

TESTIMONY OF DR. JAMES R. ANDERSON

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Michigan House of Representatives

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RAILS TO THE FUTURE

Members of the House of Representatives Interstate Traveler Task Force:

I salute Representative Rogers, the members and staff of the Interstate Traveler Task Force for holding its inaugural meeting in the Lincoln Room of the Kellogg Center here at Michigan State University. It is altogether fitting and deeply symbolic because President Lincoln, our first Republican president, was one of the most committed to American rail transportation.

He never wavered or faltered in his determination to make the American railroad system the best in the world. He faced a deep depression as he took office, he faced 12 per cent Treasury bond rates, and he faced a looming Civil War. His Treasury bond rate crisis disappeared within a week after he signed into law the Morrill protective tariff. The 12 per cent interest rate upon inauguration dropped by 50 per cent to about 6 per cent, enabling the Lincoln to finance the development of the transcontinental railroad system, despite the outbreak of a four year Civil War.

Justin Sutton and the Interstate Traveler Company offer this committee, the government of Michigan, and the people of Michigan, a breathtaking and far-reaching vision of the future of ground transportation, for our state, our nation, and I believe, our world. The Interstate Traveler provides a brilliant and desperately needed answer to a long list of questions. Not the least of these questions is how we cope with the huge and destabilizing debt burden of imported oil, with deeply troubling and painful consequences for our entire existing transportation and financial system.

History, and especially American history, is made by visions and visionaries. Progress and fear of stepping forward do not sit well together. Let me, as an economic historian, sketch for you the deep roots in American economic history of the Interstate Traveler. These roots are both technological and financial.

The first operating American railroad was the Baltimore and Ohio. Its name tells us what it was designed to connect. The men and governments who built it understood well its vital connection to American independence, to American economic independence, and to the creation of the transportation and industry essential for the greatest nation of the earth.

The first stone in its foundation was laid July 4, 1828, and the first shovel of earth for the American railroad system was turned by Charles Carroll, one of the signers of the Declaration of Independence. I attach a drawing of this groundbreaking ceremony, which over time helped unite this nation in ribbons of iron and steel. Railroads would not only unite the nation, but they would also be vital to its preservation in times of terrible danger.

The first fifteen miles of the Baltimore and Ohio railroad, between the city center and Ellicott's Mills, opened for regular freight and passenger traffic on Monday, May 24, 1830, after a ceremonial run on Saturday, May 22. A leading Baltimore daily, the *Baltimore Republican and Commercial Advertiser*, expressed to its readers that morning a clear sense of the vision embedded in this wondrous iron road:

"We congratulate our fellow citizens upon this interesting occasion, so gratifying to the just pride of Baltimoreans in the successful accomplishment of the most difficult and expensive portion of the greatest enterprise yet undertaken in this country and upon the arrival of an era from which we may safely date the commencement of an increased and increasing prosperity to the city and the state."

How clearly and keenly the writer saw what the railroad would bring, and even he would no doubt have been awestruck at what followed. In less than a century, the first fifteen miles of U.S. railroad would grow to almost 250,000 miles, and the United States would become the most prosperous and powerful industrial nation of the earth. We have paused for some ninety years now in the growth of the American rail system, and the Interstate Traveler presents an opportunity to resume the dynamic growth that did so much for American prosperity.

One of the greatest of all Americans and of all human beings, Abraham Lincoln, was quick to understand the importance of railroads. In his first public letter, on March 9, 1832, less than two years after the Baltimore and Ohio opened, Illinois General Assembly candidate Lincoln told the people of Sangamon County, "Time and experience have verified the public utility of internal improvements....No other improvement that reason will justify us in hoping for can equal in utility the railroad." How clearly and keenly Lincoln saw the future of railroads. In his Presidency, despite the bloody toll of the Civil War, whose toll for Michigan men and families is enshrined on the walls of our Capitol Rotunda, he would promote and sign into law the legislation that connected the Atlantic and Pacific, the East Coast and California, by railroad.

Visions can founder without finance. How were early American railroads financed? The answer is simple, the details more complicated. They were financed by public-private partnerships. Public-private partnerships have existed under a variety of labels from the time of the Pilgrims. Few history texts tell of the public-

private partnership, by which the Massachusetts Bay Colony provided public capital and subsidies to investors led by a Winthrop family engineer and entrepreneur to create the most advanced iron making facility in the world, the Saugus Iron Works, by 1645 —130 years before the Declaration of Independence. Our founding fathers well knew that the dream of a City on a Hill would require domestic iron and steel. The American iron and steel industry, the world's largest until the recent age of free trade shriveled it, grew from this partnership.

The foresight of the inventors of rails, railcars, and locomotives was matched by the foresight of both private investors and governments. The Baltimore and Ohio Railroad was a public-private partnership, and so were most of our railroads up to and well beyond the Civil War. The route planning and design was funded by the Federal government under the General Survey Act of 1824. The Baltimore community leaders founded the railroad under charter from the State of Maryland. They sold \$3 million (1827 gold backed dollars; equivalent today would be \$150 million) to private investors; the city of Baltimore bought \$1.5 million. The State of Maryland later granted—repeat, granted—\$500,000. The day the B and O opened, the U.S. Congress was nearing final passage of a \$375,000 direct B and O stock purchase, beyond the planning funds previously committed.

From my standpoint, the public-private partnership the Interstate Traveler Company proposes has two strong points. First, it asks only for right-of way. It asks no funds from our state government, now chronically short of revenue. Private and corporate investors will finance the rails and rolling stock. Second, if built as designed, it offers a solid prospect of a steady stream of revenue, generated from both energy savings and energy production, to not only the state government, but cities and counties as well. This is an invaluable strong point in the revenue constrained setting most governmental entities must now operate in.

We are in sight of the greatest advance in American ground transportation since a young United States, along with the people of Baltimore and Maryland, built the B and O railroad. I have very little doubt that the Interstate Traveler is going to be built. Whether it will be built in Michigan, or the Midwest, or even the United States is open to some question.

There is not the slightest doubt that Michigan has a historic opportunity to build this system, if we simply muster the modest courage and resources needed. The essential question before the Legislature and the Executive Branch is a simple one. Is Michigan going to lead or lag? Will history look at us as leaders or laggards in this new phase of American transportation?

Let's keep our eyes on the prize. Seize the moment.

Thank you.