
Government Ownership and Individual Initiative

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GOVERNMENT OWNERSHIP AND INDIVIDUAL INITIATIVE

The people of the United States are about to make a number of decisions of the utmost importance. By reason of the war the Government has entered into control or possession or prosecution of economic public services which have hitherto been developed under private ownership and operation. Whether or not they should be returned to their prior conditions, or a policy of Government ownership and operation be substituted therefor, is perhaps the biggest issue in our reconstruction problems.

The argument for and against Government ownership and operation ordinarily concerns itself with many considerations which, while not altogether irrelevant, are far from being fundamental and determining. My purpose is to present what appeals to me as the fundamental aspect of this problem, whether in the matter of railroads, or of the telephone and telegraph, or of shipping, or of the operation of our mines.

Private ownership and operation of these services should and permanently can only be retained upon grounds which justify themselves exclusively in public policy. The interests involved in the present ownership of these services have every right to protection from confiscation, but have no other rights if a superior public good would be achieved by their acquisition and operation by the State, for every human institution and every great line of public policy must finally stand or fall by the service or dis-service which it renders.

Importance of operation.

It will help to clarify the problem if we understand at the outset that the important question is not ownership but operation. Practically all of these services are to-day owned by corporations who have stockholders in some cases running into the hundred thousand. This is the day of the small stockholder and directly or indirectly, half of the people of the country are already concerned in their ownership. The transfer of this ownership from the present owners back to themselves as citizen owners through government acquisition is not the matter of greatest importance.

But it is a matter of national economy that no more capital and no more labor should be invested in these enterprises than is necessary for the proper service of the country. Every truly superfluous train operated, every wholly unnecessary duplicate telephone service installed, every unnecessary ship constructed and navigated, or ton of coal mined and burned, is so much waste, so much productive capacity taken from some other field and so much diminution of the sum total of goods and services available for human enjoyment.

It is the operation, the constant full utilization of the instruments used in these services which is so essential to the national economy. If, for instance, by a slight let-up in operating efficiency, the freight cars of the United States averaged only a mile or two less a day, there would shortly be required a capital investment running into hundreds of millions of dollars in order to add the thousands of cars and hundreds of locomotives necessary to take up even this slight slack.

It is therefore, I repeat, in the operation of these services that we need to unleash the largest possible amount of human energy and ability; and whatever will do this will, in the long run, be in the public interest and is the right answer to our problem.

Government employment fails to unleash energy.

The experience of many years in close and sympathetic contact and co-operation with government convinces me that there are permanent reasons why government employment in general tends to diminish and to frustrate rather than to expand and to enlarge the energy and ability of those who are employed. The reasons for this are not confined to the present day, nor to this country, but are of universal force and application. They were, for instance, just as true when Balzac wrote his story of *The Chief Clerk* as they are to-day. They are the explanation of the fact, recognized not alone by business men but by men like Senator Cummins, that the Government cannot conduct business activities with an efficiency equal to that of private enterprise.

That you may lead a horse to water but you cannot make him drink is a bit of wisdom now universally acknowledged with regard to horseflesh and lately conceded to be of more validity with regard to human beings. It takes ambition, a lure, an urge, or a fear, to get men and women to give to any piece of work the uttermost which is in them. Most of us are profoundly moved either by hope of success or by fear of failure, and the more certain we are that success or failure will come home directly to us, the more deeply are we affected.

Makes no strong appeal to hope of success.

Government employment does not unleash human ability by a keen appeal to the motive of hope of success. The government employe possessed of an unusual amount of initiative has before him not a bed of roses but a path of thorns—a path frequently made hard for him by his superiors, certainly made hard for him by his fellow employes, and leading just as likely to failure and ostracism as to success and reward.

Let me illustrate: Mr. Theodore N. Vail is so well known for his identification with the marvelous development of our telephone and telegraph system that few persons know that he was once an employe of the Government of the United States. But he was for some time connected with the United States Post Office in charge of the railway mail service. While in this position he put forth Herculean effort which resulted in introducing an expedition and certainty into the railway mail service which had hitherto been lacking. For this labor he received the princely salary of \$2,500 and was rewarded by an effort in Congress to deprive him of an allowance of five dollars a day for expenses while engaged in travelling around the country. Shortly thereafter Mr. Vail resigned and made his first connection with the telephone service.

Nor to fear of failure.

Neither does government tend to unleash human energy by fear of failure. Broadly speaking, there is no failure in government employment except dismissal. The safest protection against dismissal is not

to attract the lightning, to avoid all initiative, all causes of irritation, and to limit one's output at most to obedience to the strict letter of instructions. The path of mediocrity is the path of protection.

Back of these characteristics of government employment lies the absence of competition. No one can compete with the Government in furnishing a public service. The motives for economy and efficiency, and for improvement of methods are lacking because there is no incentive and because there is no yardstick of a profit.

The place of profit in the public service.

But it is argued that public services should not be conducted for a profit; that their profit is to be found in the public benefits of the service rendered.

Let us concede immediately that the object of rendering a public service is the public service rendered. The motive of profit in the rendering of that service is socially unjustifiable, unless by reason of the profit motive and by reason of competition in its exercise, the public receives in such service a degree of energy and ability which would otherwise not be devoted to it.

The history of railroading is illuminating in the light which it throws on the public service rendered by the competitive profit motive. It is true that that motive has sometimes led to abuse and that it was allowed to operate for a period without adequate public control. But it is also true that it can be subjected to reasonable control and still operate; and the job of public regulation is to see that it operates in ways which are publicly beneficial.

Private operation contributes practically all development in science of transportation.

