On June 20, 1949 a report entitled "The Impact of Federal Policies on the Economy of the South" was filed with the President's Council of Economic Advisers. This extremely inaccurate, gloomy, prejudiced and hostile report was prepared by Dr. Calvin B. Hoover and Dr. E. U. Ratchford of Duke University on behalf of the National Planning Association Committee of the South, although I am informed that few, if any, of the capable Southerners serving on this committee had an opportunity to pass on its contents before it was filed. It is very unlikely that any good can come of this report, but on the contrary it may well have a detrimental effect on some of the helpful programs which are now being implemented through the cooperative effort of progressive citizens in all the Southern States. Especially is this true of our fight to obtain equal freight rates for the South. That portion of the report devoted to the effect of freight rates plays right into the hands of the Northern interests who even now are girding themselves for a desperate last ditch attempt to retain the unfair advantage in transportation charges which has prevented the people of the South from fully contributing to the national economy and fully enjoying the benefits of our national resources.

It is extremely unfortunate that official cognizance should be taken of these inaccurate statements because in all probability our Northern opposition will seek to use them against us when we appear before the Interstate Commerce Commission this fall to obtain further relief from unfair rates. For that reason I feel compelled to reply in some detail to the remarks concerning freight rates and I am hopeful that the entire report will be satisfactorily answered and refuted within the next few weeks in such a way as to blot out completely the dismal picture painted by Doctors Hoover and Ratchford.
In reporting on such an important matter as the effect of transportation charges on the economy of a large section of the country, it would naturally be assumed that the reporting economists would make adequate research so that their conclusions would be supported by authoritative data. However, Dr. Hoover and Dr. Ratchford apparently made no such research and instead present conclusions based upon opinions supported only by incidental reference to a previous report on freight rates already shown to be inaccurate.

The economic effect of rate inequality on Southern industry is evidenced by records of the Interstate Commerce Commission, and is graphically confirmed in the report filed with Congress by the Board of Investigation and Research (House Document No. 303, 78th Congress, First Session), following an exhaustive study by a staff well informed regarding the freight rate structure of the country. These sources of information were readily available to the authors and more specific information could have been obtained from state regulatory commissions or shipper organizations. It seems indefensible that these sources were apparently ignored.

The failure of the authors to obtain authentic information resulted in unwarranted conclusions, based in part on the following untrue statements:

The report first asserts that the South's arguments have implied that it costs more to ship from South to North than in the reverse direction, but that the I.C.C. does not permit such differences unless justified.

Neither part of this statement is true. No responsible person in the South has made such a contention and no one with an elementary understanding of rates would have so construed the South's fight. Thousands of cases exist where commodity rates in one direction are lower than class rates in the reverse direction and the I.C.C. does not normally require such rates to be
justified. The South's fight however is based on the absolute fact that rates on important manufactured articles from North to South are lower than for the same distance within the South, whereas rates from South to North are higher than for the same distance within the North.

The report next states: "Class rates . . . have ranged some 28 or 30 percent higher in the South than in the Northeast. But very little traffic comparatively moves on class rates."

Here again an untrue statement is combined with a misleading one to create an entirely false impression. Exhaustive studies show that the actual difference in class rates, South vs. North, was 39 percent prior to the interim order of the Interstate Commerce Commission in the Class Rate case. That difference has since been substantially reduced percentage-wise, but in dollars and cents the Southern shipper still has a material disadvantage on many important commodities. In discounting the importance of class rates the authors apparently ignore the facts that the exceptions ratings to which they make reference are completely and inseparably included in the class rate structure, and that over 90 percent of all classes of traffic move on rates within or related to the class rate structure. Additionally, the statistics cited in the report are on a tonnage basis and therefore greatly distorted by the inclusion of such heavy moving freight as coal, lumber, sand, etc., which do move on commodity rates.

The authors further say: " . . . there have been very few, if any, complaints about high freight rates on such things as textiles, manufactured tobacco, petroleum products, chemicals, lumber or furniture."

