

## Railroad Regulatory Leadership in the Progressive Era: Considerations and Conclusions

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If railroad regulatory leadership is measured by tallying legislative victories and defeats, it could almost be argued that the rail community of the Progressive Era possessed none of this quality whatsoever. True, the Pennsylvania Railroad helped draft and the other carriers endorsed the Elkins Anti-Rebating Act of 1903; but by 1909, the railroads were submerged by what one of the Pennsylvania's vice-presidents called "a torrent of the most bitter and violent attacks... in magazines and newspapers; in Congress and State Legislatures" [3, p. 233]. Of all the new, wide-ranging regulative laws, those taking the rate initiative from the carriers proved to be the most crucial, for they allowed unsympathetic regulators, despite spiraling inflation and the growing costs of complying with regulatory requirements, to make the carriers endure a seemingly endless winter of frozen -- in real terms, declining -- rate levels which were thawed only by the fires of World War I [9].

What had gone wrong? How could an industry so strong, so expansive, and so popular with investors at the beginning of the period undergo such a regulative-financial rout by its end? Did the railroads handle the onrush of political agitation ineptly, or, did they perform as well as could be expected under essentially uncontrollable circumstances? These are just some of the basic questions that must be posed when considering the overall quality or creativeness of railroad regulative leadership in the Progressive Era. Far from attempting to exhaust the topic in this brief paper, I wish only to help conceptualize it by illustrating the complexity of answering the fundamental questions. The main theme of the paper -- that the general level of regulatory leadership noticeably improved in the Progressive Era years, in part because it underwent that same kind of professionalization which was emerging if not already established in other aspects of railroading at the turn of the century -- has been touched on by other scholars [2, pp. 151 and 223; 9; and 11]. I hope not only to reinforce this theme, but also to bring greater perspective to it by measuring, largely with the yardstick of the carriers' own commentary, the

creativeness of regulatory leadership in the Progressive Era against the imaginativeness of any such leadership displayed in the 19th century.

Let me begin the analysis by briefly describing the regulative environment in which the roads found themselves as they entered the new century. Probably their greatest single challenge was an anti-railroad prejudice, the causes for which ranged all the way from the real and fancied grievances of particular shippers to its cultivation by politicians. Railroad regulation was a relatively safe, politically nondivisive issue on which to run because of the long-standing American fear that the consolidation of corporate power would diminish competition and thereby raise prices. The turn-of-the-century merger and community of interest movements, and the simultaneous increase in the rate level, which had been declining since the 1870s, thus supplied all the combustibles needed for political figures (like President Theodore Roosevelt) to convert latent prejudice into overt hostility and restrictive legislation. The railroads' own positions and tactics, moreover, in the months before enactment of the Hepburn Act of 1906, which endowed the ICC with power to rule, upon complaint, on the reasonableness of a given rate, only enhanced the certainty that negative federal legislation would be passed. The carriers' arguments against new regulation were so hackneyed that even a rail president termed them "'scare crows' and 'bogymen'" [13, 16, and 14]. Less inspiring still was the roads' attempt to influence public opinion against regulation via an infiltration of newspapers. Exposure of the affair supplied more ready-made muck for the rakers than they could possibly have mixed up on their own [9, pp. 112-13 and 167].

Happily, passage of the Hepburn Act marked something of a turning point in the overall quality of regulative leadership. The best indication of this was the growing number of rail executives who publicly admitted that, as one put it, "Unfortunately, too much of the legislation now on our statute books has been put there because of the mistakes of the railroads." Another officer similarly stated, "The drastic features of some enactments would have been avoided had railroad managers always exercised the spirit of forbearance and compromise" [3, p. 263]. President Edward P. Ripley of the Santa Fe, who himself had advocated such a conciliatory position in the 1890s, was uncertain in 1909 whether the carriers' "active opposition" had "bound the chains more tightly" [12, p. 32]. But most railroad men during the middle Progressive Era years appear to have concluded, as had railroad journalists and a few farsighted executives back in the 1870s and 1880s [3, pp. 118-19] that the old obstreperous, self-righteous posture had been -- or at least was now -- counterproductive: in the post-Hepburn Act years there was a studied attempt to praise rather than to damn or ignore the public and to express regrets for past railroad abuses. Evidently, public confession was deemed good for public relations as well as the soul.

The harsher regulation became, in fact, the quicker rail leaders swore their allegiance to the principle of regulation if not always to its statutory specifics [3, pp. 261-62].

Another mark of maturing leadership was the growing acceptance of the idea that the roads needed to address the public and establish a public image on their own instead of leaving such a vital task, almost by default, as they had done too frequently in the past, to the whims of others. The notion itself was not new. In the 1870s the rail journalists had taken managers to task for not taking this leadership function upon themselves. In 1880, George Blanchard, probably the most statesmanlike rail leader of his generation, deplored the fact "that the railways represent the most important industrial and financial interest in the land [but] they have the scantiest literature, and have written little in self-defence...." By 1893, Ripley still felt compelled to point the roads to their "duty to begin and continue a campaign of education" in order to reduce hostility. In the same year, a vice-president of the Wabash likewise prophetically stated, "The railways have remained silent so long... that it will take long and constant labor to free them from the results." The railroads' solution, he maintained, "lies in the hands of their own representatives...." [3, pp. 57, 119, and 176]. M. E. Ingalls of the Big Four Railway echoed this sentiment in 1907 by telling members of a traffic club of the need for "a new evangel" which would convince "the ordinary people" that the roads were "benefactors" rather than "pariahs" [6, pp. 15 and 16].

