

Discussion:

Evolution
of
Railroad Management Philosophy

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Discussion

At the outset I want to congratulate Mr. Cruikshank on the fact that his railway, The Fort Worth and Denver, has successfully reached its centennial year. Indeed 1873 was a stirring time in Texas: both this city and this University were founded in that year. In a much more humble but hopeful way, I might point out that our Lexington Group is thirty-one years old this month, while our Business History Conference is completing its nineteenth year. May all these worthy enterprises prosper for many years to come!

My immediate task is to comment on Paul Cruikshank's intriguing paper entitled "Evolution of Railroad Management Philosophy". Much to my delight he has chosen to use the Burlington Northern to illustrate his ideas. By and large, and more or less like B'r'er Rabbit in the briar patch, I shall do likewise. After all that system is so large and so venerable as to constitute a meaningful sample of the industry.

Perhaps the logical place to begin is with Mr. Cruikshank's opening statement to the effect that the Burlington Northern is profit-oriented, first of all, but beyond that, fully mindful of the various publics towards which it feels responsibility. Now this outlook, we are told on the very first page, is "quite far removed" (a phrase subject to rather varied interpretation) from the 'public-be-damned philosophy' that characterized the leaders

of the industry before the turn of the century. In brief, if I understand Mr. Cruikshank correctly, things were pretty bad in the nineteenth century, but now the railways - or at least the Burlington Northern and its subsidiaries - have achieved "an understanding and response to the environment in which management must operate".

The question that poses itself in my mind is just this: Is the contrast between the upper echelon railroader of a century ago and his modern-day counterpart as great as Mr. Cruikshank would have us believe? I don't think so for two simple reasons: First I suspect and submit that despite the presence of some rascals on the landscape, most rail executives of, say, the 1870's were honest, plodding, and occasionally brilliant men who behaved themselves primarily because it paid off. And secondly, much as I admire many individual railroaders today, I am a little skeptical as to whether they have achieved quite as much understanding of present forces as Mr. Cruikshank suggests.

Let me just illustrate these two propositions of mine in a little more depth. As we all know, the most comprehensive and meaningful presentation of railway entrepreneurial thinking in the nineteenth century is found in Tom Cochran's Railroad Leaders. There are the documents revealing the unedited reactions of some sixty-odd railroaders of the period 1845-1890. Granted, most of these men behaved themselves. More than that, they were surprisingly aware of what was going on in the industry and around the

country. They were, to put it in Mr. Cruikshank's terms facing the publics of the day. Certainly on the Burlington, Forbes and Perkins had a broad view of industry matters, and it is notable that neither of them would have any truck whatsoever with J. Gould or his methods. Indeed when Forbes and Perkins found dubious practices within the C B & Q Board in connection with the River Roads, they purged the malefactors including the talented James F. Joy.

Oh yes, there were rascals in the gilded age; the monopoly conditions that prevailed in the railway industry from say, 1855 to 1915, tempted many a man to take advantage of shippers, travelers, employees, and public at large. Even that paragon of honesty Charles E. Perkins took a position during the strike of 1877 that was hardly forward-looking. He simply locked up his part of the railroad in Iowa "to keep the patient quiet and to show the men we could stand it if they could."¹ After three days the strike in Iowa collapsed. "Anything like vacillation and unsteadiness in dealing with these men," Perkins added later, "is fatal."² Nor was the Company's attitude towards strikers any more sympathetic in the late 1880's. It was not that the railroaders ignored the particular public that labour constituted but simply that that public had far less clout then than it does now. Nor were labour relations the only area of monopoly psychology. For fourteen years, 1870-84, to the surprise of many, the Rock Island, the North Western, and the Burlington maintained

the famous Iowa Pool that introduced an unusual amount of stability in trans-Iowa rates, but of course virtually stifled competition. In those days there were no trucks or waterways to provide shippers a viable alternative. Competition then simply meant threats from other railways. And these threats were effectively met by the Pool.

I suppose I can't get by the nineteenth century without mentioning Gould who is without doubt the most flagrant of the so-called Robber Barons. Even his most sympathetic biographer, Julius Grodinsky, portrays a self-centered schemer and a destroyer of values and now, unfortunately for the railroads even today, Jay Gould is invariably cited as the typical nineteenth-century railroader. The general public has never even heard of Forbes or Perkins. Incidentally, I would definitely put Morgan, Harriman, and Hill in the category of constructive honest men. To lump them as Mr. Cruikshank does, with Gould is hardly justified.

Why did these nineteenth-century executives face up to their various publics? Because, like their present-day counterparts, they had to. Witness the Burlington's colonizing experience in Iowa and Nebraska. By the time the company got its title to lands in Iowa, much of the land awarded was occupied by settlers. What to do? Turn them out and alienate potential shippers and travellers? Charge them full price for the land? How, in other words, to treat this numerous and politically

vocal public?

