JOHN ESCH AND THE TRANSPORTATION ACT OF 1920

A Thesis
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of the Requirements for the Degree
Master of Science

by
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COLLEGE OF EDUCATION

This is a study of the work which John Each did to secure
For the required field, the Transportation Act of 1920 and a description
of the candidate's requirements for the degree of Master of Science. The candidate has completed
this oral report.

The candidate has been in the service of the government in order to return the
railroads to private ownership after World War I are examined.

John Each represented Wisconsin's Seventh District for
twenty-two years from 1899 through 1921. During the war
the government was forced to take control of the nation's
railroads in order to meet increased transportation requirements.

With the termination of the war in 1919, new legislation was
needed to return the carriers to their owners under a new system of increased governmental regulation.

Many arguments were presented and a great deal of hard work, debate, and compromise were required before an
agreement was reached by the committee in February of 1920. Each was very successful in gaining
acceptance of most of his original proposals, such as voluntary consolidation of carriers, pooling of equipment and
 terminals, and increased regulatory power for the Interstate Commerce Commission.

This thesis is approved for the College of Education.

Each remained an independent within the Republican party throughout his career, sometimes siding with the progressives

Dean, College of Education

Date
ABSTRACT

This is a study of the work which John Esch did to secure passage of the Transportation Act of 1920 and a description of how his success in gaining approval for his legislation resulted in his defeat in the congressional election of 1920. The extent to which compromise and hard work were required by Esch and his fellow congressmen in order to return the railroads to private ownership after World War I are examined.

John Esch represented Wisconsin's seventh district for twenty-two years from 1899 through 1921. During the war the government was forced to take control of the nation's railroads in order to meet increased transportation requirements. With the conclusion of the war in 1919, new legislation was needed which would return the carriers to their former owners under a new system of increased governmental regulation. Many different programs were presented and a great deal of hard work, debate, and compromise were required before an acceptable bill was produced by the committee of conferees in February of 1920. Esch was very successful in gaining acceptance of most of his original proposals, such as voluntary consolidation of carriers, pooling of equipment and terminals, and increased regulatory power for the Interstate Commerce Commission.

Esch remained an independent within the Republican party throughout his career, sometimes siding with the progressives
on issues such as women's suffrage and prohibition, at other times siding with the conservatives, especially on economic matters. His important role in framing the Transportation Act of 1920 brought him many enemies among farm and labor groups within his home district. Opposition to his 1920 candidacy was led by Senator Robert LaFollette whose power within the state was on the rise. The Republican primary of 1920 brought defeat for Esch who could not overcome the combined opposition of LaFollette progressives, organized labor, the Non-Partisan League and the Society of Equity.
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CHAPTER I

JOHN JACOB ESCH

1. Background

In the congressional elections of 1920, John Jacob Esch lost his bid for re-election after having served in the House of Representatives for twenty-two years and having earned a position of great respect among his colleagues for his dedicated work on the reconstruction of the railroads after the First World War. When he retired on March 3, 1921, the members of the House paid him a rare tribute by standing and cheering when Representative James Mann expressed the hope that Esch would continue on in another area of governmental service. A strong coalition of labor, farm groups, and LaFollette Progressives, all of whom strongly opposed his leadership in the creation of the Transportation Act of 1920, united to defeat him in that year's election.

Esch's background prepared him well for the position of leadership on railroad problems which he assumed after the war. He was born in 1861 near Norwalk in Monroe County, Wisconsin. He attended school in Sparta and then attained his higher education at the University of Wisconsin in Madison, receiving his law degree in 1887. He began to practice

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law in the firm of Winter, Esch and Winter that same year.\textsuperscript{2}

He did not become involved in politics until he settled in LaCrosse. Then in 1892 he campaigned for the position of District Attorney and was narrowly defeated. He continued on in Republican politics by serving as a delegate to state conventions in 1894 and 1896. After losing in an attempt for the Republican congressional nomination in 1896 to a machine candidate, General Griffin, he was finally successful in 1898 in winning the party nomination for the Seventh District Congressional seat. He won election easily over Democrat John F. Doherty, and at age thirty-seven John Esch began his long career in the House of Representatives and his education in national railroad policies and problems.\textsuperscript{3}

2. Esch Becomes a Railroad Expert

John Esch's appointment to the House Committee on Interstate and Foreign Commerce during his third term in office began his real experience with railroad issues. At that time he relinquished his position on the Military Affairs and Public Lands Committees so that he could devote his full time to transportation questions.\textsuperscript{4} From 1903 until the end of his Congressional career in 1920, Esch was involved in

\textsuperscript{2}Ibid., p. 105.
\textsuperscript{3}Ibid., p. 106.
\textsuperscript{4}Ibid.
During the later nineteenth century and early twentieth century, public pressure for the regulation of the nation's railroads grew steadily. The Granger laws passed in the 1870's in midwestern states were early, ineffective attempts by farm groups to regulate the railroads by elimination of discriminatory practices. Federal regulation actually began with the Act to Regulate Commerce in 1887, referred to as the Interstate Commerce Act, which sought to insure just and reasonable rates and to prevent discriminatory practices. This act established the Interstate Commerce Commission to assure these objectives, but the lack of provisions granting power to set rates led to the total ineffectiveness of the act.

The first decade of the twentieth century witnessed increased pressure for the regulation of railroad rate increases, and at that time Esch became a leader in the House for strengthening the power of the Interstate Commerce Commission as a force to protect the public interest through fair transportation service. In an editorial after the war, the New York Times summarized his achievements in the field.

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6 Ibid., p. 448.
Representative Esch acquired his prestige as a railway fixer from the active part he took in giving effect to the railway ideas of President Roosevelt, who in his message of 1905 urged that the Interstate Commerce Commission should have the power to fix any rate named by the railways as a maximum rate. Esch held that his main purpose was to protect the interests and welfare of both railway employees and the general public. In attempting to reach this goal, he co-authored the Hepburn Act in 1906 which expanded the Interstate Commerce Act by giving the Interstate Commerce Commission the power to fix just and reasonable rates; was on the committee which reported and passed the Adamson eight-hour act; introduced and gained passage of the Car Service Act which gave the ICC power in handling and disposing of railroad cars to meet car shortages; and generally supported all bills which granted the Commission the power to regulate the issuance of stocks and bonds by common carriers. As his experience grew, so did his influence. He became chairman of the Interstate and Foreign Commerce Committee in the spring of 1919, and the Republican party also made him a member of its influential Committee on Committees.

Throughout Esch's correspondence and throughout the

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8 Esch to W. Bosshard, January 18, 1919, ME/49, Esch Papers.

9 Esch to C.W. Handrick, February 28, 1919, ME/49, Esch Papers.
months of hearings on the Transportation Act, his expertise on railroad issues was evident. He countered many attacks on his ideas by comparing the American railroad problems to the methods used in Europe, Canada, and other places around the world, thereby demonstrating an in-depth study of worldwide railroad programs. During the hearings he also demonstrated his mastery of the transportation situation by clarifying many factual and statistical problems which arose during the three months of testimony.

3. John Esch and the Progressive Movement

John Esch's legislative career coincided with the so-called progressive period in American history. It was also the time when Robert LaFollette dominated Wisconsin politics and served as a leader of progressive causes. It is extremely difficult to explain Esch's position in relation to this movement because historians have had great difficulty and little success in defining and agreeing upon what is meant by the term progressive.

Definitions of progressivism tend to be extremely broad in order to encompass the diverse factions which have in the past been included within the movement. LaFollette's progressivism was for the most part a descendant of the earlier agrarian movements—Greenback, Granger, Populist—and was generally midwestern in its origin. It was strongly oriented
toward labor and farm problems and was closely tied to the Socialist party. 10 There was also an eastern urban faction within the progressive ranks which was less radical and more national in its orientation. Hofstadter's term "mug-wump personality" describes this eastern faction as a middle-class group consisting of the old educated gentry of lawyers, doctors, editors and merchants of long standing who formerly had supplied the moral and intellectual leadership for the nation. With the rise of big labor, political bosses, and the large corporations, they found their leadership status being undermined by men of crude character and newly acquired wealth. Through the progressive movement, the old aristocrats sought to express their frustration and anxiety against the uneducated, uncultured and corrupt men who were gaining power at the turn of the century. 11 Of these two factions, Esch was more closely aligned with the eastern conservative urban wing since he spent his two decades as a member of the House, living in Washington and traveling back to his home district infrequently. He tended to side with business and management on most economic and social issues rather than with the new, powerful labor unions.


Many times Esch did side with what were generally considered progressive issues such as women's suffrage and prohibition. In fact during the 1912 campaign the LaCrosse Tribune contended that Esch voted for more progressive programs than the average progressive in good standing. Some historians have labeled the Transportation Act of 1920 as a final victory of the progressive forces for the establishment of comprehensive federal regulation of the railroads. Of the waning years of the movement after the war, Link stated:

Surviving in a crippled way even in the months following the Armistice, it (Progressivism) put across a program that constituted a sizable triumph...the Transportation Act of 1920 was the culmination of a long fight for railroad regulation...

Esch's leadership in the passage of this important legislation would therefore, according to these authors, qualify him as a member of the progressive ranks. Nevertheless, it was Wisconsin's LaFollette organization which brought about his defeat in 1920, mainly because of the work which he had done in promoting this same piece of legislation. Therefore some historians would tend to include Esch among the more conservative progressives while others would not, depending upon how they defined the term progressive.

Leading historians of the 1940's and 1950's tended to

\[12\] LaCrosse Tribune, August 26, 1912, p. 3, col. 1.

provide definitions of progressivism which were so wide and all encompassing that they have proved to be almost meaningless. Arthur Link stated:

Progressivism...might be defined as the popular effort which began convulsively in the 1890's and waxed and waned afterward to our own time, to insure the survival of democracy...by enlargement of governmental power to control and affect the power of private economic groups over the nation's institutions and life.¹⁴

Hofstadter's definition was equally broad. He viewed progressivism not so much as a movement but rather as a "...widespread and remarkably good-natured effort of the greater part of society to achieve some not very clearly specified self-reformation."¹⁵

Historians have tended to agree that the participants in the progressive movement had certain common features and goals. Privileged minority interests should be excluded from positions of political and economic control. Simultaneously the government should be restructured so that control would be in the hands of the many rather than the few, and it should be used more to benefit the oppressed, underprivileged members of American society.¹⁶ Specific programs to achieve these goals which were generally considered as part of the

¹⁴Ibid., p. 836
¹⁵Hofstadter, The Age of Reform, p. 5.
progressive movement were varied: progressives theoretically favored constraints upon monopolies, trusts and big business; regulation of railroad rates; lower tariffs; use of direct primaries, direct election of Senators, the initiative, referendum, and recall to insure fair elections; women's suffrage; child and female labor laws; pure food and drug laws; and conservation. Nevertheless it is extremely difficult to find examples of members among the ranks of the progressives who favored all of these goals and programs. Most politicians, including Esch, favored some of these proposals and rejected others. It has therefore proved possible for historians to include almost any individual among the progressive ranks by picking out some of these reform programs which they favored. It is equally simple to exclude any individual by pointing out any of these programs which they opposed.

