

U.S. Rail Nationalization and the “Plumb Plan Idea

In late 1917, during World War I, the railroad system in the eastern U.S. had virtually come to a halt. Problems included a shortage of labor due to low wages, combined with policies designed to maximize profits that prevented movement of empty cars. On December 26, 1917, the Federal government of Woodrow Wilson took over control of the railroads. Attorney Glenn Edward Plumb - counsel for sixteen major railroad labor unions - was in favor of making this arrangement permanent. He defined a cooperative structure in his "Plumb plan", and set up the Plumb Plan League to promote the plan in February 1918.

The Armistice with Germany took effect on November 11, 1918. The railway labor unions wanted to retain government control after the armistice, but on December 2, 1918 President Wilson insisted to Congress that the railroads had to be returned to their former owners. Later that month in a referendum of railroaders, 306,720 out of 308,186 rail workers voted to keep government control. The Railway Employees' Department of the American Federation of Labor (AFL) put its weight behind the Plumb Plan League. The Plumb Plan was supported by labor leaders such as Warren Stanford Stone of the Brotherhood of Locomotive Engineers, who felt it should be extended to other industries. Workers should be given an incentive to make their industry productive, and a reward for their effort.

Under the Plumb plan the railways would be owned cooperatively. The federal government would sell bonds and use them to purchase the railroads. All railroads would be merged in a public corporation. Rates would be set by the Interstate Commerce Commission. The government would be paid 5% of revenue as a rental fee.^[19] Half of the profits would be given to the employees of the railroad and the other half would be used to retire the bonds. The Plan called for a board of directors with 15 members that would control the railroad. The President of the United States would appoint five members, who would represent the public. The workers would elect five members and management would elect five members.^[8] The administration would be tripartite, including representatives of workers' unions, shippers' organizations and bondholders. The plan showed how the interests of workers and farmers in the national transportation system could be protected. It could readily be adapted for industries such as mining. Plumb said the plan would supplant the old system of competition under which the profits of the workers' labor went to stockholders, by a new system where the profit of industry accrued to the workforce, where all employees were united by a common purpose, all working toward a common end, inspired by the same motives, by the same incentives, and with no opportunity for a division of interest and no apprehension that another would reap what he had sown.

Plumb submitted his plan to the U.S. Senate's Interstate Commerce Committee in 1919. At the United Mine Workers (UMWA) convention in Cleveland, Ohio in September 1919 the delegates endorsed the Plumb Plan, and also approved nationalization of the mining industry. The Labor Party of the United States held its first national convention in Chicago in November 1919. The party endorsed the Plumb Plan in its *Declaration of Principles* agreed to during the Convention. And despite the opposition of AFL President Sam Gompers, the delegates to the 1920 AFL Convention ignored his wishes and voted overwhelmingly - 29,159 to 8,349 - in favor of nationalizing the railroads and placing them under democratic management.

Despite worker enthusiasm, the plan had little chance of being adopted. The National Association of Owners of Railroad Securities (NAORS) represented bank and insurance companies with railroad holdings. They had noted the improvements during the period of Federal control of the railways but rejected the Plumb plan, although they did call for some public ownership of railroad infrastructure. The railroad executives were hostile, and there was little support in the House or the Senate. The Plumb Plan was considered by Congress in the Sims Bill of 1919, which did not pass. In February 1920 Congress passed the Cummins-Esch bill, returning the railroads to their private owners.