course, and the industry will continue to benefit by its great growth potential in house-heating and industrial sales.

The communications industry is the next largest utility division. In 1900 there were only about 1.5 million telephones of which the Bell System had about 63 per cent. Now there are some 45 million phones, some eighty-five per cent of them in the Bell System. The increase has not been quite as fast as for the electric power industry, but nevertheless has been very impressive and the number of phones has doubled in the past decade. This growth should continue for several years at least, after which the rate of gain may taper off.

Other divisions of the utility business are the water service and transit companies. There are few statistics for water service, a good portion of which is municipally owned. Growth has been fairly steady, but less sensational than for other sections of the utility industry.

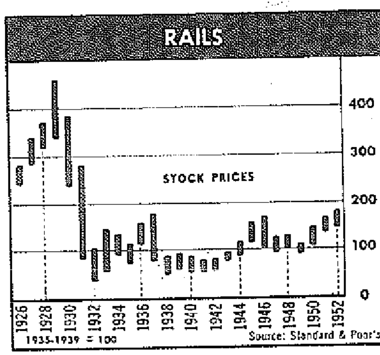
The history of the transit industry has been a sad one. The first successful trolley line was started in 1888 in Richmond, Va., and the industry reached its hey-day in the first two decades of this century. But the nickel fare and even the 10-cent fare couldn't stand inflation and the encroachment of the automobile. While most transit companies have switched to buses, the whole industry is still plagued by high labor costs. It staged a temporary comeback during World War II due to the heavy load factor, but is now in the doldrums again. Except under municipal ownership, where it isn't essential to show a profit to stay in business, its outlook for the future is hazy indeed.

RAILROADS

By Herbert F. Wyeth

A half century ago the iron horse, while it had ceased to be a curiosity to most of the country, was still a sufficient novelty to draw crowds to the depot to watch the afternoon train puff in. Railroading, still in its infancy, was the romantic symbol of far off places. It was the medium destined to open up our vast mid-continent empire to the markets of the world. The railroads at that time had, in fact, a virtual transportation monopoly in this country.

The year 1902 marked the inauguration of two of the earliest so-called "name" trains, the 20th Century Limited of the New York Central and the Broadway Limited of the Pennsylvania, with scheduled runs of 20 hours between New York and Chicago. This was a noteworthy achievement for the era. The decade that had just ended had witnessed a spate of receiverships (attributable at least as much to financial ineptitude and chicanery as to economic forces) involving 311 railroads operating more than 66,000 miles of railroad lines. With



this wringing out process behind them, the railroads 50 years ago were off to this day even though they long ago last their monopoly position.

As a penalty for their monopoly status in the transportation field, however, the railroads a half century ago were just beginning to feel the yoke of Government regulation, a yoke they have been unable to shake off to this day even though they have long since lost their monopoly position.

The first Interstate Commerce Act was passed in 1887. It merely prohibited railroads from charging unreasonable or discriminatory rates and from pooling competitive traffic, or earnings therefrom. While the original Interstate Commerce Act was by no means onerous under the conditions and practices existing at the time, it did, nevertheless, mark the opening wedge of Federal regulation. As time passed the Commission's control over the activities of the railroads, and eventually other carriers, was to become more rigid. A half century ago this was only a small cloud on the horizon.

With a few relatively minor setbacks the railroad industry continued to expand consistently throughout the first quarter of the 20th century. The actual peak was reached in 1926, followed by three years of stability. Then came the debacle of the worldwide depression of the 1930s which hit the railroads with particular force. Railroads operating some 80,000 miles of lines and representing almost a third of the industry succumbed. There were a number of reasons why the railroads proved so particularly vulnerable to the depression, and why they were relatively laggard in the early stages of the subsequent general economic recovery.

Being a volume industry, railroads are heavily dependent on the capital goods industries. The depression in the capital goods industries was most severe and even when our general recovery got under way the initial upturn was largely in consumer goods. This was also a period when a new transportation medium, the truck, was beginning to exert an important competitive pressure. A recurrence of unprecedented drought and crop failures played an important role in the wave of bankruptcies among the western carriers. Finally, these unfavorable factors were aggravated by the existence of a large permanent debt sturcture.

Backbone of Transportation

By the late 1930s and early 1940s the railroads had begun to display their strong recuperative powers and to demonstrate that despite the growth of competitive transportation media the steel rail is still the backbone of our overall transportation system. Then came World War II and suddenly the railroads were called upon to take over the job of moving a record volume of freight traffic and passenger business. Under any circumstances such a monumental task would have been difficult. It was complicated by the fact that during the preceding lean years the plant and equipment had not been kept up to g wedge of Federal regulation. ie passed the Commission's con- ver the activities of the rail- and eventually other carriers, become more rigid. A half cen- go this was only a small cloud horizon.

