During the late 1920s, the B&O was rolling. As the company began its second century, its reputation and its people's morale were at their highest levels ever. Willard's way of doing things had taken deep root; the corporate culture that he had nurtured was triumphant.

However, it is part of the folk wisdom of management that the most dangerous time in a company's life is when everything is going well. To a degree this was true of the B&O in its golden era. Some things that had given rise to its success were ever so slightly neglected. The Cooperative Plan was foremost among these; a hint of lassitude, between both management and labor, crept into the program. Still, its strength was sufficient to ensure that when the first wave of the Depression hit, there was no falling out between company and unions. The B&O family was first just a little smug about its success, then strained somewhat by the evaporation of its financial fortitude, but it stayed a family.

This chapter looks at a variety of incidents, activities, and trends that marked this transitional period. The response of the B&O's main competitor to the achievements of the Plan, summaries of what was going on with respect to the B&O's other progressive measures (principally welfare-related activities and employment of women), and factors pertaining to the weakening of Cooperative Plan momentum are presented and discussed. The onset of the Depression, the subsequent state of union-management relations on the B&O, and the actions of Willard the statesman and strategist are reviewed. The picture painted is that of a company and its leader trying to maintain their integrity on the slide from good times to hard times.
If the preceding chapter’s assessment of the impact of the Cooperative Plan upon the profitability of the Baltimore & Ohio is essentially correct, then it would have been arguably stupid of the Pennsylvania not to attempt something similar. General Atterbury and his management team were not known to be stupid. So, on November 1, 1927, the Pennsylvania Railroad established a Bureau of New Ideas. Its purpose was to achieve the same employee-stimulated productivity gains that its predecessor had. Still, the PRR’s Bureau of New Ideas (BNI) was no clone of the B&O’s Cooperative Plan. In both their methods and the scope of their goals, the two programs had differences, and those differences were an excellent reflection of differences in the two companies’ corporate cultures.

Differences in corporate cultures are of course a function of the values of the people at the top of corporate hierarchies; that is a central premise of this book. The Cooperative Plan and the Bureau of New Ideas were not exactly the same because Daniel Willard and W. W. Atterbury did not believe exactly the same things with exactly the same degrees of relative fervor. But that is not to say that overall corporate context is unimportant. A company’s history and circumstances do influence corporate values and behavior; indeed, they may be seen as fundamental, insofar as they can frame the selection of a leader, and then further shape the values of that leader once he is in place. In other words, Willard and Atterbury cannot be fully understood without reference to the history and circumstances of the B&O and the PRR.

The single most important factor in this regard was the dominance of the Pennsylvania. For five decades, there had been four railroads which upon their own tracks or those of subsidiaries ran from the industrialized East Coast to Chicago, or to Chicago and St. Louis: the Pennsylvania, the New York Central, the Baltimore & Ohio, and the Erie (not counting more recent interline routes, such as Lackawanna/Nickel Plate or Western Maryland/Pittsburgh & West Virginia/Wheeling & Lake Erie/Nickel Plate). By the mid-1920s, it had been long established that by most measures of competitive strength, the four roads could be listed in that order. The mighty Pennsy—“The Standard Railroad of the World”—was first, followed closely by NYC. The B&O was a not-so-close third, and the Erie was hopelessly out of the running in fourth place.

The B&O ran third for both geographic and historical reasons. The railroad was created by the citizens of Baltimore to maintain the competitive position of that city as a port for seaborne goods moving to and from regions inland; consequently, its main lines extended most directly from Baltimore, at the southern end of the Middle Atlantic region. That would not have posed any problem for the B&O had the Port of Baltimore achieved primacy among eastern ports; that distinction, unfortunately by a wide margin, belonged to New York City. Compounding the problem was the fact that the B&O was
undercapitalized and subject to adverse political forces during its formative years; the results were many instances of suboptimal line location and engineering decisions. At their worst these circumstances led to the receivership and subsequent period of Pennsylvania control discussed in chapter 1.

