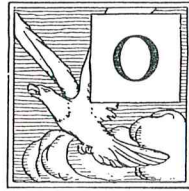


GOVERNMENT RAILROADS IN JAPAN

By HENRY GEORGE, JR.

EDITOR'S NOTE:—Japan's experiments in government since the war with Russia have been no less remarkable than were its military exploits. The nationalization of Japanese industries and of public utilities marks an epoch in social history. Mr. George has been in Japan for THE TIMES MAGAZINE, and the first of his articles is presented herewith. It shows that, obviously, the Japanese people have not perceived that the first purpose of a railroad is to furnish a vehicle for stock speculation. Mr. George's next article will treat of politics, which have some extremely interesting economic features.



ON landing from the steamer at Yokohama, the visitor may desire at once to proceed to the capital. This can be done by boat, by jinrickisha, or by train.

The latter is the preferred way. It is eighteen miles distant, and by morning and afternoon expresses, is a twenty-seven-minute run.

This strip of railroad is not only the most important part of the government railroad system, but it is the oldest railroad in Japan, having been opened for traffic in 1872. The station is on the northwestern side of the city of Yokohama, with a large open concourse in front. The building is low, like all the buildings in that earthquake country.

The scene in front of the Yokohama station is picturesque in the extreme. A few minutes before a train starts, a uniformed railroad employee comes to the entrance of the station and rings a large brass hand-bell, after the custom in European railroad stations. Indeed, the British traveler will on every hand see much about the stations and the trains to remind him of home. As a matter of fact,

it is the British system, with modifications, which has been adopted there, even to the use of the terms "goods," "luggage," passenger "carriages," and "goods-wagons" (freight-cars).

A number of bright-faced, quiet, alert girls sell the tickets—at one window for first- and second-class passengers; at another, for third-class. In England they say, "Only dukes, fools, and Americans travel first-class." I do not know whether the Japanese have any similar characterization, but it is certain that the overwhelming travel is third-class. That class is the standard for passenger fares. The railroad law fixes the maximum third-class charge for any distance exceeding four miles at two sen (one cent of our money) a mile; and this is subject to reduction by the Railroad Bureau not only on the government roads, but as well on all private roads. Second-class fares are, speaking generally, twice third; and first-class are twice second.

The engines remind one of the Japanese hats in respect to variety, being of British, German, American, and Japanese make. The British type seems to be most nearly adaptable to their requirements. Not only are the British well-



SEIGIRO HIRAI
Director General of Imperial Japanese Railways

constructed, well-finished machines, but they are economical with fuel and seem more appropriate for the short, light runs. One of the staff officials, Mr. S. K. Hatah, the chief of the government locomotive division, told me that the chief fault with the German engines is a tendency to hot bearings.

The American engines, considered as machines, are not thought to be so well made as the English or German, although Americans themselves might dispute that judgment. But an undoubted fact seems to be that they are big coal-consumers, coal being cheap in the United States but dear in Japan, the government, at the end of 1906, paying thirteen and fourteen yen a ton—six dollars and fifty cents and seven dollars.

Japanese engines look small beside ours—for one reason, because the gauge of the roads is narrow (three feet, six inches).

The "carriages" also are little-big ones. They are like the English cars in most respects, with doors on the sides and seats crosswise, especially in the third

class. But in some of the second and most of the first there are lengthwise upholstered benches, and in not a few ends, instead of side doors, with vestibuled platforms. The average seating capacity of the carriages appears to be about half that of ours, while everything about them is reduced in dimensions and economical in furnishing.

The "goods-wagons," as they are described in English, look smaller to American eyes than either the locomotives or the passenger-cars. Their average capacity appears to be something above six and a half tons, while with us the average is perhaps above fifteen tons, and with the advent of pressed-steel trucks and frames, the average is going far above that, many of our coal-cars having a fifty-ton capacity. Yet, though small, these Japanese "goods-wagons" do admirably the work for which they are intended.

