

Perkins and Budd: A Comparative Study of Railway Statesmanship

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In June 1912, I was almost run down by a Maine Central express train; my older sister grabbed me out of the way just in the nick of time; and from that moment to this I have had an ongoing love affair with railroads. Not that I qualify for a moment as a fan or buff or, as the elegant late Lucius Beebe put it, an aficionado. Rather, my approach has been as one concerned with the *impact* the railways have had on society. Let me explore this a bit.

My first chance to investigate this area seriously was while working for an M.A. in economics at Williams. My thesis concerned valuation for consolidation purposes, a topic, incidentally, that is still very much alive, especially in the Northeast Quadrant [19]. Having had such a fruitful experience at Williams, I naively went off to Harvard to pursue a Ph.D. in economics. To the renowned Professor Burbank, then head of the department, I sought to explain my interest in the railways' impact on society. However, he looked completely baffled; his department, he told me, had no interest in any such thing, but if I would like to investigate joint costs problems they might take me on. I returned to Williamstown downhearted indeed.

Then, by pure chance, my fortunes changed. Carl Birdsall, one of the younger members of the Williams History Department, suggested that I go down to the forthcoming fall registration at Harvard and talk with the men in their history department, particularly Frederick Merk who, some years before, had taken over Frederick Jackson Turner's courses on the frontier. Carrying out this suggestion in the fall of 1934 determined the course of my scholarly efforts from that day to this. So it is that *Perkins/Budd* is simply the latest manifestation of a long-standing trend.

But to return to Harvard: Professor Merk was intrigued with the idea of exploring the impact of railways, notably in the West, and when my time came to write a thesis he sent me to William J. Cunningham, James J. Hill Professor of Transportation at the Harvard Business School. Cunningham, in turn, offered to and did write Ralph Budd, president of the Burlington, to see whether I

might have access to that company's extensive land grant records. To make a long story short, the answer was favorable, and I was allowed to bring six tons of records (classified, incidentally, as "waste paper") to the Harvard Business School where that incomparable librarian and scholar, Arthur H. Cole, housed them and me. A year or so later a thesis on colonization was complete and in 1941 was published under the title of *Burlington West* [11]. At last I had produced a book that was concerned throughout with the *impact* of a railway, so much so in fact that the awesome Professor N. S. B. Gras of the Harvard Business School declared vehemently that it was in no way a business history, but "merely social history." In vain I argued that the Burlington's policy toward settlers on its land was indeed a facet of business administration; he would have none of it. Happily for me Gras was, so far as I ever knew, a minority of one on that point.

Eight years later, in 1953, *Gulf to Rockies* appeared [12]. As much as anything else it was an intertwined pair of business biographies, thus bearing a strong resemblance in structure to the *Perkins/Budd* undertaking. Yet again, as in *Burlington West*, it was the impact of the two men on the region their lines traversed that attracted most of my attention. Finally, a dozen years later, in 1965, the comprehensive *Burlington Route* was published [10]. It was distilled from a 2375-page manuscript, and this exercise in condensation has been directly relevant to the task now in hand, for I do not think anyone would or could read *all* the things Charles E. Perkins and Ralph Budd said about railroading. Perkins was president of the CB&Q from 1881 to 1901, and of Budd from 1932 to 1949, a combined total of 37 years. Thus the challenge, present whenever a book is based on overwhelming numbers of records, is to decide what to take out and what to leave in. A challenge of this sort raises a number of specific and searching questions:

(1) Just what should one select from the mountain of source materials?

(2) How much background history of the CB&Q -- and of railroads generally -- should be included?

(3) How much need be said about Perkins and Budd for the years before and after their presidencies of the CB&Q?

(4) Finally, and by far the most important: how much valid comparison and how much meaningful contrast is there between the two men, and what is the significance of these comparisons and contrasts? In other words, not only "what?" but "so what?"

Suppose we consider these questions in order. *First*, which are the most revealing and, at the same time, accessible materials? After long deliberation and after sampling each type of source, I have decided to limit my attention to statements that each man made in public, or for public consumption. This covers, in each case, a wide range of topics: construction, operations, maintenance, motive power and equipment, traffic, personnel, strategy, regulation, and so on down the list. Most if not all of the key

issues of the time surfaced in Perkins's 168 memoranda, Budd's 126 speeches, and in the 37 *Annual Reports* the two men wrote themselves. Of course, I am well aware of the relevance of the vast background behind each of these public statements, yet the ramifications of "background" can get out of hand. To search out the wellsprings of what two articulate -- nay, talkative -- executives said in 37 years would be the work of another lifetime. Far better, it seems to me, to concentrate on the matured carefully honed statements to the public. Here Perkins and Budd were willing to stand up and be counted. By limiting myself to the end products of the decision-making process I can, I believe, embrace the dominant themes of the two administrations.

