outstanding	Cost of reproduction less depreciation#
CLASS I CARRIERS								
New England region	$15,689,795	$8,435,871	$29,555,842	d $6,181,687	$598,080	$361,644,050	$481,611,597	$918,317,652
Great Lakes region	116,599,663	34,940,932	119,789,695	27,164,085	8,626,870	1,441,198,048	1,637,742,130	3,702,837,739
Central Eastern region	156,778,815	51,595,898	144,080,411	57,718,356	34,602,228	1,437,472,027	1,732,882,251	4,297,855,121
Eastern district	289,068,273	94,972,701	293,425,948	78,700,754	43,827,178	3,240,314,125	3,852,235,978	8,919,010,512
Pocahontas region	97,155,628	4,704,086	16,013,055	83,932,850	67,848,898	429,148,842	364,235,532	952,313,383
Southern region	80,146,408	13,977,488	81,599,435	10,743,969	12,425,317	855,902,159	1,413,003,953	2,496,695,343
Southern district	177,302,036	18,681,574	97,612,490	94,726,819	80,274,215	1,285,051,001	1,777,239,485	3,449,008,726
Northwestern region	66,709,176	15,475,571	85,967,815	d 14,836,557	7,418,675	1,174,873,456	1,744,604,994	2,756,580,660
Central Western region	92,745,823	49,807,891	113,118,133	23,587,262	36,168,057	1,648,752,440	1,537,619,000	4,104,834,249
Southwestern region	41,521,807	5,525,562	63,204,740	d 17,548,237	2,141,165	680,973,676	1,110,979,356	1,463,227,740
Western district	200,976,806	70,809,024	262,290,688	d 8,797,532	45,727,897	3,504,599,572	4,393,203,350	8,324,642,649
Total, Class I Carriers	667,347,115	184,463,299	653,329,126	164,630,041	169,829,290	8,029,964,698	10,022,728,813	20,692,661,887
" Class II "	7,427,537	902,911	7,363,941	672,443	4,598,856	190,315,645	101,401,334	-
" Class III "	825,298	351,347	1,436,448	d 361,109	903,980	36,143,200	14,283,706	-
Grand total	675,599,950	185,717,557	662,129,515	164,941,375	175,332,126	8,256,423,543	10,138,413,853	-

d Deficit or other reverse item.
\# Includes present value of land and rights and working capital.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
∅ Represents securities issued by the operating companies, and not the net system capitalization.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

NEW ENGLAND REGION

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of ∅: Capital stock actually outstanding	Par value of ∅: Funded debt unmatured actually outstanding	Cost of reproduction less depreciation✦
Bangor & Aroostook R.R. Co.	$1,433,309	$43,420	$722,671	$747,251	$598,080	$10,917,600	$16,421,000	$29,912,880
Boston & Maine R.R.	4,853,187	1,128,931	7,552,800	d 1,654,183	-	104,344,300	120,215,093	299,919,408
Canadian Nat'l. Lines in N.E.	d 660,070	1,306,540	644,909	d 705	-	-	-	15,685,369
Central Vermont Ry., Inc.	d 194,258	33,597	1,293,416	d 1,460,272	-	10,000,000	17,618,000	28,464,130
Canadian Pacific Lines in Vermont	d 574,287	838,256	264,000	-	-	-	-	2/ 10,799,364
International Railway Company of Maine	d 159,589	306,169	146,180	-	-	2,238,550	2,890,000	-
Maine Central R.R. Co.	1,467,937	486,699	2,013,202	d 82,615	-	15,908,000	29,469,600	62,546,455
New York, New Haven & Hartford R.R. Co.**	8,036,300	4,191,167	15,213,803	d 3,580,044	-	206,155,300	258,283,904	423,520,071
New York Connecting R.R. Co.	1,387,772	24,912	1,293,916	90,256	-	3,000,000	27,333,000	23,070,663
Rutland R.R. Co.	99,504	76,180	410,945	d 241,375	-	9,080,300	9,381,000	24,399,312
Total	15,689,795	8,435,871	29,555,842	d 6,181,687	598,080	361,644,050	481,611,597	918,317,652

d Deficit or other reverse item.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
2/ Includes International Ry. Co. of Maine.
** Trusteeship.
✦ Includes present value of land and rights and working capital.
∅ Represents securities issued by the operating companies, and not the net system capitalization.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