At their best they left the B&O with a heavy debt load and less than ideal geographic positioning, and the latter factor made it difficult to do much about the former. In 1927 the B&O served almost exactly the same major markets as did the Pennsylvania, but with few exceptions it did so in comparatively difficult fashion. The top market in the region was New York—Chicago. The B&O's route in that market began on the west side of the Hudson at Jersey City, ran over the lines of partially owned connecting roads (the Central of New Jersey and the Reading) to Philadelphia, then proceeded southwest to Baltimore and Washington before turning northwest toward Chicago. The route was 88 miles longer than that of the PRR. Less striking disadvantages characterized other important B&O routes; of the twenty-seven largest long-haul (over 250 miles) city-pair markets served by the B&O, PRR lines were shorter in eighteen instances. In addition, the B&O's two main lines crossed the Allegheny Mountains on grades that were generally longer and steeper than those of its rival. On the New York—Chicago route, B&O trains had to climb 7,187 feet and 6,593 feet westbound and eastbound, respectively; the corresponding numbers for the PRR were 6,431 and 5,881 feet.

The B&O, then, was a relatively expensive property to operate. It had to have employee productivity higher than that of the PRR just to prevent its operating costs from seriously exceeding those of its competition. Knowing this to be true should have encouraged a certain humility and sense of mutual dependence with respect to their employees among B&O managers. Such a company was a perfect setting for a man like Daniel Willard. The Pennsylvania, on the other hand, was subject to little pressure of that sort. With lower costs and the higher market share, it could afford a small measure of arrogance in dealing with its employees. Such a company was a perfect setting for a man like General W. W. Atterbury.

Atterbury was the embodiment of the Pennsylvania Railroad ethos: supremely self-confident, rigidly authoritarian, and aggressively antiunion. To the extent that he dealt with lower-level employees, he did so on his turf and on his terms. The AFL shopcrafts unions had been virtually run off the property in 1922, leaving in their place company-sponsored adjustment boards. The adjustment board structure, established in 1920, was a three-tier system of employee-management committees whose function was to serve as a hierarchy of tribunals for resolving wage, work rules, and discipline disputes. The company referred to this program somewhat grandly as its Employee Representation Plan. Pennsylvania management contended that the arrangement
provided legitimate representation of employee interests, but the Railroad Labor Board thought differently: "While professing its acceptance and observance of the principle of employee representation, [the Pennsylvania Railroad] has set up a system which throttles the majority and establishes the representation of a coerced and subservient minority proven originally to amount to about $10\frac{1}{2}\%$ of [shopcraft] employees." Most people in the labor movement considered it to be a management-dominated sham, but the company insisted that it was "a system of collective bargaining within our own ranks." Atterbury maintained that his employees did not want any unions and that his adjustment boards certainly were not "company unions": "We claim that what we have set up is a machinery of contract and adjustment, mutually established by our employees and management, and that this machinery is correctly described by the name we have given it, 'Employee Representation.' No one has to join anything to take part in it. Therefore it cannot be a union of any kind, or a system of unions. It is merely a working plan to adjust differences, and nothing more." Whatever they were, they helped Atterbury to prevent the AFL unions from winning representation elections. Not until 1934, in response to labor legislation designed to eliminate company unions, did the PRR sign an agreement with a national shopcrafts labor organization—and then with an "independent" brotherhood, not the AFL.

It should not come as a surprise, then, that Atterbury did not set up the Bureau of New Ideas with the consultation and aid of William Johnston and Otto Beyer. The PRR suggestion program was strictly in-house, centralized, and management-dominated. The program's purpose was narrow and specific: improvement of service and efficiency. There was no talk of building company spirit or sense of family. There were to be no joint labor-management committees nor any sort of evaluation of suggestions out on the divisions. The poster announcing the program on company bulletin boards told employees to send their ideas to assistant personnel vice president R. V. Massey at company headquarters in Broad Street Station, Philadelphia, where the proposals would be evaluated "by persons competent to pass judgment." The originators of adopted proposals were to be "accorded due recognition"; it was soon established that this usually meant cash awards, with additional cash prizes—one hundred dollars, fifty dollars, and twenty-five dollars, respectively, for the best, second best, and third best ideas—given every six months. It was all neatly and impersonally bureaucratic, backed up by a few cold, hard dollars. The contrast with the B&O's approach, with its face-to-face local discussions and generalized, sometimes intangible rewards, is striking. In a microcosm, the differences between the Bureau of New Ideas and the Cooperative Plan are the essential corporate culture differences between Atterbury's Pennsylvania and Willard's Baltimore & Ohio.
One of the more revealing aspects of the PRR’s different approach was its insistence upon channeling all suggestions through headquarters, and especially its rationale for doing so. The names of all suggestion submitters thus could be held in confidence within the BNI office, away from local or divisional officers who might be involved in evaluating the suggestions of their subordinates. This, according to the company, accomplished two things. First, they said, it “avoids any possible embarrassment to an employee submitting a suggestion that is found impracticable.” Second, it protected the employee from any reprisals that might be prompted by questioning the wisdom of the boss; as an official company source diplomatically told Railway Age, “Many employees, who might hesitate to submit a suggestion to their immediate superiors, will deal with the Bureau since the name of the author is not revealed even to those officers to whom a copy of the suggestion is sent for consideration.” A third and unspoken reason surely was that it ensured tight central control of the whole process. If warmth and trust are definitive qualities of a family, then the PRR was not much of a family, and the Bureau of New Ideas was not set up to help the company become one.