Now for the *second* question. How much background history of the Burlington -- and of railroads generally -- should be included? My answer is, a bare minimum. The story of the "Q" and its neighboring railroads is readily available elsewhere [10 and 11]. More to the point, this is not the history of any one road; rather it is an inquiry as to how two men formulated and carried out their deliberately chosen policies. Even so, I realize that I shall have to remind my readers of a few salient facts. They may want to recall that the earliest predecessor of the Burlington was the aptly named Aurora Branch, chartered in 1849 to link that ambitious little town with Chicago. It was put into operation the next year to become the second road to serve the fast growing metropolis on Lake Michigan. After attracting Boston capital in 1852, this little 12-mile road absorbed three other short lines to emerge, in 1855, as the Chicago, Burlington and Quincy; by the middle of 1856 the lines of the company linked all three cities in its title. Thereupon began the period of steady and sometimes headlong growth until, by the turn of the century, the 7,661-mile system lived up to its familiar motto, "Everywhere West." Expansion during this period can best be shown by decade maps, with perhaps a final one for 1940, along with relevant operating and financial statistics. Beyond that I should think occasional running references in the text should suffice by way of background. Even less need be said about railroads in general, just enough to suggest the main features. I think most of this too can be done in running commentaries as occasion demands.

What, to answer the *third* question, should be said about the nonpresidential lives of Messrs. Perkins and Budd? The former was born in Cincinnati in 1840, the latter on a farm near Waterloo, Iowa, in 1879, and both moved upward with unusual speed. Perkins was only 18 when, for a salary of \$30 a month, he took a clerk's job with the Burlington's Iowa subsidiary. Yet by the time he was 26 he had worked up to the superintendency, and a decade later found him vice-president and director of the parent CB&Q. In 1881, at age 40, he became president of the system. Budd matched this performance. After graduating from college with a B.S. in civil engineering in 1899, he served in the engineering departments of

half a dozen roads before becoming chief engineer of the Great Northern in 1913. From there he moved into executive positions with that road, becoming president at the age of 40 in 1919. Meanwhile he had already (1916) become a director of the Burlington, so he was fully familiar with the property when he was elected its president on 1 January 1932. When each man retired from the chief post on the CB&Q, he kept active. Perkins served for six years, until his death in 1907, as a working director in every sense of the word. Budd, displaying both stamina and imagination, assumed the chairmanship of the Chicago Transit Authority for five busy years, remaining also a director of the Burlington. Eventually he retired to California where he died in 1962. Yet as in the case of the railway background, *Perkins/Budd* cannot pretend to be a biography of either leading character; it treats but one phase of their lives. Articles about each have long been available. Beyond that I shall introduce into the text only such background or cross-bearing necessary to clarify the subject under immediate discussion [13].

And now for the *fourth* and final question: how much valid comparison and meaningful contrast is there between the two men? Can Perkins and Budd, the midpoints of whose administrations (1891 and 1941) were exactly half a century apart, be realistically considered in the same breath? Well, geographically the city pairs linked by the Burlington of 1891 were not very different from those of 1941. In both years there was through freight and passenger service between Chicago and Omaha, Lincoln and Denver, between Chicago and Kansas City, between Chicago and the Twin Cities, and between Saint Louis and the Twin Cities. The only major extension after 1891 was the line completed to Billings in 1894 to connect with the Northern Pacific. Thus one might say quite correctly that the outside limits of the playing field, so to speak, were essentially the same. Yet CB&Q route mileage in that half century nearly doubled. Most of this new trackage was, to be sure, secondary or branch mileage [7]. Yet gross business grew in spectacular fashion; total revenues quadrupled between 1891 and 1941. This was indeed a contrast, but not nearly as startling as the fact that the dividends paid in the two years were almost identical: \$3.2 million for 1891 and only \$3.4 million in 1941 [6]. Obviously in the latter year new forces were at work: rapidly mounting competition from highway and air carriers, increasingly burdensome regulation, and a new militancy on the part of labor could go a long way toward explaining the extremely cautious dividend policy of 1941.

As a matter of fact, Perkins and Budd thought very much alike on a number of basic issues that were important in both administrations. When it came to selecting employees, for instance, Perkins in 1885 enjoined the employing officers to "have regard not alone to what the man can do, but also to what he is, and what he may become....In making promotions," he added, "character

is of more consequence than long service" [14]. Exactly 50 years later Budd warned a meeting of rail superintendents that any employing officer "should be satisfied of the prospective employee's character and adaptability as well as his mental equipment and physical fitness" [2].