The records of the Interstate Commerce Commission will confirm the untruthfulness of this statement as there have been complaints by Southern shippers on every one of the items named, as well as almost every other important commodity produced in the South. As a matter of fact, the rates
on furniture and textiles, the two principal Southern manufactured products that meet competition with Northern manufacturers, were prescribed by the Interstate Commerce Commission in the South and in the North, and between the North and South. The Southern rates were, and still are, higher, mile for mile, than the Northern rates and have been the subject of much litigation. The same thing is true of other important Southern products, such as paper, glass, ceramics, etc.

The next paragraph of the report contains the untrue assertion:

"It is impossible to give any accurate and meaningful statement of the difference in commodity rates in the South and in the rest of the country". There follows a quotation from a previous Duke University study stating that outbound rates on Southern manufactured products "range between 90 and 110 per cent of corresponding Northern rates".

A number of accurate studies of this character have been made and are of public record, wherein commodity rates in the South vs. the North have been compared on all classes of traffic on which so-called commodity rates apply. If the authors had been sincerely seeking the truth they would have availed themselves of such studies and could have found that perhaps the most conservative estimate, that of the Southern railroads, showed the difference between all rates in the South and all rates in the North to be approximately 20 percent.

The report also states: "... Even when the Southern rates were higher they have not been the major obstacle many have imagined — in some cases they actually have been advantageous to Southern producers."

Any similarity that this statement bears to fact is purely accidental. The statement and the argument used in support of it are utterly amazing examples of reactionary thinking. The records of the Interstate Commerce Commission will show specific cases of manufacturers leaving the South because
of unfair rates, of manufacturers electing not to locate in the South for the same reason, of manufacturers having to absorb the difference in freight rates out of profits, and of workers having to absorb the difference in freight rates out of wages. The authors have apparently adopted as their own the propaganda which has been spread by Northern shippers and by the railroads for the primary purpose of causing confusion. They go even further and expound a theory which, if fully carried out, could result in the establishment of a series of Balkan states right within our own nation with each producing what it consumed and assessing a protective tariff in the form of high freight rates on all products coming from outside the particular region. This is so foreign to our national policy that it is hard to believe that it emanated from a foremost American university.

The authors make a final attempt to discount the South's fight by charging:

"... The question easily and quickly became a political issue;"

This untrue statement is repeated in substance elsewhere in the report and it clearly demonstrates the authors' total lack of factual information. For more than 25 years individual shippers have brought complaints with the Interstate Commerce Commission and earnestly sought to obtain equal freight rates on their particular products. The fact that they failed in most instances prompted the state regulatory commissions of the South to organize and jointly participate in rate cases as is required by the laws of almost every Southern State. The state commissions soon found that they also needed help and called upon the Governors of the Southern States to lend financial assistance and to help inform the public of the adverse effect of unfair freight rates.

This the Governors did, and this they are still doing, but the actual prosecution of the complaints was properly and orderly carried out before
the Interstate Commerce Commission by recognized and qualified technical men and without any regard whatsoever to political influence. That the freight rate problem is one with which the Governors should concern themselves, is borne out by the fact that the Governors of the Northeastern, Middle Atlantic, and some of the Mid-Western states actively opposed the efforts of the South and expended far greater sums of money than we were able to spare.

Reference in this report to the political aspects of the subject undoubtedly stems from the political significance given the anti-trust suit of the State of Georgia directed against alleged collusive actions of the railroads. Probably this suit was entirely one of political expediency. It did not have the support of affected Southern industry or the Southern Governors, other than the then Governor of the State of Georgia. The real fight of the South has been by Southern industry and for Southern industry, and the role of the Southern Governors has largely been one of organization and coordination.

Finally it should be reasserted that the fight of the South for equal rates is not now and never has been for anything more than equality, nor has the effort been one of sectional selfishness. The Southern Governors reaffirm that the fight for fair freight rates is a fight for the benefit of the national economy, and success will bring great benefits to the United States and to the entire world.

SOUTHERN GOVERNORS' CONFERENCE
J. Strom Thurmond, Chairman
Freight Rate Committee