All of this is not to say that the bureau was a failure. Atterbury was not so much interested in such fuzzy notions of company family as was Willard, so he could not have been much concerned that the BNI was of little help in that regard. It did elicit employee suggestions, and many of those suggestions were adopted. That was what PRR management wanted it to do, so it must be considered to some degree successful.

But how successful was it, particularly in comparison to the Cooperative Plan? If one looks just at simple statistics on total suggestions and acceptance rates, the Bureau of New Ideas does not measure up well. As mentioned in chapter 2, during the first thirty-four months (through the end of 1926) of the Cooperative Plan’s operation, roughly eighteen thousand suggestions had been submitted and approximately 86 percent accepted. The corresponding statistics for the first thirty-eight months (through the end of 1930) of operation of the Bureau of New Ideas were seventy-two hundred and 20 percent. The disparity becomes even larger when one considers the relative sizes of the two companies. The B&O in 1925 (the middle year of the reference period) had 66,000 employees; the PRR in 1929 had 183,000 on its payroll. Simple arithmetic shows that the Cooperative Plan generated one suggestion per month per 125 employees; the Bureau of New Ideas generated one suggestion per month per 967 employees. The Cooperative Plan generated one adopted suggestion per month per 146 employees; the Bureau of New Ideas generated one adopted suggestion per month per 4,757 employees. The latter pair of numbers does not mean that the Plan was 32.6 times as successful as the BNI. It does not take into account the direct dollar value to the company of each
adopted suggestion, which presumably would be on the average higher on the Pennsylvania; the relatively intimidating formal screening process of the Bureau of New Ideas would tend to discourage small-ticket proposals, and the bureau’s narrowly defined and centrally enforced purpose would provide a basis for eliminating worker-centered proposals with little tangible benefit to the company. Nonetheless, that which might be called the “constructive participation rate” was on the B&O 32.6 times higher than on the PRR.

An observer of postwar Japanese approaches to management would not be surprised even at the magnitude of that number. A sense of common interest built from face-to-face discussions must come first, he would observe; widespread constructive thinking is likely to occur only in such a context. There would have been no real question from the outset as to which was the more effective program. The Pennsylvania program was better than nothing, but it was several leagues below that of the Baltimore & Ohio. B&O partisans at the time certainly had that sense of the Plan. Their view of the matter is
The Cooperative Plan Continues

unsubtly depicted in an editorial cartoon from the September 1928 issue of *Baltimore & Ohio Magazine*.

The Cooperative Plan was the centerpiece of personnel programs, policies, and actions on the Baltimore & Ohio during the middle and late 1920s, but it was not the only matter of significance in that realm during those years. Programs begun before the Plan were continued, and new steps were taken as the decade passed.

The Welfare Department, still under the direction of W. W. Wood, remained alive and well, promoting company-oriented athletic, musical, and social activities. Nearly all major B&O operations centers had at least one baseball team, and bowling and basketball teams were fairly common as well. Competition among these teams generally was arranged at the local level, but there were company-sponsored tournaments, usually organized by district or region. In addition to such standard sports teams, there were a few unique sporting groups with loose ties to the Welfare Department, such as the Riverside [Shops] Gun and Fishing Club, known among Baltimore-area employees for its annual duck dinner.\(^1\)