The Director General of the Imperial Railways, Seigiro Hirai, when I called on him at his office in the Shimbashi station in Tokio, expressed regret that the



S. K. HATAH
Chief of the Government Locomotive Division



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NIKKO, OR BULLOCK TRAIN, A USUAL TYPE TEN YEARS AGO

gauge was not the American standard—four feet, eight and a half inches. “For,” said he, “while our narrow gauge of three feet, six inches, meets our present needs, it is likely to be insufficient in the future. In Manchuria and Korea we are building the standard gauge. But in the beginning here we had little money. There was much debate as to how to use that money best—whether to have a long line and narrow gauge, or a shorter line and the wider gauge. The desire to get at the earliest moment the maximum of line caused the decision to favor the narrow measure. But it would have been wiser to build more with an eye to the future. It would cost us a great deal to change our gauge now, and it will cost much more in the years to come.”

Mr. Hirai, like all the Japanese government officials, is most courteous in man-

ner, and direct, frank, and businesslike in speech. He speaks English admirably. He is an American by education, having graduated at the Rensselaer Polytechnic Institute at Troy, and served in the United States Engineering Corps on Mississippi River work.

To make clear the extent and success of extending the government railroads of Japan and absorbing the privately built ones, a few words as to the beginnings of the railroad in Japan may not be amiss. Up to 1868 there was no thought of a railroad in that country. The realm had been held tightly in the grasp of the military despotism of the Shogunate, and intercourse with the outside world, except to a trifling extent at one or two points, had been strictly prohibited. Even the going abroad of subjects was forbidden. But the aggressive merchant spirit from

without, and an awakened desire within to learn about the wonders of the civilization of the up-to-that-time-despised barbarian, together with a fear of Western military power, a few clashes with which quickly convinced the sword-and-bow-and-arrow-armed Samurai that they were over-matched, brought the overthrow of the Shogunate and the reestablishment of the Mikado in temporal power. With this revolution came a general desire to adopt Western civilization. A very prominent feature of that civilization was the railroad.

It was in 1869 that the preliminary steps toward the building of a railroad were taken. The executive branch of the government, then called the Department of Civil Affairs and of Finance, appointed railroad officials, and by 1872, after an incredible amount of labor, the first piece of railroad was opened—the eighteen-mile line between Yokohama and Tokio. The feat of swallowing and digesting Western civilization whole was the task the nation had set for itself. Its energy and its means were being spent in every direction at once, while its total revenues, quite sufficient to support the Shogunate and Daimyates in regal power and splendor, were scant indeed to meet the new needs after compensating these old rulers and the Samurais for the deprivation of their privileges. But with the spirit of determination that so recently showed itself in the sanguinary siege and ultimate taking of Port Arthur, the railroad project was clung to and the work pushed along, so that within a little over a decade about one hundred and fifty miles of road had been built and opened.

Comprehensive schemes were drawn up and plans laid out for a system to ramify the country. The commanding idea was that which originally governed in the United States—that a railroad was nothing more or less than a steam public highway, and that it should, like every other public highway, be owned and managed or operated by the public. It does not seem to have occurred to any one at the beginning that this was properly a private undertaking, and no step was made to build by private company until the beginning of 1881, when the prof-

itableness and power of such highways had been demonstrated by the government roads. The government realized that by granting charters to private companies, private energy and capital might be enlisted in building steel-rail highways and extending steam communication. This end was much to be desired. It was therefore decided to grant private charters, and even to permit private companies to build over the prescribed but not yet constructed government routes. But in doing this the government retained controlling power in the form of regulations which, with some additions, were afterward enacted into a general law. The principal features of this law, which the early regulations contained in essence, were as follows:

Railroad shares could not be acquired except by the payment of money. This was to prevent stock-watering, the issuance of promoters' stock, and the like.

Unless in virtue of a decision arrived at by a general meeting of shareholders and with the sanction of the government Minister concerned, no railroad could be chartered or hired, or its management entrusted to others. This was to prevent the shell-game management which has so often been witnessed in the United States—the now-you-have-it-and-now-you-haven't sort of thing.

