

TO HELL IN A DAY COACH

AN EXASPERATED LOOK AT
AMERICAN RAILROADS

A dispassionate look

at this book



by this distinguished transportation scholar

MUCKRAKING IN A DAY COACH

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I THE Social Democrats arranged to lose World War I so as to take over Germany; the State Department turned China over to the Communists; Oswald didn't do it; and the railroads killed the passenger train. When reality is so violently opposed to one's preferences as to be unbearable, the talent of the human mind for finding an alternative explanation in a vast, malevolent conspiracy is unbounded. None of the foregoing has lacked expositors, but it has devolved upon Peter Lyon, a professional magazine writer, to come forth with *To Hell in a Day Coach*,* a book arguing that the railroad viciously, unnecessarily, and maliciously did in the passenger train. However bad the book may be, let it be said in Mr. Lyon's favor that it was at least unavoidable; enough people want to believe this explanation that a treatise to argue it was inevitable. Similarly, however low the book's intellectual quality, it is an important historical document; future historians will want to know the views of the adullamites as the passenger train came to the end of its long history.

SOMEWHAT SURPRISINGLY in a volume intended as a rampant attack on the railroads, Lyon's argument is based on a guileless acceptance of the Association of American Railroads-*Railway Age* view of the superiority of railroading to any alternative transportation technology. This is superficially attractive, provided one con-

siders only the productivity of the five men on a freight train, forgetting about the rest of the labor force, all that capital, the damage the slack action is doing, the incursions of the tax collector, the thousand cars sitting around the freight yard, and all the rest of the stuff that is killing the industry. Most expositors of the AAR-*Railway Age* view explain that the industry has been declining for 50-odd years because of inept public policy, but Lyon attributes the decline to an unbroken history of venality in railroad management, of which the murder of the passenger train is only the most recent example.

Lyon, as a railroad author should, delves into the 19th century for the origins of the problem he treats; but he comes out with a collection of standard muckraking interpretations of the populist period, almost all of which have lost their intellectual respectability as a result of historical scholarship since World War I. Predictably, he treats the land grants as a pure giveaway, without any consideration of the *quid pro quo* in the form of land-grant rates. He repeats the traditional explanation of the rape of the Union Pacific: the Ames brothers through their construction company, the *Crédit Mobilier*, extracted inordinate profits, ruining the great national enterprise. Prof. Robert W. Fogel in his *The Union Pacific Railroad* [Johns Hopkins Press, 1960] demonstrated that Congress in the two Pacific Railway Acts imposed on the UP a capital structure with excessive debt relative to stock. When the railroad proved more successful than anticipated, the stockholders, of whom the Ames brothers were the most

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important, reaped a huge windfall, and when the first major depression came along (1893), the burden of debt drove the company bankrupt. This is truth, but since it doesn't serve Lyon's purpose, he dismisses it as "amusing."

Lyon relies for analysis on a heavy outpouring of vituperative adjectives and pejorative nouns, the maximum load of which he applies to the generation of railroadmen of the 1870's. His descriptions of W. H. Vanderbilt, Tom Scott, and Russell Sage are good examples of his style:

At 54, William Henry Vanderbilt, a stout, sedentary man with an amiable, rather piggish face set off by a champion cascade of Dundreary whiskers, had lived almost his entire life in the shadow of the bulldozer, his father, the brutal and autocratic Commodore. Contemptuously dismissed as a chucklehead, hired in sweet charity by Drew to clerk at \$150 a year, Billy Vanderbilt at last contrived to impress his sire by cheating him in a commercial transaction. . . . The father was instinctively predatory, lustful, and greedy; the son was patient, cautious, and stupid. . . .

Of Scott's youthful success:

Fundamentally, it was his talent for exploiting the weaknesses of others, his ability to corrupt. In a time of feverish venality, Tom Scott stood alone, the acknowledged master of corruption.

Of our leading fount of collegiate dormitories:

Of them all, Sage was the most pernicious. Sage was an habitual liar, a perjurer, and a betrayer of his associates. . . . Sage fattened off the misfortunes of others; he was miserly and devious; he was scandalously unfaithful to his second wife, who was the daughter of a man he had defrauded.

What have these venerable men to do with the purported assassination of the passenger train? Very simple:

These men blighted their era, and, because the railroad industry more than any other apes the old ways of doing things and clings to the past, their contempt for the public interest is with us today, a malign legacy, apparently indestructible.

Lyon, aping the old ways of doing things and clinging to the past, proceeds to treat efforts at railroad regulation in the traditional fashion, as a populist attempt at control of a monopolistic industry. Here his devotion to archaic interpretations caused him to miss a good bet. Actually, establishment of the Interstate Commerce Commission, as Prof. Gabriel Kolko demonstrated in his *Railroads and Regulation 1877-1916* [Princeton University Press, 1965], was mainly an effort by the railroads at stabilizing their cartels, which had proved themselves intolerably unstable in private hands. This would have lent itself to Lyon's purposes beautifully, but he blew the opportunity completely, and in a high-water mark of the erroneous, interprets the Act of 1887 as an effort to make the railroads compete.