On the musical front, the three oldest and most firmly established ensembles—the Men's Glee Club (to which a few selected nonemployees had been added), the Women's Music Club (successor to the Bando Club), and the Mount Clare Band—continued to grow in both competence and visibility. Their growth was aided by their association with the B&O's splendid centennial celebration, the Fair of the Iron Horse. The fair, officially the Centenary Exhibition and Pageant of the Baltimore & Ohio Railroad, was held in September and October 1927 to mark the hundredth anniversary of the B&O's charter. Willard's most extravagant decision ever, the event lasted twenty-three days, cost more than $1 million, and attracted more than 1.3 million visitors. It was a public relations triumph, and it pushed the B&O's reputation to heights not achieved before or since. In itself it greatly contributed to general feelings of pride and unity among B&O employees; those feelings were magnified among those employees who participated in its focal point, the pageant. B&O employees were the great majority of the cast; most members of the Women's Music Club were involved, and the Glee Club provided the chorus. The pageant's Centenary Band included outside professionals, but the Mount Clare Band played two daily concerts between pageant performances. It was such a glorious experience that it gave rise to yet another B&O employee organization: the Centenary Association, which, among other things, staged an employee circus in February 1929. The attention and enthusiasm generated by the fair also energized the Glee Club to begin competitive singing, and very successfully. In May 1929, with eighty-two men in its ranks, it
Daniel Willard with Centenary Pageant cast member. (Courtesy of the B&O Railroad Museum)

entered the triennial competition of the Associated Glee Clubs of America, held at Madison Square Garden in New York. The B&O Club won the first-prize trophy in class B, edging the Ottawa Temple Choir of Canada; it was the only corporate glee club to win a prize of any sort.\textsuperscript{12}

Social activities continued under the aegis of the Welfare Department essentially as before. The most common major event was the summer outing, a large departmental or huge divisional picnic featuring a wide variety of recreational activities and contests. The events in many cases were even more elaborate than those described in chapter 1, and they occurred at an increasing number of locations around the system. A good example is the annual picnic of the Cumberland Back Shop, scene of the machinists' boycott of the cooperative committee described in chapter 2. The shop superintendent, John Howe, apparently was successful in getting past his 1925 labor problem, mainly by the astute practice of MBWA ("management by walking around"—Howe made a point of spending a good portion of his day on the shop floor, talking with his men),\textsuperscript{13} once national union leaders had calmed their local membership. The Back Shop did not have its own picnic until June 1927. It
was successful, and in July 1928 an even bigger one was held. Attendance was approximately two thousand; twenty-three different contests were conducted, with prizes donated by a total of one hundred Cumberland-area firms. Howe was presented a loving cup by the local shopcrafts federation president, C. J. McKay, “expressing the high esteem in which Mr. Howe is held” by local union members; the evening concluded with a dance in the fairgrounds pavilion.  

More modest events were begun as well. The concerts and dances of the Cincinnati B&O Glee Club are an example. The second such event was held in Cincinnati’s Grand Hotel ballroom; it consisted of the glee club concert, a combined skit and square dance featuring several local officers as an apparently competent country string band, and dancing to the music of a professional orchestra. There were also less modest events. The possible record holder in this respect was the Fourth of July celebration organized by the B&O Athletic Association of Parkersburg, West Virginia, in 1929. The day’s activi-
ties began at 9:00 A.M. with various races and contests, followed by a baseball game between the B&O teams of Holloway, Ohio, and Parkersburg. Then came lunch and an address by B&O general counsel, director, and former West Virginia governor John J. Cornwell, followed by round and square dancing in the park pavilion, a band concert, and a second Holloway-Parkersburg baseball game. Next were dinner and more square dancing. The evening concluded with an hour-and-a-half fireworks display, the climax of which featured a giant set-piece B&O emblem. A special train was run from Holloway and Wheeling to bring in out-of-town celebrants; presumably counting citizens not affiliated with the B&O who attended the fireworks display, total attendance was estimated at more then twenty thousand.  

Serving as principal reporter and cheerleader of all of this, and more, was the *Baltimore & Ohio Magazine*. That publication reached its peak in the late 1920s. The July 1929 issue, for example, contained 144 pages, of which only 3½ were advertising; the balance was company news and family features. “Among Ourselves,” the section at the end of the magazine devoted to local correspondents’ reports of local activities and events in the lives of their coworkers, ran 64 pages. There were 6 pages on retirements, a 4-page women’s section, a 3-page children’s section, 3 pages of riddles and puzzles, 3 pages of book notes and poetry, 2 pages on promotions of officers, 2 pages on the deaths of well-known employees, 2 pages of railroad history, and a page on miscellaneous current events. The remaining 50½ pages provided reports on recent capital improvements, employee safety, official meetings, traffic solicitation efforts, and the various employee social-musical-athletic events, as well as exhortations to greater courtesy and conscientiousness. It was an engaging magazine, upbeat in tone, professional in layout and editing, partisan in its viewpoint, and friendly and unpretentious in its style.