More recent revisionist historians instead of clarifying the vagueness of the term progressive movement have utilized its wide boundaries to point out that other factions, particularly among the business community, should also be included as part of the movement since they too sought reform. Some revisionists attack the premise that the reform movement was essentially a liberal attempt by other factions in society to limit and restrain the power of the business

17Filene, op. cit., p. 21.
community. Robert Wiebe was one of the first to argue that businessmen were often the leaders rather than the targets of the progressive movement. He countered the writings of historians who pictured businessmen as the villains of the movement. Many business leaders favored stability rather than unrestrained costly competition, according to Wiebe. He therefore claims that they constituted one of the most powerful pressure groups seeking economic regulation of competition for the purpose of establishing systematized business relationships. ¹⁸ Gabriel Kolko went even further in asserting the leadership of the business community among the progressive ranks. He claims that businessmen intentionally used regulatory programs to preserve their own power and high level of profits. He states that:

...businessmen consistently accepted the basic premises of federal regulation since only through the positive intervention of the national political structure could the destabilizing, costly effects of cutthroat competition, predatory speculators and greedy shippers be overcome. ¹⁹

In his book The Triumph of Conservatism, Kolko's thesis is that in the end the conservative business forces were victorious in achieving their progressive goals. A prime


example of this victory for the business community was the passage of the Transportation Act of 1920 which he views as the culmination of forty years of agitation by railway executives for federal regulation of the carriers. This act included programs for pooling of equipment, consolidation of various lines, extension of power for the Interstate Commerce Commission, and increased authority for the federal government at the expense of state governments. Kolko claims that all of these progressive regulatory features were actually victories for business leaders who had sought them for over four decades.20

Testimony before Esch's Interstate and Foreign Commerce Committee provides evidence that businessmen now accepted some degree of regulation as inevitable. Nathan Amster, as president of the Investor's Protective Association of Boston, testified that some leading railroad financiers were reluctant reformers. He stated:

In fact the financiers themselves are now beginning to realize that the public will never permit the return of the railroads to their control under prewar conditions and are therefore now advocating certain governmental restrictions and supervision, evidently feeling that it would be better for them to regain control of the railroads with some governmental restrictions than not to regain them at all.21


These Hearings indicate that some of the businessmen did not consciously seek regulation but only accepted it when they realized its inevitability. Undoubtedly, a variety of different motivations prodded business leaders to encourage regulation of their own industries.

Historians have been in equal disagreement when dealing with the question of what eventually happened to the progressive movement. Many historians conclude studies of the movement with the outbreak of World War I. Others claim that it continued after the war in varying degrees of vitality. Link claimed that the progressive coalition survived in a "crippled way" after the war until its destruction in 1920. Some elements did survive and had some success in the 1920's, but as a forceful coalition, the movement was dead. MacKay contends that progressivism continued strong throughout the 1920's though its nature changed from its earlier crusade to a new instinctive class movement. He stated that while 1912 had been a noisy campaign of reformers, 1924 became a grim attempt to establish a party of farmers and workers. Margulies also claimed that the movement continued after the war but in a completely different fashion from prewar progressivism. The new progressivism, born of the war, set out to right the wrongs which grew from the war. It was a

22 Link, "Whatever Happened to the Progressive Movement?", p. 838.
"new left" of reformers and dissidents who were far more radical than the prewar coalition.24

Throughout his long career, Esch had managed to ride the fence between the progressive and conservative factions of the Republican party. While his position did not change after the war, the position of the progressives, and especially the Wisconsin progressives, did change. In the postwar era progressive politics shifted farther left. This resulted in a more liberal, labor-oriented progressivism as the midwestern group gained power and the more conservative eastern faction dropped out of the movement. In light of this leftward trend, especially among LaFollette followers in Wisconsin, Esch and his Transportation Act could not be considered truly progressive. By prewar standards the bill was a victory for the earlier progressive forces which concentrated on achieving federal regulation over the carriers. The progressives in the postwar period demanded total governmental control of the railroads and any program, including the final Transportation Act, which did not accept their absolutist proposals was considered unworthy of consideration. The vehemence with which the LaFollette forces campaigned against Esch in the 1920 campaign is adequate proof that Esch was

considered an extreme reactionary rather than a borderline progressive in the postwar era. Historians who attempt to place the Transportation Act within perspective of the progressive era should note this more radical shift among the progressives who after the war regarded the bill's moderate regulatory features as unacceptable.
CHAPTER II

THE RAILROADS DURING THE WAR

1. Prewar Railroad Conditions

At the turn of the twentieth century the financial structures of the nation's railroads were steadily improving. During the first decade the roads were in a very strong economic position, but after 1910 there was a gradual weakening of their finances with freight rates progressing through a period of gentle but steady decline which lasted until the war years. During this same period there was strong public pressure for greater operating efficiency which cost the railroads huge sums for improvements.¹ The major cause of the financial troubles in this second decade was the steady rise in the costs of railroad operation without any corresponding increase in railroad rates and earnings.²

The principle reason for the great rise in operation costs was a drastic increase in the cost of labor during the war years. Before the war, labor was not organized and each employee handled his own contract negotiations. Therefore, prior to 1915 wage levels remained quite low. The years from 1915 through 1920 brought great improvements in labor organizations, and the share of gross revenues being paid


to wages and salaries increased by almost one-half. Over half of each dollar of revenue went to the workers. Moulton described the fantastic shift which occurred during this period as being unprecedented in labor history. The passage of the Adamson Act legalized the eight-hour day, thus necessitating a twenty-two percent increase in the number of railroad workers. It also led to uniform working conditions for all organized employees and general wage increases.\(^3\) At the beginning of the war labor groups had made their position clear. They were offering their full cooperation toward the war effort as long as labor's interests were not neglected. The federal government heard this warning and adopted the wartime policy that labor had to be satisfied.\(^4\) In his memoirs, William McAdoo later stated of this period that it was so bad for the railroads that their disintegration could be seen advancing day by day.\(^5\)

2. Wartime Operations

When Congress declared war on April 6, 1917, the presidents of the nation's railroads met in Washington and established a continental railway system, an attempt at voluntary cooperation of all lines to aid the war effort. The President

\(^3\)Moulton, *The American Transportation Problem*, p. 206.


\(^5\)McAdoo, *Crowded Years*, p. 457.
established the Railroads' War Board, consisting of a committee of five executives chosen by the Council of National Defense for the purpose of coordinating the operations of the continental railroad system. This board immediately met with severe problems resulting from half-way measures which pooled operations but not earnings, a lack of unified control and authority, and insufficient fresh capital. Railroad management's inexperience in any cooperative venture made it difficult for them to attempt to move troops and freight with the speed and efficiency which wartime circumstances required.

By the fall of 1917, many advisors were urging President Wilson to take control of the railroads as a war necessity. Though he was tending in this direction, Wilson wanted to give the Railroads' War Board every chance to solve the problem itself. By winter the situation was impossible, and in December the Interstate Commerce Commission recommended to Congress that Wilson assume control. On December 26, 1917, President Wilson took possession of the roads under the authority given him in the Army Appropriation Act, and he also appointed William G. McAdoo as Director General of all the railroads; McAdoo claimed that the executives were relieved at this decision. He stated:

6Ibid., pp. 452-55.
Their attitude was distinctly one of relief. They had been long entangled in a complicated dilemma of inadequate financing, under maintenance, and insufficient equipment. They were, speaking frankly, at their wits' end. 8

When the war began, the most important problems facing McAdoo were extreme car shortages and labor unrest. A shortage of 19,000 cars in March of 1916 quickly rose to 115,000 by November. The problem was intensified by the fact that empty cars became piled up on the East coast and were not returned to the West. 9 Early in 1918 McAdoo divided the railroads into three regions - East, West, and South - with each being under the control of a regional director. He immediately regulated all freight movement, insisting that everything be sent via the shortest route while also discouraging all unnecessary civilian travel. At the same time McAdoo increased the production of freight cars to meet the needs of wartime transportation. By spring of 1918 freight car shortages were a thing of the past, and the sense of crisis and confusion among the railroads was greatly decreased.

On January 18, 1918, McAdoo appointed a Railroad Wage Commission to investigate wages and working conditions. This Commission granted large raises to labor with the

8 McAdoo, Crowded Years, p. 461.
9 Ibid., pp. 448-9.
lowest paid workers receiving as much as forty-three percent increases. The proportion of railway revenue going to labor increased steadily during the war, rising from forty percent in 1917 to fifty-five percent in 1920. During this same period expenses were $900,000,000 over revenues. The owners' rights were theoretically protected under government control by the Railway Control Act passed on March 21, 1918. They were to receive annual compensation by averaging their income from June, 1914 until the end of 1917. With wages and expenses rising so rapidly while compensation remained relatively stable, bitterness among the owners was inevitable. In his annual report for 1918, McAdoo admitted they were running behind by millions of dollars even with freight rate increases of twenty-eight percent and passenger increases of eighteen percent.

By the end of 1918, the long hours of difficult work and lack of financial compensation to meet his expenses forced McAdoo to retire and to convince Wilson to appoint Walker D. Hines, his assistant director, to succeed him. Finances continued to decline for the roads, and by the end of 1919 Hines had to request a deficiency appropriation

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11 Ibid., pp. 165-66.
12 Esch to Frank B. Harget, February 8, 1919, ME/49, Esch Papers.
of $750,000,000. In addition, throughout that year he followed a policy of limiting and restricting improvements in the railroad network so that by the time the carriers were returned to their owners, they had been under-maintained for many months. 13

3. The Postwar Situation

As the war ended most businesses went into a period of decline. Employment decreased as the cost of living increased steadily. While many groups found this to be a poor period financially, the railroad labor organizations were much stronger after the war. "The railroad brotherhoods came out of the war with perhaps the strongest and most deeply entrenched organization anywhere in the American labor movement." 14 They attempted to use this power to gain further wage increases during the postwar inflationary period, but Hines refused their requests, knowing that government's control of the roads would soon end. 15

Of only slightly less concern than the problem of the Treaty of Versailles and the League of Nations as a public issue was the postwar question of reconstruction of the

13 Stover, op. cit., pp. 173-4; Esch to Frank Harget, February 8, 1919, ME/49; Esch to W.J. Diedesch, December 9, 1918, ME/48, Esch Papers.
nation's railroads. Naturally the railroad brotherhoods which had prospered so well under the wartime policy of governmental control sought to continue this program for a five-year trial period. Just as understandably the owners who had definitely not prospered during the war wanted the roads immediately returned to their control, realizing meanwhile that increased federal regulation was inevitable.

President Wilson was totally absorbed in the question of the upcoming Paris peace conference when he addressed Congress on December 2, 1919. On the railroad issue he stated only that he "...had no confident judgement of his own...", and that Congress should make a thorough study of the situation. Wilson saw only two valid possibilities for solving the problem, since releasing the roads and reverting to old prewar, unregulated conditions was not acceptable. A course of modified private control under a program of public regulation to eliminate wasteful competition and to permit unification of administration was one possibility. The only alternative was the more extreme program of complete governmental control or even ownership. Wilson stated that if Congress did not produce a solution to the situation, he would return the railroads to their former owners as of January 1, 1920.

4. Esch's Attitude Toward Reconstruction

Whereas Wilson had no definite ideas on the question of the future course for the disposition of the railroads, John Esch had definite convictions, based on his long years of experience in Congress. As the war ended he was already thinking ahead toward the reconstruction period. He knew that with a Republican victory in 1919 he would become the chairman of the Interstate and Foreign Commerce Committee on which he had served since 1903. Though he wrote in March of 1919 that he had "...an open mind and am eager to receive suggestions from those qualified to give them..."\textsuperscript{17}, he certainly had preconceived ideas, some of them inflexible, on what should be done with the nation's railroads.

Throughout his correspondence during the winter of 1918 and the spring of 1919, Esch expressed his unwavering opinion that there would be no extension of federal control of the nation's railroads. He stated that while labor propaganda strongly promoted a five-year extension plan, he was sure that the nation as a whole would not desire this and that both houses of Congress would definitely oppose it. He argued that federal control tended to destroy private initiative and competition and that governmental indebtedness

\textsuperscript{17}Esch to L.B. Boswell, March 27, ME/50, Esch Papers.
which was already at thirty billion dollars would be out
of reach if billions more had to be invested to pay a fair
price to the owners for the railroads.\textsuperscript{18}

Though Esch was sure that the roads would be returned
to their owners, he was equally sure that they would not
be returned to them under prewar conditions. Strong federal
control was necessary to provide the public with fair, ade-
quate transportation facilities. He stated that control
was necessary to prevent watering of stocks and gambling
in stocks by corporations to the detriment of society. Also
he pointed out that certain advantages of governmental con-
trol became evident during the war, such as common use of
terminals, short routing of freight, the abolition of need-
less official positions, and some pooling of equipment;
he felt that these beneficial aspects should definitely be
retained.\textsuperscript{19} He believed that it was possible and necessary
for legislation to be passed which would continue these
efficient aspects of governmental control while avoiding
all the responsibilities and liabilities of ownership.

Esch did tend to keep in mind the political interests
of his LaCrosse constituents throughout this period. He

\textsuperscript{18}Esch to J.B. Thomas, January 15, 1919, ME/49; Esch
to H.L. Taylor, March 5, 1919; Esch to Oscar Bromlity,
June 11, 1919, ME/52, Esch Papers.

