

The only Association advocating public ownership having the endorsement of the organized railway employes.

Plumb Plan League

to Secure

PUBLIC OWNERSHIP AND DEMOCRACY IN
THE OPERATION OF THE RAILROADS



“The A. B. C. of the Plumb Plan”

ISSUED BY
THE PLUMB PLAN LEAGUE
MUNSEY BUILDING
WASHINGTON, D. C.



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Additional information on the railroad question may be secured
free of charge by writing the Press Bureau, Plumb Plan League,
Munsey Building, Washington, D. C.

The A. B. C. of the Plumb Plan

What is the Plumb Plan?

It is a plan for the public ownership and the democracy in the control of the railroads.

Who has endorsed it?

The two million organized railroad employes of America; and the American Federation of Labor, approving the principle of government ownership, has instructed its executive committee to cooperate with the officers of the railroad internationals in their effort. It also has been endorsed by several farmers' organizations.

How does it propose to buy the roads?

By issuing government bonds with which to pay for the legitimate private interests in the railroad industry.

How does it propose to operate the roads?

By a board of fifteen directors, five named by the President, to represent the public; five elected by the operating officers; five elected by the classified employes.

Does this mean government operation?

No; it is operation by a board in which those having the responsibility have also the authority. It is superior to government operation because it prevents control by an inefficient bureaucracy; and is true democracy since it gives the men engaged in the industry a voice in its management.

What becomes of the surplus?

After operating expenses are paid, and fixed charges are met, including the interest on outstanding government securities, the surplus is divided equally between the Government and the men. The employes' portion is to be divided between the managerial and classified employes, the former receiving double the rate received by the latter class. This is not a profit, since the corporation has no capital. What the men receive is a dividend on efficiency.

Is this a bonus system?

No, it is giving those who increase production a share of the results their increased effort has produced; and this share is theirs for as long as they are actually in the service, and is not forfeitable.

Why do operating officials receive the larger rate of dividend?

Because it serves as a greater stimulus to the group with the most responsibility. And since the operating officials would lose dividends if wages were increased it acts automatically to prevent collusion between labor directors and the operating directors to outvote the public's directors in raising wages beyond a reasonable level. The chief argument against the plan is that the public loses control of its own property, and that the men in charge cannot be

prevented from combining to pay themselves extortionate wages. This method of sharing dividends sets up a natural barrier against collusion.

Is this the only protection for the public?

No, the rate-making power remains with the Interstate Commerce Commission, and if wages were raised so high that rates had to be increased, the Commission could refuse to change them, and shippers might appeal to the courts for redress. If the operation by the directors results in a deficit Congress can revoke their charter.

Does this difference in dividends create hostility between officials and men?

No, because without harmony between them neither group can earn dividends. An official in working for his own dividend is working for the dividend of his subordinates, for one cannot gain unless all gain.

Does the plan assure a decrease in rates?

It provides that when the Government's share of the surplus is 5 per cent or more of the gross operating revenue, rates shall be reduced accordingly to absorb the amount the government receives. For instance: If the entire surplus one year is \$500,000,000, and this is 10 per cent of the gross operating revenue, the Government receives \$250,000,000. And because this is 5 per cent, rates are decreased 5 per cent. See what follows. Without new economies or new business the profits the next year would be only \$250,000,000, and the employes and the Government would receive only half the amount of the year before. But decreased rates mean more business; and also, the reduction in dividends would stimulate the employes to improve their operating by applying better methods. So the tendency is to assure constantly decreasing rates, to add to the volume of business, and to give the most efficient service human ingenuity and devotion can provide. Decreased rates mean cheaper commodities; and so, through the effectiveness of the railroads, the purchasing power of money is increased, not only for the railroad man, but for every wage earner and every purchaser.

What does the Government do with its share of the surplus?

It invests it in improvements and extensions, thus adding to the value of the railroads without adding to the fixed charges. It retires the outstanding bonds, thus reducing the fixed charges. Ultimately the public has its railroad service at cost.

Does the Government pay for all extensions?