Consider another key subject, that of regulation: in the spring of 1885, the United States Senate appointed a Select Committee on Interstate Commerce to investigate "the questions involved in the regulation of interstate commerce by Congress." On April 10, the chairman of that committee, Shelby M. Cullom of Illinois, addressed a 15-item questionnaire to every major railroad [8]. Perkins immediately shouldered the responsibility for making a reply that would not merely state the Burlington's position, but that of the entire industry. As he formulated his thoughts he consulted such eminent members of the CB&Q Board as John Murray Forbes, T. Jefferson Coolidge, Charles J. Paine, John L. Gardner, and William Endicott [17]. With their help Perkins completed the reply on September 21 and sent it off to Senator Cullom. In its printed form (which was widely distributed) the letter ran to 27 pages, a resounding plea based solidly on laissez-faire economics.¹ This epic communication will receive careful analysis in *Perkins/Budd*. All I propose to do now is to quote from the closing paragraph, and then to match it with a word or two from Ralph Budd. Here, then, are Perkins's concluding sentences.

The real Railroad Question is... how to continue to get railroads built [and maintained] by private capital; and perhaps the real danger is that a mistaken public opinion and policy of government, added to the ordinary risks of business, may, by rendering railroad property unattractive, tend to drive it out of the hands of investors, first into the control of speculators, and ultimately into that of government. Among the evils of government ownership would undoubtedly be higher charges and increased taxation [18].

Now, while these words are fresh in your minds, listen to Budd a half century later,

It is obvious that, if private ownership is to continue, the roads as a whole must be permitted to earn a reasonable return upon the money invested in them. In no other way can the properties be kept up, efficient service rendered, and new funds secured to make improvements in the plant and refund maturing capital obligations [3].

His statement a year later was even more stark,

If conditions which cause railways to fail are permitted to continue, there is no escape from the conclusion that private ownership of the railways will fail and the Government will of necessity take them over [4].

He had already spelled out what he thought that would entail, a "misfortune for the country," if the experience in other nations meant anything. Railroads, he said, would become tax-eaters instead of taxpayers, "the quality of transportation would deteriorate while its costs would increase." Not only that; if the rails were taken over "all essential and important industries" would gradually suffer the same fate [3].³

Certainly the two presidents felt much the same about government ownership and what it would mean. Yet the differing sorts of competition they faced as well as the technical revolution that separated them suggest that there were just as many areas of contrast. The problem is to sort them out and to determine how well each man faced the challenges before him.

When Perkins was president of the Burlington, the nation's railroads were experiencing their greatest expansion ever. Consequently he was deeply concerned that his organization should be at all times capable of administering efficiently a growing network. His objective was to combine the uniformity of a large system with enough local autonomy so that the superintendent of a modest region, say, could be personally familiar with the problems and people in his area [15]. He specified, for example, that the assistant engineer of any subdivision should not be in charge of more than 100 miles of track "because it is important that [he should see his road frequently by walking over it" [16]. As did all large roads, the Burlington had a choice of adopting the departmental or divisional type of organization. In the former, all policy was set at headquarters (whether a matter of engineering, operation, traffic, or what not); no binding decision could be made except by the top man or men in, say, Chicago. In contrast, the division type lodged in the divisional superintendent enough power to settle all but the most unusual problems. Perkins firmly supported this latter scheme although he clearly recognized that adjustments would have to be made as the system grew. The central goal was to have personal supervision. For example, in the matter of track and equipment renewals, Perkins pointed out that the superintendent could "often safely delay making renewals...because having personal knowledge of the whole situation, and being able to watch it, he can personally judge just how far it is safe to go" [16].

Budd, in turn, supported the divisional organization, and for the selfsame reasons. His reduction of the number of divisions from 17 to 11 was, in 1932, strictly a matter of economy and efficiency rather than any change in the regional arrangement

Perkins had set up [13]. Budd fully maintained the emphasis on personal, on-the-spot contacts. So here was both a contrast and a comparison between the two men. Under Perkins the Burlington was growing rapidly; under Budd it was shrinking in mileage if not in traffic. But insistence on informed personal supervision was characteristic of both administrations. One might say that from a quantitative standpoint there was dissimilarity while from a qualitative angle, things were pretty much the same [13].

There was perhaps an even sharper contrast between Perkins and Budd in respect to technology. At the risk of oversimplification, it would generally be correct to say that technical progress under Perkins (with the possible exception of the automatic coupler and the air brake) was evolutionary rather than revolutionary. That is, emphasis was on easier grades, gentler curves, larger and heavier locomotives and cars, and the like. Under Budd, with the coming of the Diesel engine and lightweight metals (every bit as important), railroading became, so far as operations were concerned, a new art. It is a simple truth that Ralph Budd, as much as any railroader, fathered this revolution.

