CHAPTER XIV

WISCONSIN AND THE RAILROAD PROBLEM

Over the gloom cast by the struggle against slavery and for the Union in the fifties and sixties the coming of the railroads shed some cheer. The people of that period were as much stirred by the great changes which the railroad brought into their lives as we are today by the possibilities of aviation.

Wisconsin was tied up with a constitution which forbade it to "contract any debt for works of internal improvement, or be a party in carrying on such works." It could however, help the railroads by giving them lands granted to the state for that purpose.

The cities of Wisconsin were free to give aid. Every city was of course, anxious to be on a railroad, and bid against other cities for the privilege. It is said that by 1874 Wisconsin cities had bonded themselves for seven million dollars which they put into railroads. Watertown alone had a railroad debt of $750,000 which was about $100 per capita.

Farmers who lived along the line where a railroad was to run, were asked to buy railroad stock. If they had no money, they were encouraged to mortgage their homes to get the money. The mortgages were sold in New York and other eastern cities.

The farmers were given ten years to pay off the mortgage with interest at 8 per cent. The railroad agreed to pay the farmer 10 per cent on his stock, so he would be able to pay the interest on his farm out of what he received from the railroad and have 2 per cent left over each year.

About six thousand Wisconsin farmers went into the scheme. Then came the Panic of 1857. Every railroad in the state which had not already gone bankrupt through extravagance and fraud, went down now. Six thousand Wisconsin farmers were left with worthless railroad stock which would never pay a cent of interest, and a mortgage on each farm home held by eastern investors whom they had never seen.

The mortgaged farmers were desperate. The whole state sympathized with them. The legislature went as far as to pass laws repudiating their debts.

The east was horrified. Wisconsin people were refusing to pay back money which they borrowed to put into railroads! Wisconsin people were not honest.

The Supreme Court of Wisconsin upheld the dignity and honor of the state and its reputation for honesty by declaring unconstitutional the laws repudiating the debts. They held that a contract was a contract, and Wisconsin farmers could not violate it. The legislature passed another law and another and another—fourteen in fact between the years 1858 and 1853. Each time the courts threw the law out.
It took a long time to settle all the cases. Some of the farmers paid in full. Some could not pay anything and were put off their farms. A few old men and their wives are said to have gone to the poor house. Some managed to get their creditors to accept less than the amount for which the farm was mortgaged. In a few cases there was a small riot when the owner of the mortgage tried to take possession. A few sought revenge on the railroad company, destroying bridges, burning a depot, cutting telegraph poles, and tearing up tracks. The Milwaukee and St. Paul railway at one period had to take off its night train between Milwaukee and Portage, because of violence. The excitement over the mortgages in southern Wisconsin finally subsided. A little later, northern Wisconsin caught the railroad fever and tried again and again to have the constitution amended so that railroads could be aided by the state. But the southern part of the state stood firm against it.

Meanwhile the whole state was becoming aroused over a new grievance against the railroads. The railroads were not treating all parts of the state alike in the matter of rates. They would give a low rate to communities which had some other way to get out and a high rate where there was no competition. It cost more to send freight to Milwaukee from Madison, Portage, Beaver Dam and Ripon than from LaCrosse, Prairie du Chien and Winona.

The rate wars between competing railroads, between railroads and steam boat companies and between rival steam boat companies, made exciting times. There were two boat companies on the Mississippi river, for example, which were trying to drive each other out of business. They kept under-bidding for freight going from LaCrosse to St. Paul, or other points up the river, until finally they were carrying it free of charge. Passenger rates fell in one instance from $11.25 to $1.00. The dollar ticket included transportation, meals and berth.

There was not only discrimination between communities, but there was also discrimination between individuals. The published rates would be used in the case of small unimportant shippers; large shippers would be given rebates. Railroad employees were permitted to speculate in wheat and were given low rates of transportation which enabled them to crowd out other merchants. The railroads owned storage elevators in Milwaukee and charged higher rates of storage to Milwaukee dealers than to those who shipped in goods over the railroad from outside.

The railroads also exercised an arbitrary power over what would be shipped and what would not. The southern part of the state was incensed at their refusal to carry cordwood during the busy shipping seasons.

Indignation meetings of angry shippers, farmers, manufacturers, and merchants were held all over the state. Farmers formed local and state organizations known as "The Grange" to elect men to the state legislature who would establish control over the railroads. The farmers of Iowa, Illinois, Minnesota and other mid-western states did likewise. The Granger movement became a national one, with the object of securing redress of wrongs through the action of Congress.

In 1874 the Legislature of Wisconsin met this pressing problem of transportation by passing what is known as the Potter Law. This law established maximum passenger and freight rates, and established a state railroad commission of three commissioners appointed by the governor to classify freight according to the schedule fixed by law, and to report to the state treasurer on railroad costs and finances.

What is known as "The Wisconsin Idea" was beginning to work. The state was assuming control over private corporations in the interest of the whole body of citizens.

Of course there were many who thought this a very dangerous proceeding. Some even called it "Communism." Chief Justice Ryan in the decision of the Wisconsin
Supreme Court upholding the law, ridiculed this use of the term. He said, "The people of Wisconsin are too staid, too just, too busy, too prosperous, for any such horror of doctrine; for any leaning toward confiscation or communism. And these wild terms are as applicable to a statute limiting the rates of toll on railroads as the term murder is to the surgeon's use of the knife, to save life, not to take it."