GREAT LAKES REGION

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropri-ations	Par value of ∮: Capital stock actually outstanding	Par value of ∮: Funded debt unmatured actually outstanding	Cost or reproduction less depreciation♦
Cambria & Indiana R.R. Co.	$638,090	$16,954	$61,197	$788,690	$750,000	$1,500,000	$1,828,000	$4,744,495
Grand Trunk Western R.R. Co. (inc. Muskegon Ry. & Nav. Co.)	2,670,053	937,656	3,967,680	d 411,122	-	2/ 45,000,000	59,114,556	94,529,769
Delaware & Hudson Corp.	3,163,585	197,254	4,228,274	d 926,695	-	3/ 28,473,019	57,500,000	105,232,670
Delaware, Lackawanna & Western R.R. Co.	6,362,518	1,277,568	7,711,281	d 132,847	-	84,441,200	4,457,000	285,228,258
Detroit & Mackinac Ry. Co.	130,748	2,642	119,434	12,017	-	2,950,000	2,734,000	6,741,147
Detroit, Toledo & Shore Line R.R. Co.	1,131,534	14,113	123,444	1,021,118	1,050,000	3,000,000	3,000,000	6,305,246
Erie R.R. Co. x (incl. Chicago & Erie)	16,338,791	1,298,099	14,710,901	2,195,014	-	214,868,100	265,305,204	385,070,159
New Jersey & New York R.R. Co.	d 346,184	3,956	52,475	d 395,489	-	2,228,600	1,012,960	1,951,533
New York, Susquehanna & Western R.R. Co. x (incl. Wilkes-Barre & Eastern)	333,216	63,890	789,753	d 400,732	-	25,781,163	15,138,268	14,193,064
Lehigh & Hudson River Ry. Co.	187,533	36,577	184	223,492	235,350	4,707,000	-	5,029,592
Lehigh & New England R.R. Co.	807,313	26,843	397,462	397,860	272,000	6,800,000	9,550,000	15,778,800
Lehigh Valley R.R. Co.	8,700,958	963,989	7,332,058	1,323,825	-	60,539,450	99,667,000	224,247,704

d Deficit or other reverse item.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
2/ Includes $20,000,000 consideration received for 800,000 shares of common stock without par value.
3/ Represents consideration received for 515,740 shares of common stock without par value.
♦ Includes present value of land and rights and working capital.
x Trusteeship after Dec. 31, 1936.
∮ Represents securities issued by the operating companies, and not the net system capitalization.

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INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