Both presidents had to face depressions -- Perkins in 1893-97 and Budd from the day he took office on 1 January 1932 until the onset of World War II. This called for drastic economies and a steady financial hand; there were marked similarities in the policies followed in this area. However, only Budd experienced the presidency in wartime; indeed, for 18 months in 1940-41 when he served as transportation commissioner for the nation, he served in a backbreaking dual capacity. Save for the comic-opera Spanish-American War -- which in no way affected the Burlington -- Perkins governed in peacetime, though during the lengthy engineers' strike in 1888 he might have disputed that description of his situation.

Until 1901, when Perkins resigned the Burlington presidency, there was no effective overland competitor of the railroads except another railroad; interurbans proved to be a mere flash in the pan. But the exception -- other railroads -- proved to be of prime importance; during Perkins's 20-year term of office he spent long hours deciding what to do about the multitude of competing roads, large and small, that threatened the Burlington in one way or another. On balance he was a conservative, preferring to pay more for a sure bet than taking a chance on an untried proposition; his "Strategy Memos" reveal how very many angles had to be considered before backing or acquiring this or that piece of line. By 1932, of course, when Budd took up the Burlington reins, there were over 22 million passenger autos, 50,000 buses, and over 3.5 million trucks on the road [1]. There were also many thousands of miles of branch railway line that were not paying their way but could not be let go without tedious and expensive proceedings before the slow-moving Interstate Commerce Commission. In other words, by the 1930s there was not only the interrailway competition of Perkins's day, but increasingly sharp intercarrier competition

as well. As Budd acknowledged long before he retired, even the airplane was destined to be a major carrier of people and cargo as well as of mail [5]. Thus in respect to competition Perkins and Budd had much the same sorts of problems even though some of the ingredients were new and different. Both men were fully aware that no railroad could live unto itself; its "foreign relations" demanded constant thought, attention, and, very often, decisive action.

When all is said and done, it was Perkins and Budd, more than any others, who left the ineradicable stamps of their personalities on company policies [9]. Granted, this was due partly to their long, uninterrupted tenures, but more, I think, to the keenness of their perception, the vigor of their action, their honesty, and their humility. Of course they did not know all the answers, but they never stopped trying to find them. And they shared the courage to call the shots as they saw them without equivocation. Perkins and Budd worked their ways up through the operating and engineering ends of the business, respectively, and were thus highly qualified specialists, but and most importantly, they were also generalists. Each in his day concerned himself with and spoke out on administration, regulation, finance, service, engineering, operations, personnel, consolidation, competition, rates, and a host of miscellaneous matters. They were, in short, practicing railway statesmen. Thus I hope that *Perkins/Budd* will give a broad hint of what is involved in being the president of an active, solvent railway.

NOTES

*Addie L. Benson, Paul W. Gates, Shannon P. Gilligan, Donald L. Kemmerer, and Frederick Merk all made exceedingly helpful suggestions in respect to an earlier draft of this paper. I have profited greatly from their ideas; shortcomings that remain are my own doing.

1. Although historians have no business making guesses, this one submits that if Mr. Perkins had been on hand on 5 February 1976, when President Ford signed the \$6.4 billion railway bill giving the roads wide new flexibility in rate making, he would have felt that not all his words to Senator Cullom had been in vain after all.

2. This issue that so concerned both Messrs. Perkins and Budd still makes front-page news. Said shrewd Wall Streeter Isabel H. Banham to the Fifth Annual Briefing Conference on Railroads, Arlington, Virginia, on 2 October 1975,

Even now, though there are 71 Class I railroads, there are only about a dozen...whose credit standing enables them to come to the capital markets for volume financing. Today portfolio managers of

institutional accounts are reluctant to recommend rail securities.... Unfortunately money in volume from the government ultimately means nationalization of the rest of the industry.

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4. _____ to Northwest Shippers' Advisory Board, Minneapolis, 23 January 1936 (B-O).
5. _____ to Southern States Industrial Council, Birmingham, 16 December 1941 (B-O).
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7. _____, AR, 1891, p. 10; CB&Q, AR, 1941, p. 6.
8. Shelby M. Cullom to CB&Q, 10 April 1885 (Cunningham-Overton Collection, hereafter C-O).
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18. _____, to Shelby M. Cullom, 21 September 1885 "The Cullom Letter," (C-O).
19. *Railway Age*, Vol. 176 (10 November 1975), pp. 34-35 and 54.