\textsuperscript{19}Esch to Frank B. Harget, February 8, 1919, ME/49,
Esch Papers.
received many letters from railroad men and farmers who favored governmental control. In response, Esch tended to underemphasize and, at times, totally ignore his opposition to public ownership, stating that he was open to all suggestions and was taking all possibilities into consideration. He also stressed that he would work to maintain the wage levels that had been achieved during the war years and appreciated any advice which his constituents could give him.

He felt that any bill which became law should achieve a balance between the needs of the public, the employees, and the owners of the roads. Legislation should seek to achieve the strictest economy in the public interest, maintain fair wages in relation to the cost of living, and provide a fair return upon the true value of the property used in the public interest. The interests of the public should be safeguarded by a powerful ICC which would allow all parties concerned to express their views before any rulings or changes affecting traffic would be passed. Also safety for the public was a longtime concern for Esch. He stated that there had been many more railroad accidents during federal control than there had been before the war, and he believed that an important part of any future

20 Esch to Thomas Shannon, June 12, 1919, ME/52, Esch Papers.
21 Esch to J.L. Lamb, March 29, 1919, ME/50, Esch Papers.
legislation should be the compulsory installation of train control devices. 22

The question of how to achieve a fair return for the owners was to be one of the major points of controversy which persisted throughout the last phases of the legislative negotiations between the conferees of the House and the Senate. Esch tended to accept the old, vague reliance on a just and reasonable return as determined by the ICC. He objected strongly to the proposal of many owners that the railroads be guaranteed a specific percentage of return on the value of their property, for he thought that such a guarantee might lead to government ownership. 23

5. Advice to Esch

During these early months of 1919, Esch received a great many letters regarding the railroad question from various factions within his congressional district and from other people throughout the nation. People who were interested in this issue realized that he was inevitably going to become an important leader in dealing with the railroad problems. Those who were most concerned and therefore most inclined to correspond with Esch were the owners and investors

22 Esch to Calvin Hendrick, January 15, 1919, ME/49, Esch Papers.

in railroads, those who shipped their goods by rail, and the employees, most of whom were members of the powerful railroad brotherhoods.

Those with a financial investment in the roads presented their arguments on both ideological and practical levels. They argued that the democratic way of life was totally opposed to governmental ownership and that such an arrangement would lead to a system supporting kingdoms and empires, not freedom. 24 On the concrete level, government operation had proved to be extravagant and inefficient. The roads must therefore be returned to their owners and must be permitted to earn sufficient profits to attract new capital. Investors in other industries such as oil, steel, and textiles were showing extremely good profits while railroads were failing to meet operating expenses. Railroad investors therefore believed that the risks taken by businessmen must be met with adequate rewards for those who would take them or else the nation's railroads would not attract sufficient financing to survive. 25 Many of these investors also argued in favor of a scientific rate structure based upon the amounts of profits of various industries. They proposed that those shippers who were most financially

point of view from management, arguing that more efficiency had resulted while the railroads were in the hands of the government and conditions had improved greatly during the war years. Large numbers of letters which Esch received from workers came in groups as different brotherhoods passed resolutions and then advised their members to write to legislators to promote an extension of federal operations.

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28 J.C. Chalsma to Esch, December 21, 1918, ME/48; Brotherhood of Railway Clerks to Esch, March 4, 1919, ME/50, Esch Papers.
capable of carrying the greatest burden of operating expenses of the railroads should be forced to do so. 26

Shippers expressed positions equally as vehement against government operation. Their wartime experience had caused them extreme difficulties in the transportation of their goods. They felt that McAdoo as Director-General had exercised arbitrary and despotic powers in defiance of the nation's laws and had not supported the interests of the shippers. Many manufacturing plants which were providers of railroad supplies had been forced to close down for months at a time. They stated that governmental operation tended to smother rather than accelerate the development of private industries. 27 Shippers as a whole were disillusioned by the problems which had arisen during the war, and they were anxious for control to be returned to the courts and commissions which had had responsibility in the prewar years.

Employees of the railroads on the other hand were almost unanimous in their praise for continued government control. Their wages had improved greatly during the war years while the financial positions of the owners and shippers had deteriorated steadily. Therefore, employees expressed the opposite

26Ibid., p. 73; N.L. Amster to Esch, June 4, 1919, ME/52, Esch Papers.

27B.D. Dimick to Esch, February 19, 1919, ME/49, Esch Papers.
CHAPTER III

COMMITTEE HEARINGS

Throughout the first half of 1919, the Interstate and Foreign Commerce Committees of first the Senate and then the House of Representatives held hearings. During these months of testimony the committees heard and examined every major proposal for railroad reconstruction. The Senate committee began its hearings immediately on January 2, 1919 under the chairmanship of Albert Cummins of Iowa. During these early months Esch closely followed the proceedings in the Senate and spent his time preparing his own bill which he was to present on June 2 at the beginning of the House committee hearings, a bill which incorporated all of his personal proposals for regulated private ownership under a strengthened Interstate Commerce Commission.

1. H.R. 4378

The first witness to testify before the House Interstate Commerce Committee was Edgar Clark, a commissioner for the ICC. The bill which he presented and defended was the Esch bill, House of Representatives 4378, the bill which the commissioners helped prepare and found most acceptable. Clark spent days explaining all of the complicated provisions of the bill which theoretically sought to extend the regulatory powers of the ICC for the purpose of protecting the
interests of all groups which were involved in the railroad situation—shippers, investors, owners, and the general public. The final bill which emerged from the hearings was basically the same as this original bill which Esch and the ICC had jointly prepared. The committee in the end made very few substantive changes even though witnesses proposed seven totally different plans and suggested over one-hundred amendments to the Esch bill during the three months of testimony before the House committee.

2. McAdoo Proposal

The first important witness before the Senate committee on January 4 and 5 was William McAdoo, the former Director-General of the railroads during the war. McAdoo, having had a great deal of experience in railroad affairs both before and during the war, had come to the conclusion that federal control should be continued for a five-year period until January 1, 1924. He felt it was important to use this extension of time to remove the railroad issue from the realm of politics and to allow for a proper test of the value of unified control.¹ Before the Senate committee he stated that the people of the United States were not fully informed of all the benefits which might be gained

¹Wideman, Reconstructing America: Our Next Big Job, pp. 48-9.
from an extension. He also ominously predicted that a return to private ownership would lead to political ferment among the two million railroad employees.\(^2\) McAdoo's ultimate position on the railroad question actually favored private ownership, but he felt that the postwar situation was a unique opportunity for testing the value of public control before returning the railroads to private hands. He asserted that "...my tendency is against government ownership and in favor of a wisely regulated private ownership under strong federal control."\(^3\) Nevertheless, throughout 1919 McAdoo continued to press for a five-year trial period, rarely mentioning his basic belief in regulated private ownership. By the end of the year he was being considered as a presidential contender for the Democratic party because of the great support which he gained from labor because of his federal extension plan.

Walker Hines, who was to continue as Director-General of the railroads after the war until a decision was made by Congress, echoed McAdoo's position and tried to clarify the benefits which would be gained from an extension. He stated that it would be in the nation's interest to continue public service under the best conditions of federal control.


\(^3\)LaCrosse Tribune, January 3, 1919, p. 10, col. 1.
rather than return to the undesirable situation of private ownership. This extension would provide an accurate analysis of how the roads could be run by the government under normal rather than wartime conditions. The people would then be able to make an informed choice between the public and private programs during the next election. Hines concluded by stating that if a reasonable extension was not provided, it would be in the public's best interest to return the railroads to their owners as soon as possible.

2. The Plumb Plan

Glenn E. Plumb, the legal counselor for the four major railroad unions submitted the most controversial of all the plans presented. In his past legal career Plumb had fought monopoly control of industry and had hoped to create a more efficient railway system by eliminating conflicts over transportation rates and thereby reducing social conflicts. He favored scientific management principles and supported a system of industrial democracy which included labor participation in managerial decisions and profit sharing. The Plumb Plan went further than McAdoo's proposal since its author advocated that government should ultimately and permanently own the railroads of the country. A National

4Wildman, Reconstructing America: Our Next Big Job, pp. 50-3.
Operation Corporation was to be established to operate the railroads with labor, management, and government having equal representation on a fifteen-man board of directors. The President would appoint the board, selecting the executive and labor representatives from a list of candidates submitted by each interest group. Through a bond issue, the government was to purchase all railroad properties and then lease them under the direction of this corporation. After interest and expenses were paid, the directors were to divide all profits among the employees.\(^5\)

Plumb argued that the issue was not really money but was actually the need to break the vicious cycle caused by cost of living increases rising faster than workingmen's wages. It was necessary for the government to save the public from the outrageous prices for transportation of goods and to put a stop to the extreme profits of a few powerful businessmen.\(^6\) The price paid for the railroads would only be $12,000,000,000 since Plumb believed that those holding stocks and bonds deserved only sixty percent of their market value because the stocks were badly watered. During the House hearings in the summer, Plumb warned that

\(^5\)Hearings before the House Interstate and Foreign Commerce Committee (hereafter referred to as Hearings), 66th Cong., 1st Sess., Vol. I, p. 654.

nationwide general strikes would break out if the workingman's condition did not improve drastically. 7

Though the Plumb plan and the McAdoo five-year extension proposal received a great amount of newspaper publicity throughout 1919 and the presidential campaign of 1920, a vast majority of the congressmen in both the House and the Senate never seriously considered these plans. During his introductory address at the beginning of the hearings of the House Committee on Interstate and Foreign Commerce, Esch made his position clear:

Owing to the statement of the President in his message that he contemplates turning the roads back to private ownership and control at the end of the year, it would probably be doing a useless thing to give much consideration to an extension of five years of Federal control, and in view of the widespread sentiment throughout the country against the Government ownership, I feel we ought not to spend very much time on that proposition although I concede that it may be involved in the course of the cross examination of the various witnesses. 8

Esch wanted to avoid a long useless discussion of the programs for government ownership, since he correctly believed that there was no chance at all for the passage of these plans. He interpreted the sentiment of the majority of Americans to be in favor of a strong program of railroad regulation which would make the complex and expensive process of

7Ibid., August 8, 1919, p. 4, col. 2.

government purchase of the roads unnecessary. 9

Even though Esch wanted to ignore totally the question of the Plumb plan, this was not possible in light of the extensive propaganda which the labor forces were promoting under the leadership of the Plumb Plan League. Therefore, the House Committee allowed leading proponents of this measure to testify at length; they were Glenn Plumb, the author of the measure, Warren Stone, Grand Chief of the Brotherhood of Locomotive Engineers, Frank Morrison, Secretary of the American Federation of Labor, and Samuel Gompers, the president of the American Federation of Labor. They all implied that labor forces simply would not accept the return of the roads to their former owners. They also stated that should their plan not be accepted, labor forces would unite during the next election to pressure one of the major parties into endorsement of the Plumb plan in their platform. Labor intended to find candidates to elect who supported their program. 10

Though there had been differences between the Railway Brotherhoods and the AFL in the past, the postwar period was generally harmonious, and the AFL came out in support of government ownership and democratic control and management

9 Ibid., p. 6.

of the roads at its Montreal Convention in 1919. Throughout his career, Samuel Gompers had attempted to defeat all proposals for socialism which were suggested in the AFL, and before 1919 he had not been in favor of continuation of federal control of the railroads. He changed his mind and supported the Plumb plan when it became evident that the powerful railroad unions strongly insisted on that program. Gompers, who was the last person to testify before the House committee in September, devoted most of his statement to arguing against all attempts to make strikes illegal. He said that the right to strike was what separated free men from slaves, and therefore he was sure that "...an effort to outlaw strikes is doomed beforehand to absolute failure." Later when leaders of the Railroad Brotherhoods accused the AFL of not strongly supporting the Plumb plan, Gompers denied the charge and pointed out that the AFL had been very effective in fighting against the harsh labor provisions which had appeared in the original Senate bill.

