

end to competition as a factor in making rates, and to a very large extent deprive the great business centres of the country of their several natural advantages, and also of the benefit of expenditures made by them in creating for themselves new channels of trade. It would, in fact, work a revolution in the business of the country, which, though it might be greatly beneficial in some directions, would be fearfully destructive in others. Congress has not by the existing legislation undertaken to inaugurate such a revolution; nothing in the Act to regulate commerce looks in that direction, unless it be the prohibition to charge more for a shorter than for a longer haul on the same line in the same direction, the shorter being included in the longer distance. But that prohibition is not absolute, and if it were, a strict enforcement would necessarily be at the expense of the competitive centres which have heretofore had the exceptionally low rates. The rates have made them centres for a valuable wholesale trade which they cannot expect to retain permanently in its entirety if they are deprived even in part of the advantages which they have hitherto had from the competition of rival carriers. The benefit which non-competitive points receive must be largely at the expense of the competitive. This is one of the inevitable consequences of perfecting the reform in the direction of basing rates upon distance more than has been the case hitherto. It is an incidental disadvantage to some which is supposed to be more than made up by the more equal apportionment of transportation benefits.

The competition by water is the most important factor in forcing rates to a low level at the points where the lines of land and water transportation intersect. Where there are good channels of water transportation the cost of moving traffic upon it is so very greatly below the cost of rail transportation that the railroads would scarcely be able to compete at all if rapidity of transit were not in most cases a matter of such importance that it enables the railroads to demand and obtain higher rates than are made by boat. But even when compensated for the extra speed, the rates which the roads can obtain in competition with the natural waterways must be extremely low and in some cases leave little if any margin for profit. The experience of the country has demonstrated that the artificial waterways can not be successful competitors with the railroads on equal terms. If the effort is to make the business upon them pay the cost of their maintenance and a fair return upon the capital invested in them, its futility must soon appear. The railroads long since deprived the great canals of Ohio, Indiana, and Illinois of nearly all their importance, and the Erie Canal is only maintained as a great channel of trade by the liberality of the State of New York in making its use free; the State thus taking upon itself a large share of the cost of transportation which would be assessed upon the property carried if the canal were owned and held for the profit of operation as the railroads are.

In their competitive struggles with each other towns cannot ignore the effect which the existence of natural waterways must have upon railroad tariffs; the railroad companies cannot ignore it, nor can the Commission ignore it if competition is still to exist and be allowed its force according to natural laws. Neither can the great free Erie Canal be ignored; it influences the rates to New York more than any other one cause, and indirectly, through its influence upon the rates to New York, it influences those to all other sea-board cities, and indeed to all that section of the country.

Other considerations bearing upon the reasonableness of rates might be mentioned, but enough has been said to show the difficulty of the task which the law has cast upon the Commission, and the impossibility that that task shall be so performed as to give satisfaction to all complaints. The question of rates, as has already been shown, is often quite as much a question between rival interests and localities as between the railroads and any one or more of such localities or interests; but while each strives to secure such rates as will most benefit itself, the Commission must look beyond the parties complaining and complained of, and make its decisions on a survey of the whole field, that either directly or indirectly will be effected by them.

XII.—GENERAL OBSERVATIONS.

The Act to regulate commerce has now been in operation nearly eight months. One immediate effect was to cause inconvenience in many quarters, and even yet the business of some parts of the country is not fully adjusted to it. Some carriers also are not as yet in their operations conforming in all respects to its spirit and purpose. Nevertheless the Commission feels justified in saying that the operation of the Act has in general been beneficial. In some particulars, as we understand has also been the case with similar statutes in some of the States, it has operated directly to increase railroad earnings, especially in the cutting off of free passes on inter-State passenger traffic, and in putting an end to rebates, drawbacks, and special rates upon freight business. The results of the law in these respects are also eminently satisfactory to the general public, certainly to all who had not been wont to profit by special or personal advantages. In connection with the abolition of the pass system, there has been some reduction in passenger fares, especially in the charge made for mileage tickets in the north-west, the section of the country where they are perhaps most employed.

Freight traffic for the year has been exceptionally large in volume, and is believed to have been in no small degree stimulated by a growing confidence that the days of rebates and special rates were ended, and that open rates on an equal basis were now offered to all comers. The reflex action of this development of confidence among business men has been highly favourable to the roads.

In some localities the passage of the Act was made the occasion on the part of dissatisfied and short-sighted railroad managers for new exactions, through a direct raising of rates, by change in classification and otherwise. The manifestation of the spirit which induced such action is now but seldom observed, and the wrongs resulting from it have in general been corrected. The effect of the operation of the fourth section has been specially described above, and the Commission repeats in this place its opinion that, however serious may have been the results in some cases, the general effect has been beneficial. The changes in classification made since the Act took effect have been