GREAT LAKES REGION - Continued

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of ø: Capital stock actually outstanding	Par value of ø: Funded debt unmatured actually outstanding	Cost of reproduction less depreciation*
Monongahela Ry. Co.	$1,470,538	$12,763	$648,563	$832,745	$811,850	$6,245,000	$11,884,000	$18,398,10[illegible]
Montour R.R. Co.	953,449	15,508	77,101	886,218	892,500	5,100,000	1,480,000	6,997,760
New York, Ontario & Western Ry. Co.x	1,040,637	210,357	1,571,247	d 330,843	132	58,116,983	29,383,519	43,900,709
New York Central R.R. Co.	45,278,627	22,465,461	57,141,550	8,933,175	-	2/504,187,406	682,733,600	3/1,907,343,125
Pittsburgh & Lake Erie R.R. Co.	4,895,227	534,527	143,160	4,591,249	2,375,038	43,182,500	223,000	104,543,377
New York, Chicago & St. Louis R.R. Co.	9,137,723	5,818,516	7,502,723	7,380,482	-	69,796,760	159,768,849	130,210,967
Pere Marquette Ry. Co.	5,578,349	587,485	3,340,040	2,758,004	2,240,000	68,675,000	69,835,000	110,297,648
Pittsburg & Shawmut R.R. Co.	17,701	27,856	56,708	d 12,295	-	15,000,000	1,147,000	9,516,626
Pittsburgh & West Virginia Ry. Co.	1,265,311	37,498	911,258	376,957	-	30,235,100	20,870,707	40,592,388
Pittsburg, Shawmut & Northern R.R. Co.*	68,208	7,512	716,073	d 640,463	-	15,000,000	-	7,232,013
Ann Arbor R.R. Co.*	428,221	16,018	465,734	d 25,493	-	7,250,000	9,164,341	16,550,081
Wabash Ry. Co.*	6,147,522	367,690	7,721,395	d 1,280,782	-	138,120,767	131,945,126	158,202,502
Total	116,599,663	34,940,932	119,789,695	27,164,085	8,626,870	1,441,198,048	1,637,742,130	3,702,837,739

d Deficit or other reverse item.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
2/ Represents consideration received for 4,993,783.2125 shares of common stock without par value.
3/ Does not include Michigan Central in Canada.
* Receivership
x Trusteeship after Dec. 31, 1936.
\# Includes present value of land and rights and working capital.
ø Represents securities issued by the operating companies, and not the net system capitalization.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

CENTRAL EASTERN REGION

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of ∅: Capital stock actually outstanding	Par value of ∅: Funded debt unmatured actually outstanding	Cost of reproduction less depreciation#
Akron, Canton & Youngstown Ry. Co.**	$483,150	$92,966	$363,197	$202,559	-	$1,500,000	$3,617,000	$7,663,630
Baltimore & Ohio R.R. Co.	30,185,305	9,121,764	32,893,024	4,538,975	-	315,158,485	656,163,475	842,695,944
Staten Island Rapid Transit Ry. Co.	d 352,281	933,463	561,177	-	-	500,000	7,160,000	15,841,934
Bessemer & Lake Erie R.R.Co.	6,838,320	208,273	1,309,589	5,507,161	$5,500,000	500,000	7,180,000	60,610,473
Chicago & Eastern Illinois Ry. Co.**	1,658,301	259,595	2,248,795	d 335,390	-	45,891,400	32,497,036	54,222,396
Chicago & Illinois Midland Ry. Co.	1,168,003	10,141	485,107	695,792	280,000	4,000,000	6,852,000	8,666,091
Chicago, Indianapolis & Louisville Ry. Co.**	500,440	106,549	1,533,225	d 932,194	-	15,488,300	26,689,262	33,997,814
Detroit, Toledo & Ironton R.R. Co.	2,791,754	36,281	763,623	2,053,599	1,717,320	24,533,600	14,855,000	27,115,816
Elgin, Joliet & Eastern Ry. Co.	4,080,304	121,863	2,434,258	1,649,512	1,750,000	10,000,000	10,865,000	49,245,792
Illinois Terminal Co.	1,531,948	55,930	1,577,584	d 7,386	100,000	500,000	-	33,348,627
Missouri-Illinois R.R. Co.**	103,365	2,349	136,925	d 31,861	-	2,250,000	2,737,500	7,680,966
Long Island R.R. Co.	797,450	372,699	2,086,340	d 1,158,031	-	54,991,386	44,156,968	146,373,221
Pennsylvania R.R. Co.	84,180,593	36,119,534	79,574,457	38,742,092	13,167,696	658,384,800	653,179,994	2,310,617,317
Pennsylvania-Reading Seashore Lines	d 1,232,479	171,815	1,067,568	d 2,152,695	-	3,623,600	4,498,800	40,800,365
Central R.R. Co. of New Jersey	1,564,004	1,021,655	4,903,202	d 2,983,240	-	27,436,800	50,731,000	164,077,313
Reading Co.	13,944,785	2,167,083	8,691,115	6,515,071	5,598,038	139,950,950	132,687,351	348,407,343
Western Maryland Ry. Co.	4,784,216	140,031	2,812,413	1,710,113	1,241,947	77,167,148	62,119,865	92,297,209
Wheeling & Lake Erie Ry. Co.	3,751,632	643,907	638,809	3,744,279	5,247,227	55,595,558	16,892,000	54,192,868
Total	156,778,815	51,595,898	144,080,411	57,718,356	34,602,228	1,437,472,027	1,732,882,251	4,297,855,121