The man in charge in Iowa in 1859 was Charles Russell Lowell, a nephew of the poet, and one of many young Harvard men recruited by Forbes; please note that there is nothing new about hiring alert college men. Anyway, Lowell instructed his land surveyors that: "In examining disputed tracts, whether swamp or pre-emption, great care should be taken to avoid giving offense. Actual settlers should be advised to make application at once to this office, describing tracts and naming their price; in no case will they suffer injustice. They will have the land at our lowest evaluation."³ Even more specific were these instructions to be followed when the surveyor came to an illegally occupied tract: "Pat the children on the head, swear they are all the image of their father, and leave all in a good humour. However valid our claim, and however valuable the land, I fancy it will always be our policy to charge bona fide residents only our minimum rates. Therefore by all means save time and avoid offense."⁴

Incidentally,⁵ there was a gay and free-wheeling air about these instructions to surveyors that you rarely find today. "Make your examinations as thorough and your reports as full," wrote Lowell, "as if ... you were writing to your lady love and describing the Paradise where you hoped to pass with her a blissful middle-age."⁵

In contrast to some railway advertising today - such of it as there is - there was no attempt to disguise the railway's true

interest: "Keep it constantly before the farmers that we are a railroad company not a land company, that settlers are more important to us than a high price for our land - and that no claims will be used as an engine of injustice: it would be a miserable policy."⁶

Mind you, this was not just the far-out ideas of a brash young Harvard man. It was established company policy. And that policy did not change as attention shifted to the larger Nebraska grant. Here is what the company stated in a public news sheet in March, 1872:

"No road proves a good investment unless its local freight and passenger traffic is heavy. No such traffic can exist except in a well-tilled and well-settled region. Therefore the railroad men have every inducement to advance the development of the country which their line traverses it is not to be supposed that railroad corporations surpass all men in disinterested benevolence, but it is beyond question that they know their own interest and so will take some pains to help you earn a dollar whenever they can thus make two for themselves."⁷

The candor of this statement is refreshing; in that respect I think it matches the statement of Corporate Purpose with which Mr. Cruikshank started his paper and it illustrates once again the old French saying "Plus ca change, plus c'est la meme chose." I maintain stoutly that the nineteenth-century responsible rail-
roaders -- and there were more of them than there were of scala-
wags -- were keenly aware of the various publics they had to
face. Every other land grant road that has been studied -- notably
the Illinois Central and the Canadian Pacific -- has experiences

and policies similar to those of the Burlington. So, as a matter of fact, did the Fort Worth and the Denver as the activities of R. E. Montgomery and Morgan Jones reveal.

Nor was this awareness of different publics confined to the very early days. We haven't time to say much here -- that's for another book -- but take a look at the correspondence of the 1880's dealing with the Chicago-St. Paul line of the Burlington to see how much impact competitors and public reputation had on entrepreneurial thinking. Or look at the considerations with labour that resulted in the creation of the Relief Department of 1889. And when it comes to rates and the public reaction, there too management awareness comes through clearly in the correspondence concerning Nebraska's Newberry Law and the Smythe vs. Ames case in the mid-1890's. It seems to me that the awareness of various publics is no new thing even though, over a century or more, the publics have obviously changed in size and quality. As a matter of fact, I would respectfully and humbly suggest that a careful reading of the Burlington Northern's own history might furnish useful clues for action today and tomorrow. Hopefully the Hidys have nearly finished their study of the Great Northern, Bob Peterson is well along with his new evaluation of the Northern Pacific, and I believe there are books in print about the Burlington and the Fort Worth and Denver.

I started out by saying that I did not think there was so great a contrast between the nineteenth-century railroader and

his modern counterpart. One reason -- just discussed at some length -- is my belief that these oldsters were more responsible and more aware than is generally recognized. The other reason is that I am not so sure the modern operators are quite as innovative as they would have us believe. To be sure the emphasis on distribution is laudable, but isn't that just a new name for a very old function?

Diversification is, in some cases, a desirable hedge and safeguard, but it often doesn't reveal much as to the success or failure of the railroad portion of the complex. Co-operation with other modes of transport, so widely practiced in Canada, makes sense to me. But there are some pretty tough problems remaining: the great difficulty of attracting investment capital, the unparadonable and antiquated regulatory structure, the burdensome work rules of labour, the grossly unfair allocation of Government aid -- at all levels -- among the several carriers, and so on ad infinitum. I can hear railroaders now saying these matters are largely out of their hands, and largely political in nature. Granted, there is much substance in this contention; the rails are certainly due a far better break from the publics they must face. Yet Daniel Willard, Joseph Eastman and Ralph Budd all showed what one man, successively, could do to determine national railway policy. It just may be that what is needed most now are statesmen in the railway industry to take the initiative, and by a combination of know-how and moral

force win over the public, and set these problems on the way to solution.

To go back to Mr. Cruikshank's words, we have indeed seen "a considerable shift" take place in management philosophy since the 19th Century. I'm just not sure that the shift has been as great as he thinks it is. And I am persuaded that a lot more shifting needs to be done-- and quickly--to meet the crises of the moment.

FOOTNOTES

1. Perkins to Forbes, August 2, 1877, quoted in Richard C. Overton, Burlington Route, New York, 1965, p. 159.
2. Ibid.
3. Lowell to Thielsen, October 6, 1859, quoted in Richard C. Overton, Burlington West, Cambridge, 1941, p. 143.
4. Lowell to Thielsen, October 21, 1859, quoted in B.W., p. 143.
5. Lowell to Thielsen, December 6, 1859, quoted in B.W., p. 143.
6. Lowell to Thielsen, December 8, 1859, quoted in B.W., p. 150.
7. B & M Newssheet, March, 1872, quoted in B.W., p. 339.