Unless with the sanction of the government Minister concerned, and after not less than one-fourth of the share capital had been paid up, no railroad company could issue debenture bonds. Debenture bonds are based upon preferred dividends. They are the equivalent of preferred stock in our country. That provision was intended to prevent the managers of a private company from giving to themselves the kernel of the nut and to the rest of the shareholders the shell.

Mortgage bonds were expressly forbidden, and this feature of the law was not changed until 1905, when such privilege was permitted, but not without the sanction of the Minister concerned. Mortgage bonds to the amount of only 10,000,000 yen (\$5,000,000) have been issued under this provision.

The Minister concerned might order an alteration of tariff rate, when such al-



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SHINAGOMA RAILWAY STATION, TOKIO, JAPAN

teration was judged necessary for the sake of public interest. How our railroad kings would rave against a condition like that, call it anarchistic, and denounce it as destructive of the very bulwarks of society!

The tariff rate of third-class passengers could not exceed two sen (one cent of our money) per mile. This might be increased to no more than four sen (two cents) for a distance not exceeding two miles. What would our railroad "managers," like Mr. Morgan or Mr. Belmont or Mr. Harriman, say to that? Words would probably fail them.

The government reserved the right of purchasing the line with all its appurtenances after full twenty-five years from the time of granting such a charter. According to much that we are reading and

hearing in the United States to-day against government ownership, this last provision ought to command attention. Our railroad princes would tell us, no doubt, that that one clause would deter if not kill all private railroad enterprise.

Yet neither that nor any of the other provisions had any such effect in Japan. They seemed only reasonable to a people not accustomed, as ours have been, to huge land grants, money bonuses, stock-watering, overmortgaging, and a practically unrestricted license to rob and destroy by extortionate charges and discrimination.

And the Nippon Railway Company was the first private corporation to construct a line. It obtained a charter to run forty-nine years, beginning November, 1881. Its route took the opposite direction to

that in which the government had up to then been building. It extended from Tokio north to Aomori. This road was to be built in five sections, and since railroad-building in Japan was even yet in a pioneer state, and as the government, moreover, intended ultimately to take all roads over into public lands, it was decided to guarantee eight per cent. dividends for the first fifteen years on each of the sections as built and opened. This caused the company to spend its earnings on improvements and call on the government to make up deficiencies in the eight per cent. dividend, but it only made the better road when it was taken over by the government last November (1906).

And before passing from this matter of private railroad charters, it should be remarked that this was the first and the longest-termed charter issued by the government to a private company. No charter issued since has exceeded twenty-five years' duration. Where, with such a charter and such other conditions, could there be a chance for even a little bit of a rake-off for our railroad princes? Obviously the Japanese people have not perceived that the first purpose of a railroad is to furnish a vehicle for speculation and a weapon for assaulting and robbing the public.

But the inducement was sufficient to attract private energy and capital into railroad-building, with a result that while the government roads increased in number and extent to an aggregate mileage last year of 1,461.38, the privately owned roads had become thirty-eight in number and with 3,268.26 mileage. That is to say, the private roads have, or rather had last year, a mileage nearly two and a half times as great as the government roads.

A fact that would probably be seized upon by those opposed to government ownership is that the average gross cost of construction (including rolling-stock) per mile was 104,075 yen (approximately \$52,037) on the government roads, but only 74,657 yen (\$37,328) on the private lines. This difference is explained by the fact that the government has built the most expensive sections, while the private companies obtained charters for the inexpensive ones. A glance at a railroad

map of Japan will show what appears to be a very unsystematic policy in laying out government roads—a piece here and a piece there, with private roads connecting the links. The government was willing to give to the private companies the choice stretches of its projected system—but always with the enumerated conditions attached to their charters, the main one of which was the right to take the private roads over into public hands as soon as public finances should permit.