LYON'S INTEREST, properly enough, is concentrated in the years of the industry's decline. Since he has devoted his initial 136 pages to demonstrating, first, that rail technology is superior to all alternatives and, second, that railroadmen are motivated by greed hallowed by decades of despicable tradition, one might reasonably expect the industry to do just fine. Somewhat less emotionally stated, what Lyon describes is an industry of entrepreneurs maximizing net receipts on an excellent technology; and that, by ordinary economic standards, works out rather well. It doesn't in this instance, because the typical railroad president is "an aging fathead with a parochial point of view, a man who would have been startled to death by a fresh idea.

The venality becomes quite a bit less feverish after

1920, but stupidity comes on strong. The observation can hardly be avoided that anybody who wasn't an aging fathead could have cleaned up. The economy doesn't leave opportunities for making fortunes lying around untaken decade after decade.

Lyon's general discussion of the decline of the industry is only prefatory to his treatment of the passenger train. Of all means of travel, the passenger train is "the most efficient way, the cheapest, the most convenient, the surer, the safest, potentially the most comfortable, the easiest, and the best way. . . ." Under the circumstances, especially since the passenger train is the cheapest, explanation of the decline takes a bit of doing. First, it obligates Lyon to argue that the ICC passenger deficit is a phantom. Anything that has reached 723 million dollars a year is a pretty big phantom, but predictably Lyon attacks it. He contents himself with citing a variety of people who have considered the deficit statistically invalid without making an explanation of their reasoning. The usual objection to the ICC's practice of prorating fixed expenses between freight and passengers on a train-mile basis was that it grossly overstated passenger costs on a railroad such as the Norfolk & Western, which had few passenger trains but maintained its track to high standards because of its heavy freight traffic. For a road with extensive investment in passenger facilities, such as the Central or Pennsylvania in the days gone by, the formula was approximately accurate; and for the Long Island it probably slightly understated the full horror. There is at least as much reason to think that the formula understated the passenger deficit as overstated it. As late as 1958 the ICC reconsidered the formula and concluded that it was adequate to its purpose, as valid as any generalization of the deficit could be. By that time, it had become irrelevant in any case, since beginning in 1953 passenger service ceased covering its solely related expenses. Thus, only the conclusions of the objectors to the formula, not their arguments, serve Lyon's purpose.

If the passenger train wasn't unprofitable (except insofar as railroad idiocy made it so), why did the railroads burke it? Lyon repeats the usual answer that railroadmen would rather concentrate on freight. Since the industry has enormous excess capacity by anybody's standards, the fact that freight was more profitable than passengers is no explanation. Was idiocy winning over avarice? No, Lyon argues that passengers can complain, but freight can't—a presumption a railroad damage claims agent might well rebut.

Freight, since it is usually inanimate and invariably inarticulate, cannot complain about delays, stupidities, inconveniences, impudences of petty officials, discomforts and shabbinesses of railroad cars, filth, squalor of public facilities, breakdowns, derailments, wrecks—in short, the ordinary, day-to-day routine of the railroads.

In light of this characterization of rail passenger service, one may well wonder why the author is so eager to preserve the passenger train; presumably, "potentially" in his previously quoted evaluation of the passenger train as "potentially the most comfortable," is a more pregnant adverb than was immediately apparent.

But what about mail revenues? Readers of TRAINS, or indeed, of anything else that is sensible, have got the impression that withdrawal of Railway Post Offices is the proximate cause of the present terminal wave of discontinuances. Can it be that the Post Office is not killing the trains, but that the railroads are repelling the mails? I hardly need say that Lyon is strongly of this opinion. In the most indefensible portion of an argument most of which may be charitably characterized as ignorant, he demonstrates a ratio of 1730 trains discontinued after the railroads had requested to be relieved of their obligation to carry the mail (1953-1966), to only 798 discon-

tinued after the Post Office removed the mails. Typically, discontinuance of an RPO doesn't end mail on a passenger train. The railroad continues to handle closed-pouch mail of various sorts at a drastically reduced revenue. This, the postal authorities recognize, is too trivial to support the train, and thus they approve requests to discontinue handling mail as a preliminary to discontinuance *pro forma*.

And finally, what policy conclusions does Lyon draw from his argument? Naturally, public policy should seek to force the railroads to provide passenger service in hopes that if they can't get out of it, they'll make a success of it, as the North Western is thought to have done in the case of its Chicago commutation services. The fact that Ben Heineman yields to no one on the hopelessness of the intercity passenger train — even to envisioning helicopters for his Chicago-Milwaukee service — is not considered controlling. If the venality/stupidity of railroadmen confounds this course of action, Lyon recommends nationalization of the passenger train. He makes a strong pitch for the Pell plan for high-speed service in the Northeast Corridor and suggests that we all join the National Association of Railroad Passengers.