No, the community benefited must pay if it can; if it is able to pay all, the building of the extension is obligatory. If it only pays part, the Government pays the remainder, but only makes the extension as it deems wise. And where the general public and not a local community would be benefited, the Government pays the whole bill.

How are disputes between officials and men adjusted?

By boards, to which the operating officials elect five members and the men, five members. In case of failure to reach an adjustment, the case is appealed to the directors.

Who determines the rate of wages?

The board of directors.

Who supervises the purchase of the roads?

A Purchasing Board, composed of the Interstate Commerce Commission and three directors of the new government corporation, one director from each group.

Who decides the value of the private interest in the railroads?

The courts. It is a judicial question, and is to be answered only after an examination of the charters of the existing companies, the laws under which they are created, and the manner in which the company has lived up to its charter and these laws.

Will the public have to pay for watered stock?

No. The public will probably pay less than two-thirds of what the railroads claim as their value.

Are there other savings?

Yes, the public can obtain the money to purchase the lines at 4 per cent, whereas the public is now charged rates to guarantee the roads 6½ per cent on their money. The saving on the present capital account of the railroads would be about \$400,000,000, and on an honest valuation would be nearly twice this sum. The Plumb Plan provides for a sinking fund and every year one of the fixed charges would be 1 per cent of the outstanding indebtedness, to be used in retiring the bonds. The Government also uses its profit in retiring bonds, so eventually, probably in fifty years, the people would own the roads debt-free. A further saving would be in the operation of the roads as a unified system, which permits the interchange of equipment, the end of wasteful competition, and greater economy in buying supplies. Under this plan passenger rates of 1½ cents a mile, and a reduction of freight rates by 40 per cent appear reasonable.

Why is it called the Plumb Plan?

Because it was conceived by Glenn E. Plumb, General Counsel for the Organized Railway Employees of America.

What can you do to help its realization?

Join the Plumb Plan League (lodge membership, \$10 a year; individual membership, \$1, payable to Treasurer, Plumb Plan League, Munsey Building, Washington), talk with your friends, and write your congressman. It is the only association to secure public ownership that has the endorsement of the organized railroad employees.

Who is eligible to the League?

Every one who believes that democracy in industry is the solution of the railroad problem.

Public and Labor Share and Share Alike

The Plumb Plan League has been formed for the purpose of uniting in a single organization the millions of American citizens who believe that the time has come when the public must take over the railroads of the country.

The organization is national in scope and non-partisan in character.

A financial panic is threatened by the demand of the railroad interests for the return of the railroads to private control on terms certain to result in disaster.

The leading financiers of Wall Street and the most prominent railway executives declare that this crisis is coming, unless their wishes are complied with. Other equally competent authorities assert that the plans of the railroad interests are certain to result in disaster if the railroads are given back on their terms.

Distinguished officials of our government—legislative, administrative and executive—agree that this danger is impending, although they disagree on the best methods of averting it.

Upon but one point, apparently, is there harmony of thought, and that is in the necessity for governmental intervention to save the nation from a financial panic a few years after the closing of the world war. Such a panic would be far more serious than was the panic of 1873, which occurred within ten years after the civil war.

Over 6,000,000 American citizens and voters through the organized Railway Employes of America, composed of the fourteen railroad internationals, together with the American Federation of Labor, the Non-Partisan League, various farmers' organizations and civic bodies support the Plumb Plan as the only rational solution of the railroad problem.

The Plumb Plan League comes into existence, therefore, to arouse public sentiment and secure laws to accord with the determination of these millions of American citizens to make the principles of the Plumb Plan effective in the critical situation which confronts the country.

Other millions of Americans, representing all walks of life, whose interests are likewise in danger, will be appealed to and urged to join this movement on behalf of the public welfare.

THE FOUR CORNERS OF THE PLUMB PLAN

Railroads are over-capitalized—hence freight and passenger rates are exorbitant, wages inadequate and service unsatisfactory.

Purchase the railroads for the actual amount invested to afford public service as determined judicially, recognizing no fictitious securities, no discounts and no improvements paid for out of earnings or by the Public.

Substitute for the present Wall Street control the unhampered management of trained officials and employes—the most intelligent and efficient transportation organization in the world.