A further point about this Japanese railroad business that recommends itself to the American people at this time is the comparison of public and private management. We hear it very frequently stated by the advocates of private operation in the United States that government management would prove inefficient and expensive. It has not proved so in Japan. On the contrary, if anything, the government service, considering it as a whole, takes the lead. I am persuaded that the private service is as good as it is mainly because the government service sets a high standard which the other must follow. It does no violence to the imagination to realize how much larger the rates on private roads would be but for this, or surely, but for the restraining laws and regulations of the government. The natural law of monopoly is to exact "all the traffic will bear," and the cries of "extortion" and "discrimination" would be heard all over Japan to-day, as they are heard with us, if the rates on the private lines there were permitted to go relatively as high and to fall as unequally as they notoriously do in our country.

But passing from this, it is interesting to follow the course pursued by the Japanese government in the resumption of the private roads. The government itself states its reason in "The Sixth Financial and Economic Annual" (1906) issued by the Department of Finance (Treasury Department). That publication says:

"But now, in view of the necessity for a definite post-bellum program and for the increase of national wealth and development of national resources, it has become of the utmost importance to introduce effective means of internal transportation and communication; and yet, in looking at

our railway system, we find that, in addition to the government lines, there are more than thirty private railways, and that even the principal trunk lines running from Hokkaido to Kyushu are under the control, some of the government and oth-

with the general progress of society. For these reasons, the government decided upon the state ownership of all railways which are used for general traffic, leaving out those of merely local importance, and proposed to purchase the lines belonging



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SALUTING AN OUTGOING TRAIN AT TOKIO

ers of various private companies, so that the traffic on them lacks order and uniformity. The consequence is that they offer no facilities for direct traffic over long distances, thereby raising the cost of transportation and causing delay therein. In short, they hardly appear to keep pace

to thirty-two private companies in this country within a period extending from 1906 to 1911, and the Seoul-Fusan Railway [Korean] in 1906. And the Railway Nationalization Bill and the Seoul-Fusan Railway Bill, which embodied these plans, were presented to the Imperial Diet

in its twenty-second session. The two bills passed both houses, the latter in its original form and the former also almost unchanged, with the exception of an amendment made in the House of Peers by which the number of companies to be brought out was reduced to seventeen and the period of purchase extended."

These laws were passed in March of 1906. The seventeen private roads in Japan selected by the Peers and agreed to by the House of Representatives were trunk lines and were judged to be quite sufficient for the government to plan at this time to take over. They are approximately 3,000 miles in extent, half of which were to be transferred to the government in 1906 and the remainder within ten years from the passage of the Nationalization Bill.

The terms of purchase were to be as follows: "An amount equal to twenty times the sum obtained by multiplying the cost of construction at the date of purchase by the average ratio of the profit to the cost of construction during the six business terms of the company from the second half year of 1902 to the first half year of 1905."

The sum estimated to be necessary to buy the seventeen roads on this basis is 421,000,000 yen, or in round numbers \$210,500,000. This will be paid in five per cent. bonds, which will be paid off out of the earnings of the roads themselves, which it is computed will require thirty-two years' time. The annual profit

of the lines after the complete redemption of the loan is estimated at over 53,000,000 yen, or \$26,500,000.

The transfer of the Nippon Railway from private to public hands occurred on the 1st of November last. This line is 860 miles long. It is the most important of the private roads. The price paid was twenty times eleven per cent. of the cost of construction. This amounted to about 113,000,000 yen (\$56,500,000) against something more than 51,000,000 yen, what the road cost. For each 50-yen share the government paid 125 yen in

bonds at par, worth on the market at the time about 106. As many shares changed hands during the twenty-five years since the construction of the road was commenced, only a portion of the shareholders would reap the difference between 50 and 106.

Picture our railroad princes and promoters being asked to sell their roads to the United

States government or to the state governments on any such basis! What! first allow the government to lower rates from what the companies can extort down to something like what the service is actually worth, and then sell at a sum computed at twenty times the proportion the reduced earnings would bear to the actual cost of building the roads? Heaven forbid! Not to speak of the stock with its ocean of water, what would become of all the bonds sold in excess of the needs of construction? And what about all the waste, bribery, and graft?



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JINRICKISHAS DRAWN UP IN FRONT OF A RAILROAD STATION