Robert M. Van Sant was editor of the magazine during its prime, but the tone and style of the publication may have been influenced at least as much by its associate editor, Margaret Talbott Stevens. Writing under her own byline, and occasionally as “Peggy” in the women’s section and as “Aunt Mary” in the children’s section and elsewhere, Stevens was the ultimate B&O cheerleader. Her folksy enthusiasm was infectious; she clearly loved people, her job, and her railroad. Associate editor since 1920, she had impressed Daniel Willard to the point that in 1927, he suggested to Van Sant that he might want to consider turning the magazine over to her for an issue. “Perhaps she has some ideas she would like to feature ... think it over,” Van Sant recalled Willard’s saying. The editor later commented, “You know how you ‘think over’ such suggestions.” The result, in May 1927, was the first annual Women’s Number, written almost entirely by and for B&O women, both employees and wives of employees. The Women’s Numbers typically placed greater em-
phasis than did other issues upon matters of home and family, but they were not exclusively domestic. They contained regular reports of company developments, as well as the "Among Ourselves" section, and their feature articles often focused on successful railroad career women, both on the B&O and beyond.\textsuperscript{16}

One such profile was of Olive Dennis, who was along with Stevens one of the two most important women on the railroad. The daughter of a Baltimore physician, Dennis was a mathematician and civil engineer by training. After completing a master's degree in mathematics at Columbia in 1909, she spent ten years as a schoolteacher in Washington, D.C.; then in 1919, dissatisfied with teaching, she entered the civil engineering program at Cornell. When she finished her degree a year later, however, she was rebuffed in all of her first efforts to find a job in her new profession. Eventually she returned to Baltimore and contacted the B&O; finally finding a place where her credentials outweighed any anticipated disruptive effects of the presence of a professional woman, she was hired as a draftsman in the bridge engineering department. In 1921 she was promoted to the newly created position of "engineer of service," reporting directly to Willard and responsible primarily for the design of passenger train equipment and services. In that capacity she either recommended or personally designed a number of innovations and alterations, including improved reclining coach seats, women's dressing rooms in coaches, dimmable coach ceiling lights and individual reading lights, a pre-air-conditioning car window ventilator (upon which she held a patent), and a lunch counter coach for passengers who could not afford the regular dining car. She also worked in the aesthetic realm, routinely reconfiguring dining and club cars, designing carpets and fabrics, choosing color schemes, and so forth; her most notable accomplishments in this area were the design of the Centennial Blue china used in B&O dining cars and, toward the end of her career, most of the design of the 1947 streamliner \textit{The Cincinnati}.\textsuperscript{17}

Both the Women's Numbers and Olive Dennis were firsts for Willard's B&O among American railroads. There was no parallel in the industry to Margaret Talbott Stevens's charge, and Dennis was the first—and for many years the only—female member of the American Railway Engineers' Association. They were two principal reasons for the reputation of the Baltimore & Ohio as an unusually progressive and fair-minded employer of women in an exceedingly masculine business.\textsuperscript{18} There were serious limitations, of course: not even an Olive Dennis could hope to rise any higher than junior officer status. She was an officer nonetheless, and she and other B&O women were given prominent recognition in the official publication of the company. Daniel Willard's railroad family was a patriarchy, but it did not consign all of its women to anonymous slavery in the kitchen.
What counts is not so much the thing we do as the way in which we do it.

Willard epigram, 1929. (Courtesy of the B&O Railroad Museum)

*Baltimore & Ohio Magazine* was the central element in reinforcing the family spirit and service ideals that Willard wished for his company. Letters, memos, and personal contacts were important means of conveying the message, but in a firm employing over sixty thousand people, their impact could not be continual and pervasive. The magazine, in contrast, was sent to every employee every month. Accordingly, it was standard practice for Willard and the magazine editors to select snippets of his letters, memos, comments, and speeches, and to reiterate them in the magazine’s articles, editorials, cartoons, and column fillers. This began in the magazine’s early years: “Safety—above everything else” was Willard’s slogan for the B&O before World War I. After the war it was “The Good Neighbor Railroad” and “The Will to Please,” as well as lengthier epigrams such as “Honesty in selling our service to the public—we don’t want business secured through misrepresentation” and “Not because we feel obliged to do so, but because we want to do so.” The notion of right motivation was critical to Willard. Conscientious service was for him a moral imperative; moreover, he understood that action taken for moral reasons manifests itself outwardly in a certain attractive style. This point was implicit in the 1929 slogan, “What counts is not so much the thing we do as the way in which we do it.” Of course, either short of or beyond such philosophizing was “Suggestions are always in order” — sometimes in the background, but still understood to be his definitive simple statement on management.19
With respect to matters affecting the well-being of his employees, Willard usually heard and acted upon constructive suggestions noticeably ahead of his competition. In one instance, though, in the adoption of a progressive and solidly practical program for rewarding his employees and increasing their sense that the railroad was their railroad, he was actually beaten by the Pennsylvania. That was the case of the employee stock ownership plan. The PRR had given some encouragement to employees buying company stock as early as January 1926, such purchases being financed through its Mutual Beneficial Association. In July 1929 a more comprehensive and direct stock purchase plan, through which all Pennsylvania employees were entitled to purchase company stock in proportion to their annual wages or salaries, was instituted. The stock was offered at par—less than half of its market price—and payment could be made over several months. Of the railroad's total work force, 94,863 employees, or 52 percent, took advantage of the offer.20