While these labor leaders were presenting their positions formally before the committee, nationwide labor conditions

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14Taft, *op. cit.*, p. 373.
were very unstable with many strikes occurring throughout the summer. Though Warren Stone and Frank Morrison denied that they were threatening a national railroad strike when Esch bluntly asked them during the House hearings, labor leaders were making strike threats to the nation's newspapers. At the same time as the Plumb testimony, Stone as president of the Plumb Plan League, stated to the New York Times that laborers were in no mood to accept the return of the lines to their former owners and "...in their opinion widespread economic disaster could not be avoided unless the government purchased the railway systems..."  

Esch was indignant at the threats from labor and stated in his personal correspondence that the House committee would not be stampeded by these measures. On the other hand, as chairman of the committee, he demonstrated little interest in the testimony of labor leaders. While he asked many specific questions of other witnesses throughout the weeks of testimony to gain a careful understanding of each new proposal, he only asked Morrison and Stone if labor was specifically threatening a strike.

Throughout his correspondence and his speeches during 1919 Esch clarified his reasons for opposing all plans for any extension of governmental control. His main argument

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16 Esch to W.P. Welch, August 11, 1919, ME/54, Esch Papers.
against it was simply that the government could not afford to buy the carriers. The nation was badly in debt because of war expenses, and the postwar inflation was already high without adding the extra burden of billions of dollars which the purchase of the railroads would necessitate. Also, he felt that the price of twelve billion dollars which was the amount the Plumb plan advocates expected to pay for the roads was only two-thirds of their true value. He foresaw legal battles in every court in the country before the owners would accept such a low payment for their property.\textsuperscript{17}

Each believed that the capitalistic system of private ownership of the nation's railroads with its stimulus for profit would always prove more efficient than any socialistic program. The Plumb plan, according to Each, was even more extreme than socialism which would have gone no further than government ownership and regulation of the railroads through established agencies. The Plumb plan went so far as to demand employee operation, and Each implied that this program would be more compatible with a communist system such as the new Soviet government rather than with a democracy.\textsuperscript{18}

With all of these strong arguments working against federal

\textsuperscript{17}\textit{LaCrosse Tribune}, December 2, 1919, p. 16, col. 3.

\textsuperscript{18}\textit{U.S. Congressional Record}, 66th Congress, 1st Sess., p. 8309.
control and with the vast majority of the American people being opposed to it, Esch saw no reason for his committee to waste any more valuable time on an unacceptable plan. The President's ultimatum that the roads would be returned by January 1 allowed Congress only six more months to work out and pass legislation, and the House committee had many more witnesses to hear before it could even begin to prepare a final bill to present to the whole House of Representatives.

3. Other Proposals

During the rest of the summer of 1919 the Esch committee heard a variety of different reconstruction plans, all of which presumed that the carriers would be returned to private ownership. Over three-and-a-half thousand pages of testimony were recorded before the hearings were completed. Many railroad executives and their attorneys presented arguments opposing the Plumb plan while promoting their own proposals supporting a set guaranteed return, arguing for re-establishment of railroad credit at favorable rates of interest, and attacking all plans for compulsory incorporation. Dewitt Cuyler, chairman of the Association of Railway Executives, presented the most specific proposal which called for the establishment of a Department of Transportation. This department would exercise the administrative duties which formerly had been in the hands of the ICC and would have the power
for rate regulation and adjustment of wages subject to approval and revision by the Commission. It would have the responsibility to see that adequate service was provided while also creating rates of interest which would allow for proper development of the railroads. 19

Representatives of investment groups also presented programs. Nathan Amster, president of the Investor's Protective Association stressed that whatever bill was passed must meet the need of increased government regulation to protect investors against monopoly. Most investors were in agreement with the executives in favoring the establishment of a guaranteed minimum return for the railroads, but they drew criticism from them when they presented their Regional Plan, proposing that the nation's roads be divided into regional districts, similar to the Federal Reserve Districts, following along the flow of traffic. Investors believed that this would allow railroads to consolidate, to attract needed capital, and to permit growth. 20 The executives countered with the argument that this plan would lead to stagnation due to suppression of competition; there would be no stimulus for individual roads to improve their service under the Regional Plan. 21

20 Ibid., pp. 61-2.  
21 Ibid., p. 70.
Many other groups had specific proposals to protect their own interests in the railway issue. Agricultural groups and other shippers presented programs for rate adjustments. Short line roads demanded a long and short haul provision in any future legislation. Representatives of the National Association for the Advancement of Colored People discussed the need for equal treatment of passengers regardless of race, color, or creed, and spokesmen for other consumer groups discussed the need for fair passenger rates and improved service.

Esch listened carefully to all of the ideas which were suggested as over one-hundred amendments were proposed to his original bill. He incorporated into the final committee proposal some of the ideas which he felt strengthened the legislation without significantly altering his original plan. The final bill which Esch presented to the full House for consideration did not differ significantly from H.R. 4378 which he had presented at the beginning of the hearings.
CHAPTER IV

HOUSE AND SENATE BILLS DIFFER VASTLY

The year 1919 was a time of uninterrupted hard work for John Esch. After spending the spring preparing his own bill and presiding over committee hearings during the summer, Esch felt that the most laborious jobs would be the preparation of the final House bill in executive session and the forming of an acceptable compromise measure from the House and Senate bills.\(^1\)

The Senate committee completed its hearings in the spring of 1919, and its chairman, Albert Cummins of Iowa, submitted its final bill, S. 3288, to the Senate on October 22. The House committee hearings did not conclude until early October after three months of continuous testimony. The executive session then lasted one month, and Esch introduced the final bill, H.R. 10453, in the House of Representatives on November 8. The respective houses of Congress passed both bills quickly. Since there was a great disparity on many crucial issues between these two bills, the committee of conferees, a group consisting of the leaders of the two original committees, took up the task of working out an acceptable compromise measure which would be capable of passing both of the

\(^1\)Esch to W.B. Scharner, September 9, 1919, ME/54; Esch to Clarence Weber, September 13, 1919, ME/54; Esch to J.E. Austin, October 11, 1919, ME/55, Esch Papers.
Houses of Congress.

1. House and Senate Philosophies

In introducing the final bill to the full House, Esch expressed the committee's basic philosophy that it was not the time for experimentation with any novel measures:

No new or strange features are in this bill and it follows no untried plan. We build on a foundation already in existence...which we believe to have been well laid. We did not think that this was a good time for experimentation.  

The Esch House bill proposed no sweeping changes in federal policy and reaffirmed the ICC's central role as the final decision maker on issues of railroad politics. It included the best aspects of previous government control, but it advocated no precarious reform measures.

While the House bill tended to avoid precise positions on controversial issues and relied on the vague, general principle of just and reasonable administration directed by a strengthened ICC, the Senate bill was specific in its reform proposals. The Senate committee preferred a scientific management view, calling for a basic reform of federal policy by means of increased efficiency of railroad operations and the creation of harmonious relations in railroad politics.

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2 U.S. Congressional Record, 66th Congress, 1st Sess., p. 8313.

It favored more stabilized bargaining relationships and prohibition of strikes. 4

2. Programs of Administration

The House and Senate proposals for altering the administrative structure for regulation of the railroads were consistent with their opposing philosophies. The House bill expanded and more clearly defined the powers and responsibilities of the Interstate Commerce Commission but did not make any basic changes in the prewar structure. 5 The bill increased the Commission's power by giving it exclusive jurisdiction over the issuance of any new stocks and bonds. It granted the ICC the power to authorize consolidations which it believed to be in the public interest and further allowed it to prohibit the construction of any new lines or extensions to existing roads when it judged such expansion to be unnecessary. The Commission could also provide for the redistribution of traffic and allow for joint use of terminals when necessary. 6 This bill essentially proposed returning to a strengthened version of the prewar regulatory system and, therefore, offered hope to all those involved

4Kerr, American Railroad Politics, p. 205.
5Ibid., pp. 206-7.
by allowing the ICC to postpone consideration of many controversial issues until the future. By being vague on how the Commission should handle some problems the House hoped to satisfy all factions.\(^7\) Since this legislation would increase the burden of responsibility on the ICC, the Esch bill proposed that the number of Commissioners be increased from nine to eleven to cover the extra workload which would inevitably result.\(^8\)

On the other hand the Senate was committed to a program of scientific management, making it inevitable that it would submit comprehensive changes in the administrative structure in hopes of improving efficiency throughout the nation's railroad system. The Senate proposed that the carriers be divided into several regional systems, each of which would be controlled and operated by an individual corporation under the direction of a Transportation Board. This wide-sweeping plan for forced consolidation would be subject to final approval by the ICC which would also retain its supervisory powers over rates.\(^9\) The Transportation Board would assume other powers which had formerly been handled by the ICC. That

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\(^7\)Kerr, American Railroad Politics, p. 208.


\(^9\)S. 3288, 66th Cong., 1st Sess., sec. 6(1919).
board was to have power over issuance of stocks and bonds, serve as the final level of appeal in labor disputes, represent the public interest before the ICC and Congress, and exercise many other administrative and regulatory functions formerly supervised by the Commission.\textsuperscript{10}

In introducing the House bill, Esch argued strongly against the creation of the Transportation Board as proposed in the Senate bill. He explained that "...we did not feel that it was wise to create a counter body that might interfere with the Commission's performance and its power to function."\textsuperscript{11} He believed that the Commission had managed well in the past and had valuable experience. The House committee decided that responsibility should not be divided between two different agencies when one was fully capable of handling the work without outside assistance.\textsuperscript{12}

Esch also expressed his strong doubts about the Senate proposal for compulsory consolidation of the railroads into districts, theoretically for the purpose of improving service by reducing wasteful competition. Executives of the larger roads were promoting this plan in hopes of gaining control

\textsuperscript{10}S. 3288, 66th Cong., 1st Sess., sec. 7-13(1919).
\textsuperscript{11}\textit{LaCrosse Tribune}, December 2, 1919, p. 16, col. 3.
\textsuperscript{12}\textit{u.s. Congressional Record}, 66th Cong., 1st Sess., p. 8312.
over competing carriers in their areas. Esch's primary argument against this plan was that it simply was not legal to force companies into undesired consolidations. He therefore favored a program of voluntary consolidations under the control of the ICC which he felt would also protect the public interest. 13

3. Transitional Economics

Both Houses agreed that the railroad would require financial aid during the transition period from public to private control. They both suggested that for six months following the end of federal control the roads should be guaranteed an operating income equal to the standard return for an equivalent period paid during federal control. 14

The House and Senate were also in close agreement as to the procedure for refunding any railroad indebtedness to the government. The President was to determine the amount which the roads owed the government for any additions and improvements which were made during government control, and he was also to decide on the amount which the government owed each carrier from that period. These amounts were to be set off against each other, and the government


or railroad was to pay off the remaining debt at six percent interest. The only difference between the two bills was that the Esch bill permitted the carriers fifteen years for payment of the debt while the Cummins bill allowed only ten years.\textsuperscript{15}

The issue concerning the establishment of a reserve fund to aid the roads through the transition period reflected another area of disagreement between the two Congressional bills. Esch defended the House position on the grounds that the roads were deeply in debt to the government due to betterments and additions made during the war which had been required by the government. He explained that the roads were in no position to pay back that amount quickly, and it would also be immediately necessary for them to borrow large sums to deal with future costs if they were to be able to provide adequate service.\textsuperscript{16} The House bill therefore favored the creation of a $250,000,000 revolving fund to provide loans for the first two years at six percent interest which would mature in five years.\textsuperscript{17} The Senate measure on the other hand held that the roads were capable of handling this problem themselves. Each road was directed to create an

\textsuperscript{15}\textsuperscript{15}H.R. 10453, 66th Cong., 1st Sess., sec. 205(1919); S. 3288, 66th Cong., 1st Sess., sec. 2(1919).
\textsuperscript{16}\textsuperscript{16}Hearings, Vol. II, p. 1283.
\textsuperscript{17}\textsuperscript{17}H.R. 10453, 66th Cong., 1st Sess., sec. 208(1919).
individual reserve fund to support its own credit while the more prosperous roads were to establish a general contingent fund from their excess earnings to support the credit of the weaker roads. 18