d Deficit or other reverse item.
** Trusteeship.
# Ir [illegible]des present value of land and rights and working ca[illegible]tal.
1/ Ne[illegible] income after deducting not only fixed and contingent [illegible]arges but also miscellaneous deductions.

∅ Represents securities issued by the operating companies, and not the net system capitalization.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936

POCAHONTAS REGION

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of ✝ Capital stock actually outstanding	Par value of ✝ Funded debt unmatured actually outstanding	Cost of reproduction less depreciation ✦
Chesapeake & Ohio Ry. Co.	$52,734,862	$1,477,727	$10,262,870	$43,790,002	$44,411,351	$191,446,942	$239,602,000	$473,414,910
Norfolk & Western Ry. Co.	34,505,424	2,508,733	2,233,273	33,106,660	19,203,971	163,640,600	52,139,532	360,920,071
Richmond, Fredericksburg & Potomac R.R.Co.	846,383	182,314	313,746	704,160	573,376	14,834,800	7,180,000	29,093,961
Virginian Ry. Co.	9,068,959	535,312	3,203,166	6,382,028	3,660,200	59,226,500	65,364,000	88,884,441
Total	97,155,628	4,704,086	16,013,055	83,982,850	67,848,898	429,148,842	364,285,532	952,313,383

✦ Includes present value of land and rights and working capital.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
✝ Represents securities issued by the operating companies, and not the net system capitalization.

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INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

SOUTHERN REGION

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of† Capital stock actually outstanding	Par value of† Funded debt unmatured actually outstanding	Cost of reproduction less depreciation#
Atlanta & West Point R.R. Co.	d $4,946	$23,205	$180	$13,964	-	$2,463,600	$2,456	$8,522,022
Atlanta, Birmingham & Coast R.R. Co. ...	d 14,665	27,517	18,271	d 8,965	-	2/ 9,428,714	21,750	25,012,810
Atlantic Coast Line R.R. Co.	4,415,754	4,832,429	6,484,506	1,915,155	$833,262	82,539,400	149,588,930	228,093,159
Charleston & Western Carolina Ry. Co. ..	445,727	24,342	295,597	167,427	144,000	1,200,000	5,700,000	12,318,896
Clinchfield R.R. Co.	2,575,349	40,649	2,616,320	-	-	-	-	40,558,624
Georgia R.R., Lessee Organization	676,172	34,932	659,155	19,093	-	-	799,827	18,745,957
Louisville & Nashville R.R. Co.	19,257,364	915,045	10,423,763	9,628,472	7,020,000	117,000,000	3/227,556,030	437,623,664
Nashville, Chattanooga & St. Louis Ry. .	1,382,842	227,453	1,501,134	51,999	-	25,600,000	16,920,000	69,933,212
Western Ry. of Alabama	50,732	43,403	69,520	19,189	-	3,000,000	1,543,000	9,403,696
Columbus & Greenville Ry. Co.	109,895	18,179	18,441	109,259	-	98,500	335,000	5,331,573
Florida East Coast Ry. Co.*	877,796	107,158	3,030,534	d 2,071,631	-	37,500,000	60,639,075	62,015,161
Georgia & Florida R.R. (including Statesboro Northern Ry.)*	d 13,859	9,793	652,281	d 658,540	-	4/ 13,382,441	6,891,000	12,807,106
Gulf, Mobile & Northern R.R. Co.	1,412,604	130,504	831,912	706,553	-	24,955,000	12,269,637	29,210,224
Central of Georgia Ry. Co.*	1,239,804	397,926	3,508,000	d 2,027,023	-	20,000,000	55,510,000	99,049,006