WHAT ABOUT this conclusion? The fact that it proceeds here from an ignorant or dishonest argument doesn't make it any less worth analyzing, if only because a large number of people honestly and sincerely advocate it. The passenger train has declined mainly because the vast majority of Americans prefer the point-to-point transportation which only the automobile offers, but that is fairly universally recognized and plays no role in the policy problem at hand. What matter are the demand and supply conditions for public transportation. Briefly, the great majority of travelers evaluate rail passenger service intermediate between plane and bus in quality, and so it must be priced intermediate between the two. Unfortunately, its costs are about double those of either of its rivals, and so there is no way it can be made profitable. Further, one can predict with perfect confidence a decline in demand for the service and a secular increase in cost. At the present ratio of air and rail fares between Chicago and Los Angeles, the train enables one to save about \$20 at the expenditure of 35 hours in time. This implies that it is rational to travel by train only if one evaluates one's time well under 60 cents per hour. Only a person of low income or one who is retired is likely to do this. The elderly are also most likely to have fears of flying based on erroneous evaluation of the risk. Both people who evaluate their time under 60 cents an hour and those who evaluate the risk of flying on the experience of early aviation can only shrink in number; the poor get richer and the elderly die.

An incidental corollary of this analysis is that people with a low evaluation of time can't be expected to demand a high quality of service. This manifests itself in the luxury aspects of railroading dropping out long before the last passenger goes. Such changes are often irritating to the retired, the one group who might consistently have a low evaluation of time and still want a high level of comfort. Consequently, most complaints about the quality of service before regulatory commissions come either from the elderly or from tour operators who serve the elderly. Similarly, railroad fans, who ride trains as a type of consumption rather than merely to get where they are going, may consistently still want luxury. Unfortunately, they number only a hundred thousand or so — not enough to provide an important market. People of Lyon's views interpret the reduction in standards of service as an effort to repel passengers, whereas it is actually a response of the railroad to the nature of the change in the demand conditions.

Similarly, rail passenger operations are a service-intensive activity, and share with other service industries — hotels, restaurants, and hospitals — a common inability to match the gains in productivity of the manufacturing industries with which they must compete for employees. The costs of all of them rise continually in relation to the rest of the economy; for passenger trains it is all the worse because the demand is declining.

Forcing railroads to provide passenger trains won't do the job. Due process of law toward a regulated firm entails avoidance of confiscation of its property by the regulatory body. As a consequence, the ICC, for all its faults, won't indefinitely require a railroad to provide an unprofitable service. ICC control of discontinuances since 1958 has accelerated the withdrawal, and this has been a very good thing (although *carte blanche* statutory authority to get out of the passenger business would have been better) because perpetuation of passenger trains is one of the worst resource malallocations in the economy. Lyon (and here he is no worse than the typical state regulatory commission) interprets the public as whatever part of the population still uses railroad trains, though they be down to 1.6 per cent of intercity trips. The public is the entire population, and its interest is indicated by the market test of profitability. Its aggregate expenditures on rail passenger service represent the benefit of passenger trains to society, and the costs represent the sacrificed alternatives to providing the service. The deficit indicates that the public has wanted about 10 billion dollars in resources devoted to other purposes since 1945.

The subsidy Lyon recommends would only perpetuate the resource malallocation under other institutional arrangements—admittedly superior ones. At present, passenger service is provided by an implicit tax on the railroads, reducing their net profitability from freight operations by somewhat more than a fourth. This has reduced their ability to attract capital for the various purposes the public really wants them to serve. A subsidy would be superior in one major respect: at the present time the ability of railroads to bear the implicit tax of the passenger deficit is inversely proportional to the number of passengers they have. The railroads out of New York have the most passengers, but partly because they have them, these roads are also the weakest financially. The incentive to force the New Haven to carry passengers is the greatest, but NH's ability to do so is the least of all the railroads'. A subsidy would allow public authorities to perpetuate trains without regard to the profitability of the individual railroad, but this would still be perpetuation of something that the test of profitability indicates the public doesn't want enough to attract the resources from alternative uses. Passengers' evaluation of time wouldn't be changed, and the secular trend of costs to increase wouldn't be reversed. Thus, in the long run, a subsidy couldn't perpetuate passenger trains any more than forcing railroads to run them could.

This, then, is the ultimate objection to Lyon's book: the work is an argument for perpetuation of a resource malallocation. Admittedly, it is an amalgam of misrepresentation of history and ignorance of economics (relative fatheadedness is a poor analytical device), but treatment of the past, except as a basis for future policy, is of interest only in a humanistic sense. In one respect, perhaps we ought to be grateful that the book is so bad, because its abysmal intellectual quality will reduce its acceptance. Even so, as stated at the outset, many will believe Lyon because they want to accept his conclusions. Indeed, I'd like to accept them myself; I'd like to have the *Capitol Limited* and the *Hawkeye*, at basic minimum, available for consumption-riding indefinitely. Wishing won't make it so, however. More to the point, neither will misrepresentation. **I**