4. Rule of Rate Making

The issue upon which the two branches of Congress were at greatest variance and which was to be the main obstacle to reaching a final compromise measure was the establishment of a rule of rate-making. The House bill again sought a vague solution which would be more acceptable to most interest groups even though the ICC and the railroad executives favored specific rate-making guidelines. It reverted to the former policy that the Commission should establish railroad rates which were just and reasonable. 19 The House bill also sought to extend the ICC's power by granting it the right to establish minimum as well as maximum rates. Many of the larger carriers had in the past attempted to drive weaker lines out of business by setting rates which were so low that profits were eliminated, thereby destroying the short lines. Each felt that weaker lines often provided vital services and

needed legislative protection to insure their survival. He also felt that this provision would be necessary to protect water carriers from potentially destructive competition of the larger railroads. 20

The Senate committee, and particularly its chairman, Albert Cummins, favored a rate-making measure which would guarantee the roads a specific income level. This bill stated that the ICC was to divide the country into rate-making districts and the railway carriers into rate groups within those districts. Each rate-making district would then be allowed to earn a total annual net income equal to five and one-half percent of the aggregate value of its property. It also would be allowed to use an additional one-half of one percent to pay for non-productive improvements of its property. Any profits above this six percent total would be returned to the federal government. The Commission would have the authority to adjust these figures up or down every five years. 21

The main opposition within the Senate to the Cummins bill came from Robert LaFollette who delivered five speeches on five consecutive days attacking all major aspects of the bill. He spent three of the five days arguing against the

21 S. 3288, 66th Cong., 1st Sess., sec. 6(1919).
rate provisions which guaranteed an income based upon what LaFollette considered to be "fictitious values of railroad securities" including billions of dollars of watered stock and inflated values of the war years. The Senator predicted that the acceptance of the rate-making provision would cost the taxpayers more than $7,000,000,000 because the ICC would be forced to increase rates drastically to meet the six percent guarantee figure. 22

Esch received letters from investors urging him to promote a similar guarantee clause in the House bill. They claimed that their former investments in railroads had been badly damaged during the period of government ownership, and they would not invest further in unprofitable railroad securities without a specific guaranteed return. 23 Nevertheless, Esch had many reservations about the guarantee issue, and he argued strongly throughout 1919 against supporting any such measure. He explained that there were two types of guarantees. A straight guarantee would lead to waste, extravagances and, Esch believed, eventual government ownership; another form of guarantee was the type established in the Senate bill which would divide the nation into regions for rate-making


23 Giles Taintor to Esch, January 28, 1920, KE/56, Esch Papers.
purposes with the roads receiving a certain fixed rate of return upon the averaged valuation of all the carriers within that region. Of this second form Esch stated:

It is a guarantee, not withstanding the fact that its proponents deny it is a guarantee, because the Government is not liable to suffer loss....It is certainly in essence a guarantee and we can not camouflage the fact.24

Esch believed that such a guarantee would eventually result in more harm than good because it would undermine the initiative and incentive which had helped create America's efficient railway system.25 He questioned how the ICC would divide the nation into districts since many roads were so long that they would have to extend through as many as three or four different regions, thereby being subject to different rate-making bodies in each one. Also rapid fluctuations in business would constantly force the ICC to adjust rates to maintain the six percent income goal.26

The proposal that excess profits be turned over to Congress would be stretching Congressional power too far, according to Esch. He questioned whether the Constitution would allow this part of the Senate bill; and even if it were permitted by the courts, Esch firmly believed that it was a senseless

26LaCrosse Tribune, December 3, 1919, p. 9, col. 3-4.
clause since the railroads would arrange their expenditures to insure that there would be no excess profits to return to the federal government.27

Yet another problem which Esch foresaw arising from the guarantee clause was that future Congresses would not be bound to the six percent figure and might very well attempt to win votes by shifting the figure downward to five or even four percent. It could well become subject to the whim of any political party. Farm and labor groups might easily unite to elect a Congress which would reduce the guarantee to unrealistic levels which might then destroy the railroads.28

Throughout all of the hearings before the House Committee, throughout all of his personal correspondence of 1919 and all of his speeches before the House of Representatives, Esch utilized these arguments against the Senate guarantee proposal. When the Esch bill passed the House with its vague "just and reasonable rates" language and the Cummins bill passed the Senate with its very specific guarantee proposal, a wide gulf separated the two measures and the two Houses of Congress, leaving an immense problem for the committee of conferees to overcome.

27 Ibid., U.S. Congressional Record, 66th Cong., 1st Sess., p. 8312.


For labor groups, the most important question in the railroad issue dealt with the resolution of disputes between carriers and their employees. The Esch bill as presented to the House retained the proposals favored by Esch and the ICC calling for a complex system of regional boards. Title III of the Esch bill proposed the establishment of three Boards of Adjustment to handle disputes affecting issues of wages, working conditions, discipline, and personal grievances of employees. Three Commissions on Labor Disputes were to be established to make final decisions if a majority vote could not be reached on issues before any of the Boards of Adjustment. Half of the members of these boards were to be appointed by the labor groups involved and half were to represent the carriers.29 The bill also contained a clause calling for a daily penalty of $500 against any person or organization who did not "...exert every reasonable effort and adopt every available and reasonable means to avoid interruption to the operation of a carrier..."30

This initial Esch proposal therefore suggested a mild form of regulation against strikes or lockouts in violation of contracts. Esch favored passage of a clearly defined

30Ibid.
bill which allowed no room for misconceptions or differing interpretations. He opposed the use of vague language such as that found in other parts of the House bill.\textsuperscript{31} He argued for his proposal before the House:

If we can create a tribunal so fair, so honest, so honorable that neither party to the controversy can cast aspersions upon it, have we not gone a long way toward begetting respect for the award of that tribunal not merely on the part of the parties interested in the dispute, but on the part of the general public?\textsuperscript{32}

Esch disagreed with those who suggested that the ICC arbitrate labor disputes. He felt the Commission should remain aloof from these controversies which might tend to undermine public confidence in the Commission's performance of its major functions.\textsuperscript{33}

Labor groups were quick to oppose this system of regional boards which Esch proposed. They claimed that the banking powers on Wall Street had virtually dictated this section to the House committee. Esch immediately denied this, stating that no influence outside of the committee members dictated a single line of the House bill. Some labor groups also claimed that the Esch proposal was far more vicious than the provisions of the Cummins bill which was before the


\textsuperscript{32}\textit{U.S. Congressional Record}, 66th Cong., 1st Sess., p. 8315.

Senate because it was more subtle.\textsuperscript{34}

The debate in the House covering the entire bill lasted six days, and the only major compromise Esch made was to replace the complex system of regional boards with one powerful national body, the Railway Labor Board. Esch had fought against this change, arguing that without some method to prevent strikes, a nationwide walkout might occur. Labor pressure was especially strong and unified at this time; therefore the House voted in a 254 to 11 bipartisan vote to substitute the Anderson Amendment, creating the Railway Labor Board, which most labor organizations considered to be a mild improvement over the initial Esch proposal.\textsuperscript{35}

By late 1919 the labor unions decided that their drive for nationalization of the carriers was, at least temporarily, an impossible goal, and they realized that a more pragmatic problem had arisen. The unions changed the focus of their opposition when the Senate released the labor provisions of the Cummins bill; the bill contained an anti-strike provision which threatened the collective bargaining rights of the unions.\textsuperscript{36}


\textsuperscript{36}s. 3288, 66th Cong., 1st Sess., sec. 29-31(1919); Kerr, op. cit., p. 160.
The Cummins bill proposed the creation of three regional boards of adjustment, each consisting of three representatives of labor groups and three representatives of the carriers, to hear and determine complaints relating to wages and working conditions. Appeal could be made first to a Committee of Wages and Working Conditions and then to a Transportation Board whose decisions were to be final. Each of these boards was to consist of five members who were to be appointed by the President. In making its decisions, this Transportation Board was directed to consider hazards of employment, the relation of wages to the cost of living, wages paid for similar types of work, and the character and regularity of employment. The final part of the labor section of the bill created the most controversy by declaring strikes and lockouts to be illegal. A fine of $500 or six months in jail was to be imposed on anyone who interfered with the operation of the railroads. Senator Cummins, in introducing the bill to the Senate, attempted to justify this strict provision. He stated that in the interest of the general public, strikes in transportation facilities must not be allowed, and the only way to prevent their occurrence was for the government to be the final arbitrator in determining what was fair and just to all interests involved. After the Transportation Board had made its final decisions,

it would tolerate no coercion or rebellion.\textsuperscript{38}

The only opposition within the Senate to this anti-strike provision was again from LaFollette. While deploiring strikes as wasteful and tragic, he criticized the Cummins provisions for denying labor the right to quit work in a collective body and for compelling employees to submit grievances to a committee which was powerless. The only appeal would then be to the Transportation Board on which the workers would have no representation.\textsuperscript{39}

Labor leaders promptly applied pressure on Esch. A.F. Knight warned that the Cummins bill would not stop strikes but would instead create lawbreakers and urged him to assist labor "...in putting a killing smash to the vicious Cummins bill."\textsuperscript{40} Esch opposed the anti-strike provision on the pragmatic grounds that it simply would not work. He had studied the effects of anti-strike legislation in many other countries and found that it had proved to be unenforceable. He argued that "...as a matter of workability how are we to enforce a law penalizing strikes when the strike may involve several hundreds of thousands of men?"\textsuperscript{41}

\textsuperscript{38}Taft, Organized Labor in American History, p. 374.
\textsuperscript{40}A.F. Knight to Esch, January 24, 1920, ME/56, Esch Papers.
\textsuperscript{41}U.S. Congressional Record, 66th Cong., 1st Sess., p. 8318.
The gulf between the two Houses of Congress on this labor issue as well as on rate-making and consolidation appeared almost insurmountable. Their basic philosophical approaches to the problems seemed so far apart that many legislators believed that achieving an acceptable compromise, especially within the time limit established by the President, was an impossible task. Though the House passed the Esch bill on November 17, the Senate did not vote on the Cummins version until December 20. With only two months remaining before the March 1 deadline, many congressmen feared that the carriers would be transferred back into private hands without any legislation to aid them through the reconstruction period, and most agreed that such a situation would be disastrous for the nation's railroads.
CHAPTER V

COMpromise

1. The Committee of Conferees

The responsibility for working out a compromise measure between the two divergent Congressional bills passed to the committee of conferees, consisting of Senators Albert Cummins, Miles Poindexter, Frank Kellogg, Atlee Pomerene, and Joseph Robinson, and Representatives Esch, Samuel Winslow, John Hamilton, Thetus Sims, and Alben Barkley. This committee began its deliberations at the end of December, 1919, and reached a final compromise eight weeks later in mid-February. The conference committee's sessions would undoubtedly have taken longer had President Wilson not imposed a strict time limit on it. Since there was no way for legislation to be passed by the original deadline of January 1, Wilson announced he would delay the return of the roads until March 1, thus allowing the conferees two months to work out an acceptable settlement. Esch personally regarded the new time limit as a reasonable concession.

Director-General Hines had convinced the President that administrative pressure in the form of a time limit was necessary to secure legislation. Hines had actually hoped that a tight schedule would increase the chances for the

passage of his scientific management reform plans. Wilson's cabinet discussed the situation, and a majority voted for the limited extension of time until March 1.²

During the two months that the committee conferred, pressure increased from shippers, labor, executives, and investors as all interest groups realized that their options were now reduced to those proposals contained in the Esch and Cummins bills. Shippers in a last-minute lobbying campaign sought acceptance of the Esch bill and argued against the rate-making and compulsory consolidation provisions in the Senate bill.³ Railroad executives and investors favored the Senate's rate-making authority which they believed recognized corporate financial needs and offered better hope of securing future rate increases.⁴ Labor groups were dissatisfied with both bills and threatened during the period that the conferees were in session that large scale strikes would occur throughout the nation if either bill was passed.⁵

As the committee sessions began, Esch expressed hope that some compromise could be reached even though the problems seemed insurmountable. He informed a constituent:

²Kerr, American Railroad Politics, pp. 212-3.
³Ibid., p. 214.
⁴Ibid., p. 215.
⁵LaCrosse Tribune, December 30, 1919, p. 1, col. 7.
We have a tremendous task before us and as the differences are in some respects extremely radical, reconciliation seems quite impossible but we will have to effect a compromise in some respect if there is to be legislation.  