d Deficit or other reverse item.
\# Includes present value of land and rights and working capital.
* Receivership.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
2/ Includes $4,248,414, consideration received for 150,000 shares of common stock without par value.
3/ Includes Southern Ry's. proportion of Louisville & Nashville-Southern, Monon collateral joint mortgage bonds.
4/ Includes $4,382,441, consideration received for 100,000 shares of common stock without par value.
† Represents securities issued by the operating companies, and not the net system capitalization.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

SOUTHERN REGION - Continued

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of ϕ: Capital stock actually outstanding	Par value of ϕ: Funded debt unmatured actually outstanding	Cost of reproduction less depreciation#
Gulf & Ship Island R.R. Co.	d $146,384	$21,245	$77,606	d $204,814	-	$7,013,100	$1,518,000	$9,849,876
Illinois Central R.R. Co.	14,087,852	2,967,615	16,304,022	714,745	-	154,445,192	362,233,100	487,463,945
Yazoo & Mississippi Valley R.R. Co.	2,911,164	81,510	2,942,354	49,998	-	21,553,300	19,837,000	72,132,917
Mississippi Central R.R. Co.	108,502	1,646	133,037	d 24,152	-	3,940,000	2,187,100	5,006,690
Norfolk Southern R.R. Co.*	302,538	181,405	868,810	d 391,645	-	16,000,000	16,335,810	20,784,918
Seaboard Air Line Ry. Co.*	2,920,583	356,168	9,330,208	d 6,097,462	-	2/85,110,662	124,646,986	209,540,717
Alabama Great Southern R.R. Co.	905,801	1,068,837	483,765	1,489,122	$1,121,035	11,210,350	9,898,000	25,850,426
Cincinnati, New Orleans & Texas Pacific Ry. Co.	4,936,368	144,165	1,734,781	3,331,340	3,307,020	11,423,400	360,000	73,188,917
Georgia, Southern & Florida Ry. Co.	137,524	8,048	303,338	d 160,334	-	3,768,000	6,526,684	11,129,840
Mobile & Ohio R.R. Co.*	1,262,706	54,581	1,683,163	d 377,645	-	6,007,200	33,414,740	51,607,922
New Orleans & Northeastern R.R. Co.	406,102	25,849	385,245	44,967	-	6,000,000	8,566,000	14,054,237
Northern Alabama Ry. Co.	132,359	268	109,441	23,186	-	1,943,300	1,650,000	3,575,053
Southern Ry. Co.	19,298,273	2,225,304	16,832,306	4,304,926	-	189,820,000	3/284,418,828	440,336,242
Tennessee Central Ry. Co.	471,851	8,312	301,745	176,785	-	4/ 500,000	3,635,000	13,548,533
Total	80,146,408	13,977,488	81,599,435	10,743,969	12,425,317	855,902,159	1,413,003,953	2,496,695,343

d Deficit or other reverse item.
\# Includes present value of land and rights and working capital.
* Receivership.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
2/ Includes $61,179,262, consideration received for 2,600,321 shares of common stock without par value.
3/ Does not include Louisville & Nashville R.R.'s proportion of Louisville & Nashville-Southern, Monon collateral joint mortgage bonds.
4/ 60[illegible] shares of common stock without par value are outstanding; no book value reported.
ϕ Represents securities issued by the operating companies, [illegible] not the net system capitalization.