Pay capital a fair and fixed return on the dollars actually invested in railroad property and divide savings effected by economy and efficiency between the public and the operating organization—share and share alike.

PLAIN FACTS ABOUT RAILROAD FINANCING

The income received by railroad companies is derived chiefly from the transportation of commodities and people—freight charges and passenger fares.

Both of these are paid by the public. The expenditures of railroad companies include, broadly speaking, returns on securities issued, cost of upkeep and extensions, operating charges and wages to employes. Rates, which include both freight and passenger fares, must provide the income necessary to cover expenditures—otherwise bankruptcy is inevitable.

Therefore, the item of returns on securities issued or which are included in the "property investment account" is of paramount importance in rate-fixing.

This "property investment account" item is vital. It should be noted carefully. It is a bookkeeping term used to cover the billions of watered stock and billions of fictitious values upon which Wall Street demands that labor and the public shall pay tribute.

Inflated capitalizations, if officially recognized by Congress, will call for inflated earnings. These can only be produced by higher rates or reduced wages and inferior service.

FOUR PROPOSED PLANS OF GOVERNMENTAL INTERVENTION

Four plans which have been suggested for the solution of the railroad problem are of enough importance to warrant attention. They are:

1. Return of railroads to private ownership with a governmental subsidy.
2. Return of railroads to private ownership with a rate increase.
3. Government ownership and operation of railroads.
4. The Plumb Plan, with its equitable safeguarding of all interests.

The first plan is so contrary to American thought and practice that it does not merit serious consideration.

The second plan is also objectionable and injurious, since it contemplates a general increase of commodity prices that will eventually re-establish the identical conditions that exist today.

The third plan finds favor with a very limited number of Americans, because there is a grave fear that political management will be little, if any, improvement over private management.

The Plumb Plan, alone, then, remains as meriting the attention of those who sincerely desire a correction of intolerable conditions.

It removes from discussion all talk of subsidies, higher rates and political manipulation. It offers a scientific, equitable, business-like arrangement for the operation and development of the nation's transportation system on democratic principles.

Its adoption will usher in an era of industrial stability, prosperity and well-being that will influence favorably all industries and so contribute to the welfare of every citizen.

How to Join the Plumb Plan League

Membership in the Plumb Plan League is open to American citizens favoring public ownership and democracy in the control of the railroads.

Annual dues of \$1, payable in advance, are collected from each member to assist in defraying expenses of the League's headquarters in Washington, the preparation, printing and distribution of printed matter and other expenditures involved in a nation-wide campaign.

Locals and lodges are invited to take out memberships in the Plumb Plan League. The annual dues for organizations are \$10.

Membership forms are being sent to the officers of every local in the American Federation of Labor and to every subordinate lodge in the organizations which have endorsed the Plumb Plan. When these forms are filled out and signed, they should be returned with annual dues of \$1 for each member to secretaries of the locals, or sent direct to the Treasurer, Plumb Plan League, Munsey Building, Washington, D. C.

Certificate of membership, membership buttons in colors. Plumb Plan pamphlets and subscription to "Labor" are given each member.

Locals and lodges will receive twenty sets each of the Plumb Plan pamphlets and ten subscriptions to "Labor."

Individual members are authorized and expected to greet fellow-members wearing the insignia without further introduction; to study the documents sent them and discuss the same with their fellow-members, and to seek to interest their friends and other public-spirited men and women in the Plumb Plan League and its purposes, and in the industrial democracy which it is the object of the League to promote.

Members of the League are urged to procure the adoption of the Plumb Plan by all legitimate means through the exercise of their civil and political rights and prerogatives.

Locals and lodges will be asked to cooperate with the League in the important task of educating public sentiment throughout the nation to the supreme importance of the Plumb Plan, not only to labor but likewise to the general public, whose interests are deeply affected by the transportation situation.

The following form may be used in making application for membership:

TREASURER, PLUMB PLAN LEAGUE.

*Munsey Building,
Washington, D. C.*

I herewith make application for membership in the Plumb Plan League and enclose one dollar as my dues for one year and my subscription to "Labor," the national labor weekly.

Name

Street and No.

City or Town, State