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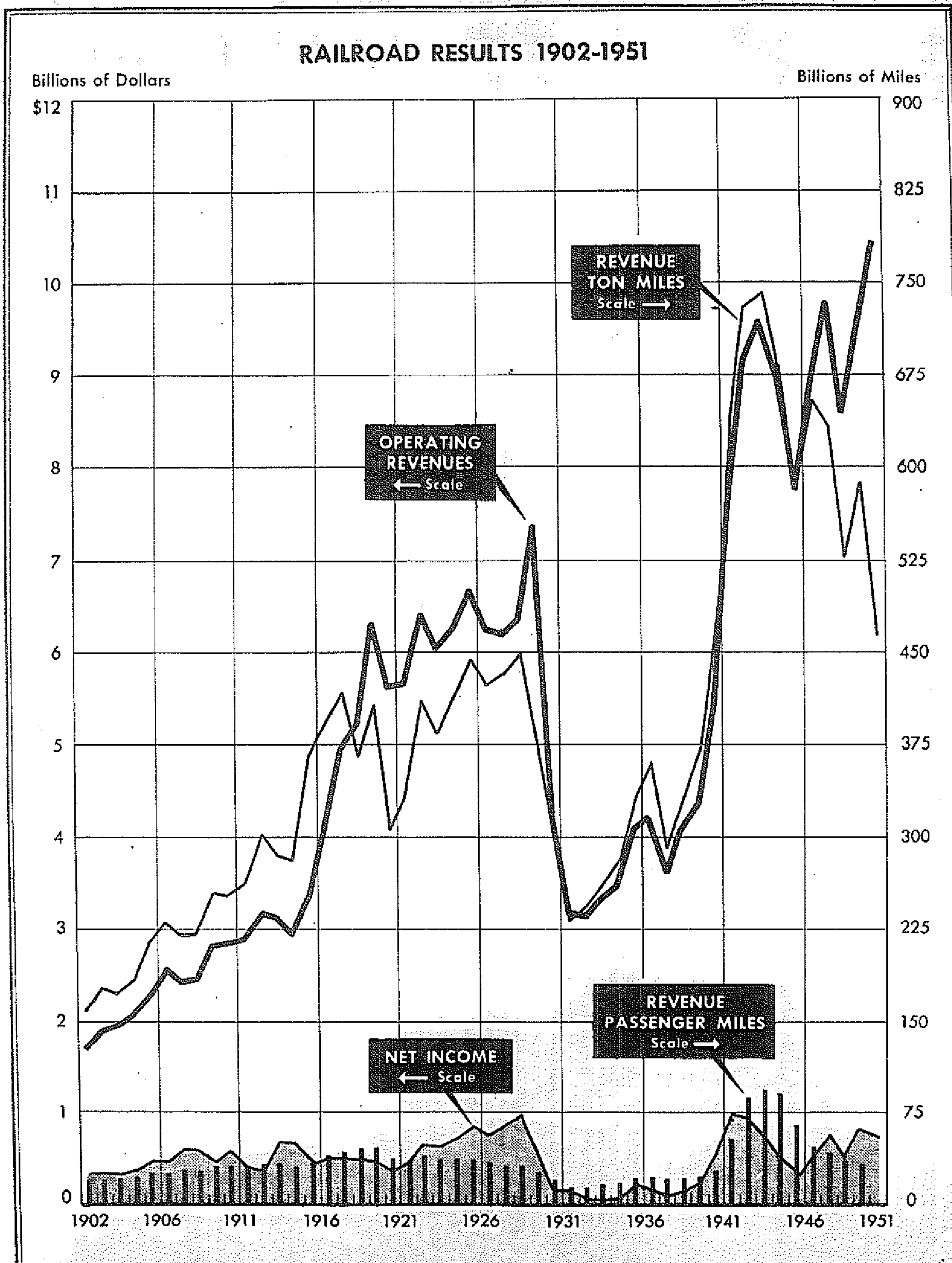

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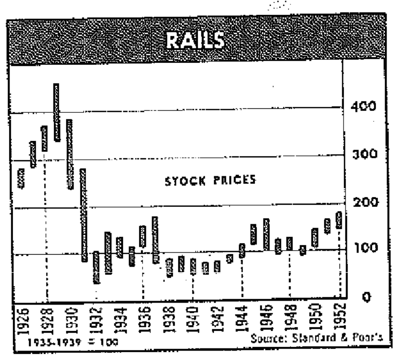

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