INTERSTATE COMMERCE COMMISSION
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Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

NORTHWESTERN REGION

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of ∮ Capital stock actually outstanding	Par value of ∮ Funded debt unmatured actually outstanding	Cost of reproduction less depreciation #
Duluth, Winnipeg & Pacific Ry. Co. (including Duluth, Rainy Lake & Winnipeg Ry. Co.)	d $1,811	$496,807	$477,356	$12,550	-	$3,100,000	$7,004,997	$7,691,716
Duluth, South Shore & Atlantic Ry. Co. x	637,194	31,844	949,105	d 296,184	-	22,000,000	20,684,000	15,431,475
Minneapolis, St. Paul & Sault Ste. Marie Ry. Co. x	2,005,932	541,927	7,874,443	d 5,561,852	-	37,810,200	102,928,[illegible]	183,578,373
Spokane International Ry. Co. **	103,870	6,265	273,070	d 164,237	-	4,200,000	4,200,000	5,611,247
Chicago & North Western Ry. Co. **	5,260,641	1,809,455	16,702,496	d 9,674,005	-	180,839,845	301,746,500	570,598,592
Chicago, St. Paul, Minneapolis & Omaha Ry. Co.	427,646	69,440	2,512,890	d 2,023,333	-	29,616,067	46,979,000	85,699,115
Chicago Great Western R. R. Co. **	2,197,924	124,955	1,938,746	371,753	-	92,282,900	40,955,801	73,379,929
Chicago, Milwaukee, St. Paul & Pacific R. R. Co. **	9,461,358	1,459,580	14,903,754	d13,196,108	-	2/224,440,761	463,404,856	648,659,607
Duluth, Missabe & Northern Ry. Co.	8,5[illegible]4,801	182,024	1,501,669	6,937,650	$6,374,375	4,112,500	1,000	70,567,566

d Deficit or other reverse item.
\# Includes present value of land and rights and working capital.
x Trusteeship after Dec. 31, 1936.
** Trusteeship.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
2/ Includes $105,133,461, consideration received for 1,174,060 shares of common stock without par value.
∮ Represents securities issued by the operating companies, and not the net system capitalization.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

NORTHWESTERN REGION - Continued

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of ϕ: Capital stock actually outstanding	Par value of ϕ: Funded debt unmatured actually outstanding	Cost of reproduction less depreciation #
						$		$
Great Northern Ry. Co.	$23,559,571	$5,049,169	$17,767,536	$9,903,986	-	2/248,558,750	$345,574,915	3/494,372,413
Green Bay & Western R. R. Co.	176,879	56,102	15,080	227,764	$187,500	10,100,000	-	5,955,623
Lake Superior & Ishpeming R. R. Co.	1,195,755	2,975	237	1,198,161	856,800	4,284,000	-	9,304,278
Minneapolis & St. Louis R. R. Co. *	725,722	133,005	3,001,994	d 2,203,028	-	25,282,133	24,950,125	42,572,464
Northern Pacific Ry. Co.	10,788,187	5,597,111	14,320,079	1,816,784	-	248,000,000	312,465,500	487,406,540
Spokane, Portland & Seattle Ry. Co. and affiliated companies	1,475,507	104,912	3,729,360	d 2,186,458	-	40,046,300	73,710,000	55,751,722
Total	66,709,176	15,475,571	85,967,815	d 14,836,557	7,418,675	1,174,873,456	1,744,604,994	2,756,580,660

d Deficit or other reverse item.
\# Includes present value of land and rights and working capital.
* Receivership.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
2/ Represents consideration received for 2,485,587.5 shares of preferred stock without par value.
3/ Does not include Canadian property.
ϕ Represents securities issued by the operating companies, and not the net system capitalization.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