While expressing his desire for compromise, Esch also admitted his hope that the major provisions of the House bill would be retained in the final legislation. The House delegates, under Esch's leadership, refused to accept the efficiency modifications specified in the Senate plan.  

By late January after nearly a month of debate, it appeared that the two sides were hopelessly deadlocked and might be forced to report back to their respective bodies without a solution. The conferees sought to solve the labor problem by dropping both labor provisions which had been presented, but this did not succeed. By this time the conferees were feeling pressured from all sides to achieve some sort of settlement to meet the March 1 deadline.  

By the end of January the two major problems, the rate-making guarantee and the labor provisions, still existed. Finally Senator Cummins, recognizing the intense animosity of the House members and shipping organizations toward many

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6 Esch to C.M. Perry, December 26, 1919, ME/55, Esch Papers.

7 Esch to John McSweeney, December 20, 1919, ME/55, Esch Papers; Kerr, American Railroad Politics, p. 216.

of his ideas, agreed to the House provisions on consolidation, the Transportation Board, and federal incorporation. In return, the House of Representatives accepted the financial provisions of the Senate bill with only slight changes. The final deadlock was broken on February 4 when Cummins gave up his fight for an anti-strike clause, and the House conferees agreed to a change in phraseology instructing the Railroad Labor Board to try to prevent interruption in railroad service. The committee finished its work on February 6 and prepared to report the new compromise law back to the House and Senate.9

2. Final Compromise Bill

For any legislation to be passed, all factions involved in the railroad problem had to accept some provisions with which they did not fully agree. The remarkable fact was that concrete, comprehensive legislation was produced out of two bills which were so radically opposed to each other. Esch expressed the hope that all members of Congress and all other interest groups could understand:

...the tremendous complexities of the problems that were presented, the diverse interests claiming recognition, and the difficulty, the almost insurmountable difficulty, of securing an agreement between the Senate and the House...10

The Esch bill's primary goal was to perfect the existing machinery under a strengthened ICC while the Cummins bill sought radical departures to solve grave problems. The final compromise measure incorporated new modifications into the old ICC structure.11

By strengthening the central role of the Interstate Commerce Commission without being extremely specific or restrictive, the bill offered management, investors, and scientific management reformers hope of future commission decisions more favorable to their interests.12 The ICC was to be the final decision maker on issues of rate-making, services to be provided, establishment of new lines, purchase of new equipment, and issuance of securities.13

New principles were incorporated into the bill which altered the basic course of railroad legislation. The old theory that competition must be enforced among the carriers

10U.S. Congressional Record, 66th Cong., 2nd Sess., p. 3266.
12Kerr, American Railroad Politics, p. 205.
was abandoned under the new provision encouraging voluntary consolidation of lines into a limited number of systems. The establishment of the Railway Labor Board altered the methods for settling labor disputes. Finally, and most significantly, the new rate-making structure sought to assure carriers a fair, though not excessive, income level.

Title II of the bill dealt with the immediate financial requirements for the transition phase, and Esch felt that a fair compromise was reached which would enable the carriers to finance themselves through the period of reconstruction. The Senate version had originally included a $500,000,000 loan fund while the House measure provided only $250,000,000. The final figure of $300,000,000 forced a greater concession from the Senate.14

The final provision for consolidation of the carriers into a few systems of equal strength also came closer to the original House proposal since the compromise allowed the roads to voluntarily merge as they saw fit. The law directed the Commission to immediately take steps toward preparing a plan for consolidating the carriers into a limited number of systems of equal strength. The ICC did not have power to impose this plan upon the railroads, but it did

quickly employ a transportation expert to prepare an overall merger proposal which it hoped would prove acceptable to a majority of the roads. This provision reflected a shift in policy from the old prewar program of enforced competition to the new philosophy that competition should be more limited among a few, strong giant systems.\textsuperscript{15}

The major compromise which the House had to accept after six weeks of disagreement was the Senate rate-making plan. Both Houses of Congress agreed to the provision granting the ICC the new power of fixing minimum as well as maximum rates, a feature which the Congressmen hoped would help avoid serious losses to smaller carriers which might result from unrestrained rate reductions.\textsuperscript{16} The major problem was how to achieve a guaranteed income to permit the railroad systems of the nation to achieve a stable foundation and for rates as a whole to be high enough to enable the roads to provide adequate service to the public. The houses therefore agreed that rates must be established which would enable the carriers to earn a fair return on the aggregate value of their property. To accomplish this, Congress directed the ICC to


\textsuperscript{16}Transportation Act of 1920, 41 Stat., pp. 433-5; Stover, \textit{The Life and Decline of the American Railroad}, p. 176.
divide the nation into rate-making districts and to estab-
lish rates within each district which would assure the roads
as a whole within that area of a five and one-half percent
return. An additional one-half percent could be used for
property improvement and half of any profits in excess of
this six percent total were to be paid into a fund adminis-
tered by the ICC for the benefit of less prosperous roads. 17

One of the complex problems connected with this whole
provision involved the question of the true value of the
carriers for rate base determination. Section 15a of the
bill was very vague for it simply directed the Interstate
Commerce Commission to give due consideration to all elements
of value recognized by the law of the land for rate-making
purposes. The ICC received no clear guidelines to follow
in establishing the actual value of the carriers. 18 The
House conferees used this argument and many others in their
attempts to persuade the Senate conferees to drop this pro-
vision. After six weeks of debate, it became obvious to
Esch and the other House committee members that they would
be forced to concede reluctantly to this Senate position if


any legislation was to be provided by the March 1 deadline. They hoped that the gains made on the other aspects of the bill would make the total House of Representatives understand the need to compromise on this one particular section.

The biggest concession which the Senate made was the elimination of the anti-strike provision and the acceptance of the House proposals for the establishment of the Railroad Labor Board which was to consist of nine men, with employees, public and owners being equally represented. The Board was given the authority to adjust and decide disputes and establish just and reasonable rates of wages, salaries, and standards of working conditions. 19

3. Esch's Defense of the Bill

In presenting the final bill before the House of Representatives, Esch warned that the survival of the nation's railroad system might depend upon the passage of this legislation. If Congress failed to support it, Esch predicted half of the nation's carriers would pass into the hands of receivers within three months because there would be no legislation to aid them through the difficult transition

Esch expressed his personal satisfaction with the final compromise measure, stating that it had been far more successful than he would have believed possible when the conferees started their work in December. He also predicted that the act would serve the nation's future needs:

The bill is not a perfect measure and could not be in view of the cross-currents and diverse interests which a subject so broad and complex presented. Yet I am bold enough to believe that given a fair trial the new bill will justify itself.  

Esch responded to criticism from labor groups who argued that their suggestions had been ignored by the conferees and that opponents were wrongly labeling them as agitators and apostles of Sovietism. He argued that they were being unreasonable in their demands, since the Senate's anti-strike provision and compulsory features had been eliminated. He believed that their real goal was to defeat all legislation, no matter how reasonable, for the purpose of retaining governmental control over the carriers. Over one-hundred thousand employees of the railroads had expressed their endorsement of the final bill, Esch explained, and if the rest of the

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21Esch to C.C. Rowlison, March 8, 1920, ME/57, Esch Papers.
employees would simply give the Railway Labor Board a fair chance, they would find the labor provisions reasonable and just.\textsuperscript{23}

Esch was on the most insecure ground in attempting to justify the House conferees acceptance of the Senate's rate-making provision. While Esch was defending the bill in the House, LaFollette was attacking it in the Senate. The Wisconsin Senator believed that the law was the most "...dishonest, the most reactionary law ever passed in the interests of special privilege, at the expense of the common people of the land."\textsuperscript{24} He was particularly critical of the rate-making section which he believed was definitely a guarantee and even worse, a guarantee based on seven to eight billion dollars of watered stock.\textsuperscript{25}

Esch tried to justify his change of position on rate-making by explaining that longer consideration of the issue had forced him to accept the view that capital would not invest in railroad securities on the vague promise that the ICC would fix just and reasonable rates. He claimed that he now believed that if the carriers were left on their own

\textsuperscript{23}U.S. Congressional Record, 66th Cong., 2nd Sess., 1920, pp. 3270-1; Esch to Frank Winter, February 22, 1920, ME/56, Esch Papers.

\textsuperscript{24}LaCrosse Tribune, October 31, 1920, p. 12, col. 1.

\textsuperscript{25}Ibid.
without the Senate's provision to aid them, as many as one-half of them would fail within three months. 26 Where before Esch argued that the Senate proposal was, in fact, a guarantee, he now began to utilize the Senate's argument that it was not really a guarantee because the government was not required to reimburse any carrier which did not make a five and one-half percent profit. He argued:

It is up to the roads, through efficiency, economy and wise management, to increase their earnings, and if they get up to 5½% or 6%... they keep every dollar of it. When they get beyond that there must be a division... The Government is losing nothing. There is not a guarantee. 27

The passage of the bill by a 240-150 margin marked a final victory for Esch after more than a year of continuous hard work at achieving an acceptable piece of legislation. He admitted that he was physically exhausted from the continuous work and tension and was looking forward to beginning to live again, looking forward to taking some enjoyment out of life. His success was somewhat marred by the fact that many Wisconsin Representatives voted against the bill which Esch attributed to the work of the Non-Partisan League, the Society of Equity, and other labor organizations. 28

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26 U.S. Congressional Record, 66th Cong., 2nd Sess., p. 3268.
27 Ibid., p. 3269.
28 Esch to C.C. Rowlison, March 8, 1920, ME/57; Esch to William Esch, March 5, 1920, ME/57, Esch Papers.
This did not bode well for the future since the following fall of 1920 would bring the election campaign in which Esch would have to justify his leadership on the Transportation Act of 1920 to these same opposition groups. His difficult legislative role was completed, and he was forced immediately into working equally as hard to retain his position in the House of Representatives. He had proved his ability as a statesman through his successful work on the passage of a difficult piece of legislation, and now he would have to prove his qualifications as a politician by explaining that role and convincing his constituents that his work in the end would actually support their interests.
CHAPTER IV

DEFEAT

1. Early Opposition

Throughout the spring of 1920 while Esch concentrated on working out a final bill, the opposition forces threatened to defeat him in the fall elections because of the work which he was doing on the railroad legislation. Big labor meetings were organized in LaCrosse by national union leaders to coordinate the workers' strategy in their last efforts to prevent the return of the roads to their owners. In late January a delegation of thirty railroad employees from the seventh district went to Washington to visit Esch to attempt to gain his support for a two-year extension of federal control. When he refused to consider their plan, they predicted that labor groups would work within his district to defeat him in the September primaries.¹

Esch felt that this vehement position taken against him by the labor forces was unjustified and unfair since he had worked hard to eliminate the anti-strike provision from the final bill and to gain representation for labor groups on the boards which would make decisions on labor

issues. He was indignant at the threats which were made against him, and he countered them by asserting adherence to his position:

...I wish to say that no threat such as you make in your letter would cause me to deviate in the slightest degree from my oath or from my duty to the general public. Threats such as you make are not the way to influence members of Congress.2

Other factors also increased discontent among the workers in Wisconsin during the postwar period. The most widespread source of complaint was the high cost of living. The buying power of the Wisconsin farmer decreased to 82% of the 1910-1914 level because of shrinking markets and lack of government supports. The result of the mutual economic dissatisfaction of farm and labor groups was the establishment of the Non-Partisan League. This alliance became more united and more radical throughout 1920 as members worked to defeat all "non-progressive" candidates throughout the state.3

In March of 1920 the Non-Partisan League met in Milwaukee with representatives of other farm groups, the State Federation of Labor, various progressive organizations and the railroad brotherhoods. This meeting led to a full scale convention in Madison in June, during which participants endorsed those candidates who were supported by the LaFollette

2Esch to Frank Lucas, January 10, 1920, ME/56, Esch Papers.

3Margulies, "The Election of 1920 in Wisconsin; The Return to Normalcy Reappraised", p. 20.
forces. During the rest of the summer, the Non-Partisan League organized a powerful campaign for those candidates.  