If there was one man in the Progressive Era who acted on the call to preach, it was William W. Finley, successor in 1906 to Samuel Spencer, president of the Southern Railway. The diametric difference between Finley's and Spencer's regulatory tactics perfectly illustrates the post-1906 change in regulative leadership. Spencer had headed the roads' secret pre-Hepburn campaign, and while the scale and organizational sophistication of that effort probably was unparalleled in the annals of corporate public relations, its obstructive, behind-the-scenes orientation was highly traditional. Finley, on the other hand, if adopting strategies from the politicians, outdid them with his whistle-stop type speaking campaign which he inaugurated in 1907. Before farm, civic, and commercial groups all along the Southern's lines, Finley, whose numerous recorded speeches read like the sermons of an itinerate minister who never has to change his message, sought to combat the image of absentee management and present the roads' side of regulatory issues.

The Southern had its Finley, the B & O its Daniel Willard, and the New York Central its William C. Brown, and so on. The list of individuals became too long by 1916 to enumerate here. Many of these top executives who had probably worked on relations with the public in at least some fashion in the past, now, for the first

time, were going public with their public relations. Those scholars who know the histories of individual companies and leaders better than I do can probably point to genuine cases of public relations innovations in the Progressive Era; my own impression is that there were few major techniques -- from speech-making and rebuttals in newspapers to attempts to increase the number of stockholders -- practiced by regulatory leaders in the early 20th century for which precedents cannot be found in the 19th century. But what the Progressive Era rail community perhaps needed more than innovation was a sufficient number of enthusiasts. As Ivy Lee, the nation's first professional in corporate public relations, observed in 1914, "Railroad men have been standing aside, content to be judged by the machines they were running.... Machines haven't the necessary blood to arouse multitudes" [7, p. 9].

But perhaps equally important as the numbers of individuals engaged in public relations was that phenomenon's professionalization. The more conciliatory tone of public utterances, the act of making public relations an integral part of one's managerial role, and the Pennsylvania enlisting, beginning in 1906, the aid of Lee, all were steps in this direction. Leaders from some of the top roads had professionalism in mind when they created in 1910 the Bureau of Railway Economics, an agency staffed with expert economists and statisticians whose mission was to gather data that would incontrovertably establish the carriers' need for higher rates or other forms of regulatory help. The agency was designed to be a permanent institution that would forestall instead of haphazardly react to crisis situations [9, pp. 167-68 and 256-59]. Another reason that the bureau's founders launched the agency was for harmonizing the rail community's opinions on regulatory goals [5, p. 65]. That a substantial consensus on regulative aims took place -- regardless of whether this was attributable to the bureau -- was, like the routinization of managerial functions, another index of professionalization [1]. By 1916, the roads had chosen a single spokesman for congressional hearings and agreed on the desirability of eliminating state regulation. This strategy and program could not have occurred a decade earlier because of regulative disagreements within the ranks [3 and 4]. Given the strength of the opposition, the railroads frankly were in need of a united front, of organizing, as one executive stated it, "with an effectiveness equal to that of the Commercial... and Labor organizations ...." By 1913, the director of the Bureau of Railway Economics could indeed take satisfaction in "A Concerted Movement of Railways" [10, p. 6; and 8].

By the time the industry did organize -- no mean accomplishment in light of the government's policy of keeping it fragmented -- the ICC by the Mann-Elkins Act of 1910 had already received those powers over rates by which it was to undernourish the industry. The roads probably contributed to making this law as potentially

restrictive as it became because they committed the serious blunder of filing rate increases during congressional debate over new regulatory legislation. By self-admission, moreover, the carriers presented a poor case in 1910 ICC rate hearings. But the state of public opinion was such that there was really no time prior to 1910 that would have been any more popular for rate raising. And even the carriers' straightforward if massive campaign to gain support for rate increases in 1914 was condemned by the ICC and congressional insurgents as an attempt to prejudice the public. Lee could not resist saying, "When we take the people into our confidence... with such palpable sincerity that we gain in return the confidence and support of the people, some of our friends in Washington think the devil has surely been at work somewhere..." [3, pp. 278-79].

Lee correctly detected a positive shift in public opinion toward the railroads' cause by 1914, but was it traceable to maturation in railroad leadership? The mere fact of ICC revitalization, the results of state railroad valuations made during the period which disproved allegations concerning watered stock, and the Railroad Securities Commission findings about the roads' financial duress probably abated much hostility. And by the time of the 1914 rate hearings, even much shipper resistance to increases had evaporated because of retrenchments in rail service. Yet it should be noted that some of the nation's leading newspapers and magazines began describing the carriers' campaign for higher rates as "temperate and impressive" [9, p. 297]. Furthermore, it would probably be denigrating the railroads' persuasive abilities to argue that when President Woodrow Wilson stated how "plainly and earnestly" the carriers had made their case, he took this position only because his political worries about recent conservative Republican gains in Congress. Similarly, while the war proved to be the greatest teacher of the irrationalities of Progressive Era regulation, it is to the roads' credit that they were instrumental in prodding Congress, *before* our entrance into the war, into establishing a joint committee headed by Senator Francis G. Newlands that was to examine thoroughly the whole subject of rail regulation. Whether the Newlands Committee hearings would have significantly changed the shape of regulation (as it was to be in the Transportation Act of 1920), had not the war brought about their suspension, is one of the intriguing but unanswerable questions surrounding this topic.

In any event, the gratifying growth in mutual understanding toward the end of the progressive Era might tempt one to conclude on a positive note. More and more individuals, after all, were beginning to open their minds to the fact that everyone, in the end, bore both the costs of and responsibilities for restrictive policies. But given the long history of negative regulation, we still must wonder why this took so long. The blueprints for a just

system of regulation involving some reasonable concessions from all sides, together with seemingly good advice from a few visionary railroad and government leaders on how to get them approved, predated the Progressive Era. In retrospect, we can only wish they had been adopted earlier.

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