CENTRAL WESTERN REGION

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appro-priations	Par value of ∅ Capital stock actually outstanding	Par value of ∅ Funded debt unmatured actually outstanding	Cost of re-production less depre-ciation#
Atchison, Topeka & Santa Fe Ry. Co. and Affiliated Companies	$18,501,904	$4,844,342	$10,954,000	$9,998,126	$11,062,760	$366,878,800	$309,642,556	$1,042,548,911
Alton R.R. Co.	777,709	104,866	1,784,569	d 944,792	-	25,000,000	47,444,633	89,641,979
Chicago, Burlington & Quincy R.R. Co. ...	13,448,827	1,294,350	9,495,392	5,157,164	6,833,548	170,839,100	223,622,000	615,734,238
Colorado & Southern Ry. Co.	598,589	1,502,945	2,069,608	22,589	-	48,000,000	47,539,300	37,710,210
Fort Worth & Denver City Ry. Co.	1,211,572	61,304	1,178,535	25,851	677,565	9,243,800	8,226,000	34,063,149
Denver & Rio Grande Western R.R. Co.** ..	1,569,814	339,909	5,955,067	d 4,046,440	-	2/ 78,887,540	76,707,500	134,308,820
Denver & Salt Lake Ry. Co.	1,090,810	24,412	496,487	2,455	-	3/ 5,393,082	12,500,000	24,933,262
Nevada Northern Ry. Co.	169,464	14,020	642	182,842	200,000	2,000,000	-	3,139,073
Chicago, Rock Island & Gulf Ry. Co.** ...	343,244	134,564	1,395,816	d 948,320	-	637,000	7,258,000	22,599,166
Chicago, Rock Island & Pacific Ry.Co.**..	657,437	673,468	14,624,589	d 13,380,980	-	128,892,512	113,030,000	398,947,277
Northwestern Pacific R.R. Co.	249,796	17,870	1,440,448	d 1,239,410	-	35,000,000	30,203,000	34,548,154
Southern Pacific Co.	28,394,694	22,419,183	40,082,060	9,101,888	-	377,276,306	360,983,525	831,046,741
Toledo, Peoria & Western R.R.	358,130	16,092	93,494	273,561	75,000	5,000	1,485,000	7,075,135
Union Pacific R.R. Co.	25,070,627	17,229,027	19,782,753	21,828,912	17,319,184	321,834,100	235,181,680	722,960,136
Utah Ry. Co.	191,221	9,767	225,078	d 25,050	-	3,065,200	4,500,000	6,621,954
Western Pacific R.R. Co.**	111,985	1,121,772	3,539,595	d 2,421,134	-	75,800,000	59,295,806	96,956,044
Total	92,745,823	49,807,891	113,118,133	23,587,262	36,168,057	1,648,752,440	1,537,619,000	4,104,834,249

d Deficit or other reverse item.
\# Includes present value of land and rights and working capital.
** Trusteeship.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
2/ Includes $62,457,540, consideration received for 300,000 shares of common stock without par value.
3/ [illegible]resents consideration received for 50,000 shares of [illegible]mmon stock without par value.

∅ Represents securities issued by the operating companies, and not the net system capitalization.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