Throughout his long career in the House, Esch had maintained strong political support in his district and had encountered little difficulty in gaining re-election every second year. His correspondence during the spring of 1920 reflected a sense of optimism that he would again be returned to Congress, though everyone admitted that the labor, farm and LaFollette groups would inevitably attempt to unseat him. Esch's brother, William, who lived in Lodi, Wisconsin, kept him informed as to his personal view of the political climate throughout the seventh district. William wrote in late January that opposition from the railroad workers was already building, but he believed that this would in the end work to his brother's advantage since he felt that the people as a whole were very much opposed to an extension of federal control.  

Esch, totally involved in work on the Interstate and Foreign Commerce Committee throughout the spring, was unable to return home for any early campaigning. He advised many of his supporters to start organizing a campaign since the opposition was strengthening even though a specific candidate

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4 Ibid.
had not yet been selected. He expressed respect for the actions of the Non-Partisan League convention in March, pointing out that its platform had been skillfully designed to attract many diverse elements of the voting population and would produce strong opposition. He also predicted that a significant railroad rate increase would soon become inevitable since the roads had run behind by $700,000,000 under federal control. He knew that such an increase would be used against him in the campaign. Though he agreed that his role in the passage of the Transportation Act would be the main issue in the campaign, he pointed out that the prohibition issue would also be important in some areas. He believed that his vote for prohibition would not hurt him at the polls and would eventually lead to good results.

Overall, Esch's view of the primary in September was one of cautious optimism. He did have his assistant in LaCrosse send out to all railroad employees throughout the district copies of his last speech before the full House of Representatives dealing with transportation problems. He believed that the railroad workers would change their negative views of the legislation if they could understand the specific

8Esch to Max Ninman, May 1, 1920, ME/58, Esch Papers.
provisions of the final act. He did no other campaigning throughout the spring. After Congress adjourned on June 5, he spent a week at the Republican convention in Chicago and declined speech requests for most of June, claiming that he had been home only ten days in the past year and really needed a rest before he began serious campaigning. He therefore waited until July to begin to cover his district, and by that time the opposition forces had been hard at work for many months.

2. Joseph Beck, Progressive Republican

Robert LaFollette's power, which had declined because of his opposition to the war, was again on the rise in the postwar era of discontent. He worked hard throughout 1920 to unseat those incumbent Republicans in Wisconsin who did not strictly follow his ideas of progressivism. He succeeded in molding various protest groups into a new, powerful political coalition. Representatives of these groups met to select a slate of delegates, designated as the LaFollette Republicanism ticket. These delegates then attended the

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Republican National Convention. Their "Wisconsin Platform" called for the repeal of the Esch-Cummins law and the return to federal control of the carriers. This delegate fight in the Presidential primary during early April was the first confrontation to occur during the campaign between the conservative and progressive factions in Wisconsin. The result reflected LaFollette's increasing power as his candidates won twenty-two of the state's twenty-six delegate positions.\textsuperscript{12} Though ill throughout the spring, LaFollette aided his progressive candidates by circulating in pamphlet form strong attacks against Esch, Lenroot, and Blaine throughout the state.\textsuperscript{13}

The Non-Partisan League held a county conference on May 19 during which it endorsed LaFollette's candidate to oppose Esch in the September primary. The League's candidate was Joseph Beck, a former farmer from Viroqua, who had been a long-time associate of LaFollette, having served under him as State Industrial Commissioner and as author of Wisconsin's Workman's Compensation Act. LaFollette took charge of the political decisions behind the Beck campaign and directed James Thompson's attempt to unseat Senator Lenroot and John Blain's campaign for governor against incumbent Emanuel

\textsuperscript{12}LaFollette, Robert M. LaFollette, II, pp. 992-5.

\textsuperscript{13}Ibid., p. 1015.
Beck worked throughout the seventh district to consolidate a coalition of labor and farm groups, gaining support from the labor brotherhoods and the Society of Equity as well as the Non-Partisan League. Beck organized a strong house to house campaign, especially seeking out farm support. He gave few speeches in the early summer but instead concentrated on covering much of the district on a personal level. He also had representatives of the Non-Partisan League working on a similar house to house basis. Beck, running as a "Progressive Republican", concentrated on attacking the Transportation Act and sought to convince farmers and consumers that they, as well as railroad employees, would be hurt most by the passage of that law which would result in higher prices for consumers and higher freight rates for farmers. The approval of a freight rate increase by the Interstate Commerce Commission earlier in the spring added strength to these charges that the law would affect the working classes in increased prices and rates. The cost of living, which had risen during the war, continued to rise, and Beck's attacks gained support as the farmer-labor forces

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15 Esch to Max Ninman, August 20, 1920, ME/60, Esch Papers.

16 Esch to Mark Sullivan, August 28, 1920, ME/60, Esch Papers.
worked diligently throughout the summer to defeat Esch. 17

Beck claimed that Esch did not truly represent his constituents but instead responded to the interests of the railroad owners and Wall Street financiers. His campaign material focused almost solely on these attacks against Esch:

In the Esch-Cummins bill, Mr. Esch turned his back on his constituents in granting the railroads their every demand.... The railroads will get their profits and the people will pay the bills while service is the worst in all the history of private management. Mr. Esch stands marked as a friend of the railroad managers and an enemy of the peoples. 18

Beck made unsubstantiated claims that the roads gained millions in excess profits during the final months of government control and assured all consumers that the Esch-Cummins bill would cost every American family the additional expense of one dollar per day due to increased costs. 19

The Beck forces wisely concentrated on attacking Esch's legislative record without focusing clearly on what their alternative solutions would be. While the workers readily agreed with the arguments that the cost of living was outrageous, they were less likely to accept the alternative

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progressive program which called for a return to federal control of the carriers. Beck therefore expressed outrage concerning these issues with which the people were dissatisfied without focusing on how he planned to rectify the situation, and more and more people in the seventh district began to believe that Beck rather than Esch understood their discontent with the economic situation.

3. LaFollette Attacks Esch

LaFollette led the fight throughout the summer against those candidates who had supported the Esch-Cummins bill just as he had fought against them the previous winter. Naturally the main target of his attack was the Wisconsin author of the "Crime of 1920". His main complaint against the bill was that it accepted criminally inflated capitalization of the railroads as their true value, estimated at nineteen billion dollars. He claimed:

This law compelled the Interstate Commerce Commission to raise rates immediately so high that the railroads would pay a dividend of $5\frac{1}{2}$ to 6 percent on their securities, water, soap-bubbles and all.20

LaFollette believed that seven of the nineteen billion dollar figure was watered stock.

Most publicity during the campaign was focused on the

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issue of whether the Transportation Act did or did not guarantee the roads a six percent income level. LaFollette naturally believed that the law did guarantee the roads a fixed net income, and he claimed that this had become necessary because operation of the roads had been such a failure that the railroad officials were not willing to take the roads back without being paid absurd profits to do so.21 Throughout the summer of hard campaigning, LaFollette ignored the fact that the rate-making provision which he attacked so violently was actually based upon the LaFollette railroad commission laws, with the exception that the Wisconsin public utilities were allowed an eight percent earnings figure rather than the six percent limit set by the Transportation Act.22 LaFollette also tried to gain the support of the farmers and consumers with the unsubstantiated charge that the Transportation Act would cost each American home one dollar per day in increased expenses. His arguments gave the impression that if federal control had continued, no such increase would have been necessary.23 Actually, as the LaCrosse Tribune pointed out during the last phases of the

21 LaCrosse Tribune, February 23, 1920, p. 1, col. 3.
23 Ibid., Sept. 4, p. 3, col. 1.
campaign, these figures which all of the LaFollette forces used were quite inaccurate. The bulk increase in rates resulting from the ICC decision would be $1,500,000,000 per year which divided by twenty million American families would result in a twenty-cent increase per day rather than the dollar figure cited by the Progressive ticket. Nevertheless, LaFollette made very effective use of the old argument that the candidates represented the age-old contest between the producers and the non-producers, the farmers, laborers, and consumers on the side of the progressives versus the profiteers on the side of the conservatives.

LaFollette also claimed that there had been no public hearing on the railroad law and no debate in Congress except for a small amount which he and other Congressmen were able to force upon the leaders of both of the major parties. He implied in his speeches that the final bill was written to meet the demands of the attorneys for the railroads and then rushed through both Houses with little debate. His arguments ignored the months of public hearings, the long debates in both Houses in December, and the days of arguments in

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26 LaCrosse Tribune, October 31, 1920, p. 1, col. 3.
February before the bill finally passed both Houses of Congress. Nevertheless, LaFollette pounded away at the opposition throughout the summer with these attacks. They eventually proved effective as labor, farm and consumer groups came to believe that his arguments reflected their own economic discontent with the ever increasing cost of living.

4. Esch's Summer Campaign

Throughout the summer of 1920, Esch's correspondence reflected a continuing attitude of confidence on the part of the candidate and those who assisted him in his campaign. He underestimated the growing strength of the Non-Partisan League and asserted that the tide was turning against the opposition. The response which he received from those who circulated his nomination papers was equally optimistic. A typical letter to Esch stated that, "...there will be no question of your nomination as you seem to be the choice of all Republicans and a number of Democrats of this part of the seventh Congressional district." Esch also insisted on running a fair campaign. In response to threats from some railway employees, he stated that

27Esch to George Young, August 17, 1920, ME/60; C.B. Fristad to Esch, June 21, 1920, ME/58, Esch Papers.

28N.B. Hood, June 22, 1920, ME/58, Esch Papers.
their opposition would not swerve him from what he considered to be his "...sense of duty or from adhering to what he believed to be a matter of principle."²⁹ A committee of LaCrosse citizens organized the financing of his campaign, but Esch directed them to decline some large contributions which were offered because he did not want to place himself under any obligation to the proposed contributors.³⁰

Esch became upset over the campaign tactics being used by the Beck forces because he believed that they were misrepresenting many aspects of the railroad bill. Though some of this was probably unintentional, he believed that much of it was premeditated.³¹ Throughout the summer Esch tended to maintain a defensive stand, always explaining and justifying his own positions and actions rather than attacking any specific positions taken by Beck. He seemed to feel that if he could just stand on his own record and explain his work clearly, eventually even the railroad and farm workers would understand that his transportation legislation was the best possible compromise measure for all groups involved.

While Beck's campaign literature was brief and hard-hitting on the major controversial issues, Esch's tended toward

²⁹Esch to David Moore, August 9, 1920, ME/60, Esch Papers.

³⁰Esch to George Esch, September 9, 1920, ME/60; Esch to John Jones, September 9, 1920, ME/60, Esch Papers.

detailed and complicated justifications of his past record and specifically of the Transportation Act.\textsuperscript{32}

The issue which caused Esch the greatest difficulty was the guarantee clause. He continued to argue that there really was no guarantee since the government was not required to pay any money to the roads even if they did not achieve a six percent profit. He explained his new belief that the roads must be allowed to earn a reasonable profit under government supervision, and this idea of earnings control was based upon the principles established by LaFollette for public utilities in Wisconsin. Thus the features of the Esch bill which were under the most strenuous attack by progressive candidates were borrowed from former LaFollette legislative principles.\textsuperscript{33} Esch might have gained more votes if he had concentrated less on the guarantee issue. He should have put the Beck forces on the defensive by pointing out to the voters that the progressives favored a program of governmental ownership which would prove far more costly for all taxpayers than the bill which he had presented. Too often the real issue of private versus governmental operation of the railroads was overshadowed by the question of guaranteed

\textsuperscript{32}John Esch, "Read and Get Both Sides", Campaign Pamphlet, ME/65, Esch Papers.

\textsuperscript{33}LaCrosse Tribune, July 25, 1920, p. 3, col. 1; August 21, p. 3, col. 2.
Esch tried in his speeches to convince the railroad workers that he had really supported their interests by leading the fight against the anti-strike provision in the Cummins bill. He also pointed out that the labor provisions of the bill did sustain the workers' union, upheld their wages, and provided the structure for fair settlement of their grievances. These arguments fell on deaf ears since most railroad workers had long since been convinced by the union leaders that Esch and the Transportation bill were the main cause of all of their financial grievances. Esch was equally ineffective in reaching the farm vote since throughout the summer the farmers were working in the fields while he was campaigning in the cities. He commented that he found the farmers' opposition to his candidacy puzzling, and he could not understand why they would not even listen to his side of the debate. By this point in late summer the door-to-door campaign conducted by Beck and the Non-Partisan League had won a vast majority of the farm vote over to their side, and farmers appeared no longer interested in considering Esch's position on the issues.