That private operation of railroads has steadily tended to unleash larger amounts of human energy and ability than public operation is demonstrated by a single fact, namely that with more than half of the countries of the world owning and operating their railroads through their respective governments, these roads have contributed practically no substantial addition to the science of transportation. Over half of the improvements have sprung from the private railroads of the United States and most of the remainder from the privately operated railroads of England. Heavy tracks, large powered locomotives, large capacity cars, self-dumping cars, automatic signalling, the automatic coupler, the air-brake, the sleeping car, the vestibuled train—every device which has increased the freight carrying capacity or the comfort and safety of passengers and employes has sprung from private railroading. It has taken on the average from ten to twenty years for State operation to apply these improvements when all the cost of experimentation and the demonstration of their usefulness has been borne by private enterprise.

Testimony of W. M. Acworth.

On this point the testimony of W. M. Acworth, the English railway authority, is of the highest importance. He says:

“The fact has already been mentioned that, while the American companies have boldly revolutionized their machinery and methods of carriage, the Prussian State has clung to old machinery and old methods. The

huge engines and freight cars used in America to-day could never have run on the rails or crossed the bridges as they existed in 1880. So the American companies have laid ever heavier and heavier rails, and have rebuilt their bridges, often more than once. The Prussian State is content to put forward, as a sufficient reason for adhering to the old methods, the fact that track and bridges are not strong enough to carry the heavier equipment.

"This example is typical. In all the history of railway development, it has been the private companies that have led the way; the State systems that have brought up the rear. It would be difficult to point to a single important invention or improvement, the introduction of which the world owes to a State railway. England shares with America the credit of having invented the locomotive. England first rolled steel rails, but America was not long behind. England first introduced the block system of signalling; while to America is mainly due the later development of automatic appliances. There are two types of power brakes on the world's railways. The Westinghouse brake was invented in America, the vacuum brake in England. The automatic coupler is wholly American. So are the sleeping car and the dining car. Shunting by gravity, which accounts for a saving of millions of dollars a year, was invented in England, but has been mainly developed in America.

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"Railroading is a progressive science. New ideas lead to new inventions; imply new plant, new methods. And this means the spending of much new capital to be recouped by larger economies later on. The State official mistrusts ideas, pours cold water on new inventions, grudges new expenditure. No one questions the ability of the German people. German manufacturers, German merchants, German bankers have taught the business world a good deal in recent years. German

railway men have written many books, some of them valuable; but in practical operation they have taught the railway world nothing. Why? Is it because they are State Officials?"

These improvements are due not alone to private railroad companies but to the competition of private engineering and supply firms competing for their purchases. Practically every detail of every device used in furnishing transportation is a matter of continuous research and experimentation by private firms engaged in producing these articles, stimulated by competition with other firms of a similar character, and being able to sell their product if not to one then to another privately operated railroad. Under government ownership and operation this process practically ceases.

Importance of recognizing the human aspects.

To my mind, therefore, recognition of the superior opportunity afforded by the private operation of economic public services to the human individual, the larger outlet for his ability and the larger stimulus to its exercise, is bound up with the whole question of the freedom and scope of human life. Whether or not we shall now recognize this in the arrangements we are about to make is, I believe, a matter of world-wide importance. We are in the beginning of an era of apparent revolt—an era on the aim of which I personally look with great sympathy. We spent the nineteenth century in developing the physical capacity of the world, its science, its raw material, and the application of the two to each other in a series of inventions which have revolutionized the daily lives of all of us.

But we did this under conditions where frequently the cart was before the horse. We sacrificed human life to these ends, we appraised its value in terms of what it contributed to these ends instead of appraising these ends in what they contributed to human life. This was not done wilfully, but these were frequently the result nevertheless.

Now we are in for a reappraisal under conditions where the human elements will be dominant, and however difficult this age may be it ought to appeal to every human instinct in us to labor to bring great good out of it.

Europe leans too heavily on the state.

But the misfortune of the peoples of Europe is that, in conducting this reappraisal, their past habits of political and economic thought compel them to lean more and more heavily upon the State. As the State becomes more and more powerful and its activities more embracing it will exercise an increasingly tyrannical effect upon the free exercise of human initiative and energy. I believe the day will come when the disillusioned people of Europe will wake up to find that they have partially escaped from one tyranny only to fall into the toils of a tyranny stronger still. Europe is marching on the high road to producing the over-weening state. From this point of view Bolshevik Russia is already an object lesson. But what that over-weening state will mean in terms of human life the great bulk of the human race will not know until they experience it. Then there will be a new revolt, the object of which will be to restore liberty and freedom of action to the individual.

It is superficially assumed that just as God looks out for drunkards and little children, so there is a force in human affairs which will save us whether we deserve to be saved or not. There is nothing in human history to support this belief. The whole world can and has been plunged into darkness. Civilization can be turned backward as the "Dark Ages" demonstrate. But it has also been proved that any portion of the world saved from a disaster overtaking the remainder may assume a position and importance which may be out of relation to all other factors.

America's present, her historic, duty—to preserve freedom for the individual.

It is this importance which I attribute to the decisions which we are about to make—the importance of the United States preserving freedom for the individual, an outlet and an urge for the exercise of his energy and ability, which will show the way out to a distressed world at a later date. In order to do this we do not have to make any sacrifice. We do not have to decrease our economic and social efficiency. We do not have to condone abuses, make unconscionable compromises, nor deny to ourselves a full application of that reappraisal of economic values which characterizes the present time. All that is required of us is the application of our common sense and of demonstrated experience to the service of our new and larger ideals—an application in keeping with the very genius of American life.