In this same decision appears another principle which is a feature of the Wisconsin Idea. The regulation of the individual in the interests of the public should not be done in the spirit of malice, or revenge, but in the spirit of fairness and reasonableness. Chief Justice Ryan put it this way:

"We can join in no outcry against the law, which it is our duty to administer. Neither can we countenance any outcry against the railroads. The railroads have their rights, and so have the people. This court will firmly and impartially protect all the rights of the railroads and of the people."

The Potter Law helped somewhat, but it was not satisfactory. The legislature had not time to give to a careful study of what rates ought to be on all sorts of goods between all sorts of places. The Railroad Commission was not given enough power to enforce its findings. It was left to individuals to bring cases of violation of the law into the courts.

The law itself did not survive very long. In 1876 the three appointed commissioners were replaced by one appointed commissioner. He was allowed one lone clerk at $1200 a year to help him. A maximum passenger rate of 3c per mile was laid down. These two men were to see to it that there was no discrimination in freight rates between places and patrons; no unreasonable rates; no favoritism in the matter of furnishing cars.

It was a pretty big job for one commissioner and a clerk. In 1818 the legislature made the office of commissioner elective every two years, and so added the burden of campaigning to its other impossible duties. Naturally railroad regulation under these circumstances was not very thorough. The railroads continued to give rebates and favors.

There were legislators who struggled on to improve conditions. One name which every Wisconsin citizen should know in this connection is that of Albert R. Hall.

A. R. Hall was an adopted son of Wisconsin. He was born in Vermont in 1849, moved to Boston when he was four years old, and moved from there to Minnesota when he was fifteen. He was in the Civil War, and was wounded at Chickamauga.

He was always interested in public affairs. After serving in local offices, he was elected to the Minnesota legislature. He served seven terms there. He was speaker of the House for three of these seven.

Then he moved across the line into Dunn County, Wisconsin. One of his neighbors tells how he first saw him at a meeting of the county board in 1889. Mr. Hall was a stranger to all there and very quiet and unpretentious. Very soon, however, they came to see and admire his ability. The next fall he was elected to the Wisconsin Assembly. For six successive sessions he represented Dunn county at Madison.²

To Mr. Hall, the railroad situation was the most serious matter to be cleared up. In his first session, in 1891, he introduced a joint resolution to appoint a Railroad Appraisal Commission of three members to appraise railroad values and report to a later legislature as a basis for rate-making. The resolution passed the assembly but failed in the senate.

¹ Attorney General vs. R. R. Companies, 35 Wis. 425. Pages 579-580.
In 1893 he tried again to get an interim committee. This time the assembly refused. It did however, pass a resolution for a committee to make a hurried investigation of gross earnings of railroads immediately. Mr. Hall was on the committee, and did not agree with their report as to what they found. He put in his own minority report.

In 1895 his bills to establish a board of railroad commissioners to regulate rates and violations of the law were both defeated. The same thing happened in 1897. His bill directing the secretary of state, attorney general and railroad commissioner to investigate the earnings of railroads was passed. In 1899 his bill to prohibit free passes or free services of any sort by public utilities to public officials was indefinitely postponed. So was the bill to investigate whether or not the railroads were paying their full license fee. So were the two familiar bills establishing a railroad commission with ample power to regulate. In 1901 the railroad bills suffered the same fate. This was his last session. He died June 2, 1905. The bill establishing a Railroad Commission with adequate powers was signed eleven days after.

A. R. Hall was an example of the earnest, conscientious type of legislator who has serious public business to perform and has little or no further political aspiration. He enjoyed the fight in the assembly. He was always punctual, always asking questions, always earnest. Between sessions he carried on his campaign by harnessing his horses and visiting every farm house in the district. He was a bachelor and reported to have been worth several hundred thousand dollars, and he could give his undivided attention to the public service. The respect in which his efforts were held is illustrated by this incident.

Toward the end of one legislative session, a dozen or more newspaper correspondents and reporters at Madison balloted on the names of the “Twelve most able and useful members of the lower house in the order of their usefulness.” The name of A. R. Hall headed the list on every slip!

A bronze medallion portrait of A. R. Hall hangs in the assembly chamber to the right of the speaker’s desk. Members of the assembly always have before them this reminder of long and patient devotion to an unpopular cause which was finally won.

Before the death of A. R. Hall, the problem of fair rates and fair practices on the part of the railroads and other corporations with which the people had to deal, had become one of the most talked of subjects in Wisconsin. Governor LaFollette was doing everything possible to get the facts and give them to the people. Probably no body of voters has ever been more interested or better informed on a difficult, technical question than the Wisconsin voters were on this subject. The establishment of the railroad commission in 1905 was the outcome of fifteen years or more of investigation and discussion led by A. R. Hall, Governor LaFollette and others.

The legislature of 1905 provided for a new Railroad Commission of three men to be appointed by the governor. This Commission was to relieve the legislature of many of the details concerning railroads. The laws fixing rates were repealed. The railroads were left free to establish their own rates, but the Railroad Commission was to review all railroad rates and to require changes where the rate appeared to be unreasonable. To determine what was or was not reasonable, the Railroad Commission was permitted to employ a suitable staff.

Another step was thus taken in the development of the “Wisconsin Idea.” The legislature had turned over to a permanent body the task of studying the details of a field of lawmaking which had become too difficult for them.