34Esch to J.N. Schanty, June 8, 1920, ME/58, Esch Papers.  
35Esch to George Esch, August 21, 1920, ME/60, Esch Papers.
During the final phase of the campaign from August 26 through September 6 Esch conducted an intensive speaking tour throughout the major cities in his district. He gave two or three speeches per day during these final two weeks and continued to concentrate on defending his stand on the Transportation Act. Governor Philipp came to LaCrosse to speak in behalf of Esch as did Representative Anderson of Minnesota. 36 During these last weeks of campaigning the reality of the strength of the opposition began to become obvious to the Esch supporters, but by that time there was little that could be done to reverse the trend.

5. Defeat

In the Republican primary on September 7, Joseph Beck overwhelmingly defeated Esch who had represented his district in Congress for twenty-two years. Esch lost LaCrosse County by over 2,000 votes, mainly because of the high opposition turnout in the railroad and labor wards. The Beck forces were very effective in getting out the women to vote against Esch in these wards. Esch also predictably lost in the rural areas where the farmers strongly opposed him. 37

36 Esch to George Esch, August 21, 1920, ME/60, Esch Papers; LaCrosse Tribune, August 26, 1920, p. 1, col. 3; September 1, 1920, p. 2, col. 3.

37 Esch to Harold McCoy, September 8, 1920, ME/60; Esch to George Esch, September 9, 1920, ME/60, Esch Papers.
In looking back on the campaign, Esch believed that his role in the passage of the Transportation Act was the most decisive factor, but other issues also affected the final election results. He explained that his vote for prohibition caused him to lose heavily in towns with strong German populations. Also, the Wisconsin open primary law which allowed Democrats to cross over and vote in the Republican primary hurt him since most Democrats in the district were labor people. The Democratic party did not even nominate a candidate for the seventh district, so most Democrats who did vote supported the more liberal progressive candidates.

Nevertheless, it was primarily Esch's work on the Transportation Act which led to his defeat. In analyzing his campaign, he expressed the belief that no amount of extra campaigning or advertising or speaking would have changed the final result because of the opposition forces' strength. He stated that ninety percent of the labor forces still believed in the end that the railroad bill contained an anti-strike clause, and they were unwilling to listen to any arguments which were presented which claimed otherwise.

Esch summed up the campaign:

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38 Esch to A.H. Clark, September 10, 1920, ME/60, Esch Papers.
39 Esch to George Esch, September 9, 1920, ME/60, Esch Papers.
40 Esch to George Esch, September 16, 1920, ME/60, Esch Papers.
I was defeated by a combination which I was unable to overcome, consisting of the Non-Partisan League movement among our farmers, organized labor including the railroad brotherhoods, the wets, and Senator LaFollette. In addition the Democrats failed to place a candidate for Congress on their ticket and this enabled hundreds and perhaps thousands of Democrats, especially those belonging to labor organizations, to enter our Republican primaries and vote for my opponent.41

Indeed LaFollette's opposition was a significant factor, and Esch's defeat pointed out the fact that the power of the Wisconsin Senator was again on the rise. The progressive victory also resulted in the defeat of every non-LaFollette candidate throughout the state except for Lenroot and Classen.42 During the next two years LaFollette consolidated his power, and in 1922 his new progressive coalition won control of the state legislature while the leader himself won overwhelming re-election to the United States Senate.

The 1920 election which signified important gains for LaFollette may well have resulted in a major loss for Wisconsin since one of the most distinguished, the most respected, and the most powerful of Representatives was replaced by a virtually unknown LaFollette supporter. The New York Times in analyzing the Wisconsin primary stated:

41Esch to Captain J. Chamberlain, September 15, 1920, ME/60, Esch Papers.

42Lacrosse Tribune, September 8, 1920, p. 1, col. 4; Esch to S. Fess, September 14, 1920, ME/60, Esch Papers.

43Margulies, The Decline of the Progressive Movement in Wisconsin, p. 280.
In the Congressional districts the Non-Partisans and LaFollettians seem to have been more successful. Especially to be regretted is the defeat of Representative Esch, for years a student of the railway problems, one of the authors of an indispensable law, for his part in which he is now punished by a combination of organized labor, League farmers and believers in the old threadbare legend of "Wall Street" and the newer fiction of "the Crime of 1920".44

6. Final Years of Public Service

Though defeated for re-election to the House, Esch had not completed his years of service in Washington. President Harding immediately appointed him to succeed Robert W. Wooley as a commissioner on the Interstate Commerce Commission for a term which lasted until the end of 1927. The only opposition to Esch's appointment again came from LaFollette who argued that it would be improper for Esch to "pass upon the propriety of acts to which he had already given his consent as legislator".45 Nevertheless, after a short delay Esch was confirmed by a Senate vote of 52 to 3.46

Esch served as a Commissioner until 1928. President Coolidge reappointed him at that time, but a group of Southern Senators succeeded in blocking his confirmation due to his position on a Cargo Coal Rate case which they believed granted

46 Ibid., 1027.
Pennsylvania mines an unfair advantage over mines from their home states. Esch finally retired from public service in 1928. 47

Esch continued to work in Washington as an organizer and member of the Association of Practitioners before the Interstate Commerce Commission. He also served from 1930 through 1938 as President of the American Peace Society. In 1938 he finally retired to LaCrosse and in 1941, at the age of eighty, he died of a heart attack at his home. 48

7. Conclusion

The decade of the 1920's was generally a period of steady, moderate prosperity for the railroads, though during 1921 there was a normal postwar depression which affected their income level. The carriers therefore requested a cut in wage levels from the Labor Board. When the board granted their request in 1922, a Shopman's Strike resulted in Chicago; by the time that the conflict was settled, labor forces had lost all confidence in the judgement of the Labor Board. The board had never been granted sufficient power in the


48 LaCrosse Tribune, April 28, 1941, p. 1, col. 3; p. 2, col. 3.
original bill to enforce its decisions, and this 1922 wage decision further decreased its prestige and reduced its ability to effectively settle labor disputes.49

Except for the continuing labor difficulties, the years from 1923 until the crash in 1929 were moderately calm, prosperous years for American railroads. They achieved an annual operating revenue which averaged slightly over six billion dollars per year from 1923 through 1929 and thus earned an average rate of return of about four and one-half to five percent.50 The long debate over the guarantee issue turned out to be a useless argument since the roads never achieved the five and one-half percent profit level and generally averaged closer to four and one-half percent throughout the decade.

The Transportation Act was actually a return to and a strengthening of the prewar regulatory system as advocated by the progressives. Still in light of the postwar attitudes of those who claimed to be progressives, the bill was essentially conservative since it did not go far enough in supporting the overall position of the railroad laborers. The bill did recognize labor's right to collective bargaining, and


50Stover, The Life and Decline of the American Railroad, p. 177.
it also established the principle of government arbitration. Because of these changes, some historians of the progressive era have labeled the Transportation Act as a culminating victory for the progressive movement. Nevertheless, the trend of the postwar progressives was more labor oriented, and the Transportation Act granted these concessions to labor reluctantly and only because Congress was forced to do so. A basic distrust of organized labor underlaid the entire bill. LaFollette and his progressive followers had come to believe that nationalization of the carriers with workers sharing in the profits was the only hope for equitable, honest operation of the roads, and any bill which did not accept their nationalization program was definitely not progressive according to their postwar view.

In light of the movement to the left by the progressive forces, Esch also could not be considered progressive in his attitudes towards the railroads in the postwar era. Throughout his long career, Esch had successfully maintained a balanced position between the conservative and progressive elements of the Republican party. He did not alter his attitudes and positions after the war, but Wisconsin progressives did shift toward a more labor oriented program. LaFollette's forces were no longer willing to accept Esch's

advocacy of moderate reform positions while their own
determination to promote the interests of the railroad
laborers was becoming more adamant.

Though Esch and LaFollette actually agreed on many of
the important aspects of the Transportation Act such as
opposition to the Transportation Board, the anti-strike
clause, and the guaranteed return, Esch recognized the neces­
sity of working within the system and compromising in order
to achieve some sort of effective legislation before the
March deadline established by the President. LaFollette
on the other hand was consistent with his political phil­
osophy that any compromise was unacceptable and immoral.
He therefore set out to defeat Esch at the polls and succeeded,
thus ending the career of one of Wisconsin's most powerful
and effective statesmen.

In retrospect of the last fifty years of railroad
problems, it is difficult to decide whether the nation might
not have been better off if the progressives had won their
fight for nationalization of the carriers after the war.
The government has continuously increased its involvement in
the operation of the railroads due to poor service and finan­
cial difficulties. Nations in Europe which have nationalized
their roads have service which is far superior to the inef­
fective American system. Whether the postwar government
could have handled the financial strain of acquiring the roads is also difficult to determine, but the return to private ownership unquestionably did open the way to decades of unending transportation problems for the nation.
BIBLIOGRAPHY

A. PRIMARY SOURCES

1. Personal Papers


This collection of papers contains John Esch's correspondence with his family, friends, constituents and other groups throughout the nation who were interested in various political problems from November of 1918 through September of 1920. These boxes included valuable information on transportation issues through the war and postwar years up until Esch's defeat in the 1920 primary. Esch's papers constitute the most important source of information on his career as a national leader on railroad issues. Box 65 was added to the collection in later years. It contains campaign materials published by Beck, LaFollette and Esch during the 1920 election.

B. NEWSPAPERS

LaCrosse Tribune, August, 1912; January, 1919-October, 1920; April, 1941.


C. GOVERNMENT DOCUMENTS AND PUBLICATIONS

Hearings Before the House Interstate and Foreign Commerce Committee, 66th Cong., 1st Sess., Vol. I-III.

These Hearings before the committee on which Esch was the chairman began on June 2, 1919 and lasted until early September. Over 3,500 pages of testimony and correspondence were transcribed during the Hearings. The first witness was Edgar Clark of the ICC who presented the Esch plan, H. R. 10453, in great detail. Seven other totally different plans were presented and over one-hundred amendments to the Esch bill were suggested during the three months of testimony. Every major plan for reconstruction of the railroads was discussed during these Hearings, and they therefore are one of the best primary sources which consider all sides of the railroad debate at that time.
The United States Congressional Record. Sixty-sixth Congress, First and Second Sessions.

Esh's speeches before the full House of Representatives provide detailed arguments supporting first the original Esh bill, H. R. 10453, and later the final compromise bill worked out by the Committee of Conference.

D. PERIODICALS


E. BOOKS


An influential analysis of the Progressive movement in the twentieth century, especially concentrating on the "mugwump" Republican.

A survey of the war and postwar railway situation with a somewhat detailed comparison of the Esch and Cummins bills. It also includes an explanation of the important provisions of the final Transportation Act.


Kolko presents his revisionist theory that the railroad executives were the main force seeking government regulation of the carriers and should therefore be included among the ranks of the leading progressives.


An uncritical view of Robert LaFollette's life and work in both state and national politics. A good source for the progressive-conservative fight within Wisconsin during the progressive years from the LaFollette point of view.


An excellent source for background information on wartime operation of the railroads by the man who was Director-General of the carriers. Detailed examination of the problems and successes of government control during World War I.


The theory that the progressive movement continued strongly on throughout the 1920's as a new instinctive class movement is defended. The problems which resulted from the passage of the final Transportation Act are studied.


The unique nature of Wisconsin progressivism is studied. Included is a detailed examination of the conflict between Esch and LaFollette during the 1920 election.


An examination of the progressive struggle for power in Wisconsin under the leadership of LaFollette. Some notice is paid to Esch's position in relation to the increasing power of the LaFollette progressive machine.


A series of short biographical studies of the Commissioners and secretaries for the I.C.C. Includes a summary of Esch's career from his early background and education through his twenty years in the House of Representatives and finally his eight years as a member of the I.C.C.


A study of the midwestern progressive movement as compared to the overall national movement. Examines its unique agrarian background.


An excellent general survey of the overall history of American railroads. Detailed explanations of the labor situation during and after the war and the compromises which the Senate and House had to accept to achieve the final Transportation Act are provided.