SOUTHWESTERN REGION

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of ∅		Cost of reproduction less depreciation#
						Capital stock actually outstanding	Funded debt unmatured actually outstanding	
Burlington-Rock Island R.R. Co.	d $276,424	$5,368	$750,595	d $1,021,849	-	$304,000	-	$6,460,034
Fort Smith & Western Ry. Co.*	53,422	549	293,394	d 239,523	-	2/1,248,000	$5,244,000	5,010,965
Fort Worth & Rio Grande Ry. Co.	d 290,177	5,817	921	d 285,401	-	2,928,300	-	5,359,842
St. Louis-San Francisco Ry. Co.**	5,880,915	434,233	12,931,815	d 6,665,499	-	114,701,526	236,406,597	238,185,325
St. Louis-San Francisco & Texas Ry. Co.	d 438,277	10,905	136,916	d 564,337	-	975,000	339,000	5,933,307
Kansas City Southern Ry. Co.	3,133,292	365,061	2,886,762	580,375	$210,000	50,959,900	51,216,000	60,385,525
Kansas, Oklahoma & Gulf Ry. Co.	809,019	68,205	241,940	632,966	531,015	11,459,900	4,637,000	10,984,330
Louisiana & Arkansas Ry. Co.	1,090,601	93,936	835,237	334,362	180,000	3/9,000,000	16,855,000	25,815,236
Louisiana, Arkansas & Texas Ry. Co.	d 71,486	1,807	45,063	d 114,999	-	400,000	750,000	3,886,026
Midland Valley R.R. Co.	485,878	121,421	339,533	140,802	-	8,005,750	9,146,500	12,584,338
Missouri & Arkansas Ry. Co.	34,261	14,511	333	47,961	35,000	350,000	-	8,872,608
Missouri-Kansas-Texas R.R. Co. and Controlled Companies	4,323,240	510,749	4,232,243	d 138,209	-	4/133,345,700	106,671,746	173,835,309
Beaumont, Sour Lake & Western Ry. Co.**	d 19,623	2,506	177,862	d 195,054	-	85,000	2,057,825	4,842,121
International Great Northern R.R. Co.**	148,032	42,987	2,639,156	d 2,658,998	-	7,500,000	46,964,000	57,769,857
Missouri Pacific R.R. Co.**	11,047,320	2,066,959	21,106,512	d 6,095,236	-	154,639,600	361,639,500	381,596,101

d Deficit or other reverse item.
\# Includes present value of land and rights and working capital.
* Receivership.
** Trusteeship.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
2/ Represents consideration received for 62,400 shares of common stock without par value.
3/ Includes $4,000,000, consideration received for 160,000 shares of common stock without par value.
4/ [illegible]ludes $66,672,747, consideration received for 600,97[illegible]3429 shares of common stock without par value.

∅ Represents securities issued by the operating companies, and not the net system capitalization.

INTERSTATE COMMERCE COMMISSION
Bureau of Statistics

Selected Financial Data, Steam Railways in the United States,
Year Ended Dec. 31, 1936 - Continued

SOUTHWESTERN REGION - Continued

Name of railway	Net railway operating income	Other income	Fixed charges	Net income 1/	Dividend appropriations	Par value of ¢		Cost of reproduction less depreciation#
						Capital stock actually outstanding	Funded debt unmatured actually outstanding	
New Orleans, Texas & Mexico Ry. Co.** ...	$347,007	$109,009	$2,694,786	d $2,242,912	-	$14,832,900	$40,615,900	$10,635,602
St. Louis, Brownsville & Mexico Ry. Co.**	635,377	56,244	326,057	d 84,622	-	500,000	13,633,342	27,093,919
San Antonio, Uvalde & Gulf R.R. Co.** ...	d 2,612	10,361	241,392	d 233,650	$ -	280,000	4,413,000	5,801,628
Texas & Pacific Ry. Co.	5,278,459	1,109,879	4,027,922	2,263,973	1,185,150	62,456,000	80,062,000	124,889,533
Texas Mexican Ry. Co.	157,461	12,722	107,046	d 17,470	-	2,500,000	-	4,445,327
Oklahoma City-Ada-Atoka Ry. Co.	107,690	2,540	d 12,967	65,020	-	1,600,000	1,100,000	3,139,676
St. Louis Southwestern Ry. Co. and Affiliated Companies**	3,271,243	72,659	3,362,135	d 46,942	-	37,079,700	53,576,500	66,269,734
Texas & New Orleans R.R. Co.	5,691,986	293,755	4,796,332	1,049,085	-	64,646,400	74,616,000	214,002,331
Wichita Falls & Southern R.R. Co.	74,498	113,359	243,703	d 56,100	-	1,174,000	635,446	3,221,066
Total	41,521,807	5,525,562	63,204,740	d 17,548,237	2,141,165	680,973,676	1,110,979,356	1,463,227,740

d Deficit or other reverse item.
\# Includes present value of land and rights and working capital.
** Trusteeship.
1/ Net income after deducting not only fixed and contingent charges but also miscellaneous deductions.
¢ Represents securities issued by the operating companies, and not the net system capitalization.