The charter of the Baltimore & Ohio forbade it to sell common stock below par, which was one hundred dollars per share. From the end of 1914 to mid-1926, the market price of B&O stock was usually under that level; it did not rise above one hundred dollars for several consecutive weeks until September of the latter year. For nearly twelve years before September 1926, then, the B&O could not legally float a new equity issue.21 The company thereby was prevented from setting up a clean and simple employee stock ownership plan. It might have been possible to arrange for the transfer of existing stock at the market price through some third party, or to find a few extremely loyal employees willing to pay one hundred dollars each for new shares worth less than that, but it was not feasible to establish a plan that would simultaneously expand the company's equity base and reward employees financially. It was feasible after September 1926, though, nearly three years before the PRR began their full program. Why the B&O did not act is not clear. One might speculate that it had some relation to finance's being Willard's weakest area, or to possible shortsightedness among existing stockholders and Willard's board of directors, to which allusion was made in Chapter 1.

The B&O finally did announce an employee stock ownership plan, however, in November 1929, less than a month after the collapse of the stock market. If not for its awful timing, it would have been a good program. Employees were entitled to buy one share at par, on partial payments over a period of months, for each $500 of their annual compensation. As the market price of B&O stock had fallen only to $115 by the end of November, it was still a bargain, for the moment.22 Of course, its price continued to fall—soon below $100, where it stayed for many years—and the employee stock ownership plan was finished. Willard may be faulted here for a lapse in his progressive inclinations, but it should be kept in mind that this lapse, if indeed that is
what it was, prevented his employees from “taking a bath.” By June 1932 the price of a B&O common share had fallen under $4.23

Meanwhile, the Cooperative Plan functioned substantially, though not entirely, as it had during its first years. Throughout 1927 the local cooperative committees continued to meet as they had since 1924. The program was, however, no longer really in the foreground of company consciousness. In 1926 the Plan had been given considerable emphasis in *Baltimore & Ohio Magazine*; letters from employees praising the program, often citing its Biblical underpinnings, were given prominent play.24 In 1927 the attention of the magazine was turned toward the centennial celebration, and the Cooperative Plan became more of a background item.

A slight loss of momentum caused by this diversion of attention may have been accentuated somewhat by the B&O’s 1927 financial situation and its impact upon shop employment levels. The year 1927 was a good one for the B&O, but not so good as the peak year of 1926. Company revenues were $255 million, down 3.8 percent from the prior year. Net income was $20.3 million, off 19.8 percent; return on equity was 6.55 percent, down from 10.82 percent.25

The decline in traffic did not really begin until June. However, the B&O ended 1926 with its rolling stock in first-rate condition; as a consequence, the company began 1927 with a reduced need for equipment maintenance work. That in turn led to layoffs, and those layoffs were predictably hard on both employee morale and confidence in the Plan. The existence of the Plan was not threatened, but the enthusiasm of its participants was dampened; in late March, System Federation No. 30 officers quashed a proposed article on the Plan in the *American Federationist* on those grounds.26 Those officers, naturally, were complaining to the company as the furloughs, compounded by the recession-induced traffic slump, continued into the second half of the year. On July 26, operations vice president Charles Galloway replied to federation president William McGee’s complaints, protesting that the company had made a serious effort to stabilize employment, with equipment maintenance expenditures for the first half of 1927 “‘in excess of $2,000,000 more than the budget allowance.’” He went on to state that if the traffic situation continued to slip, then Mount Clare, Cumberland, and Glenwood shops would have to be closed altogether for a time. That threat ended the formal complaints, as McGee and his cohorts turned their attentions toward an effort—a successful one—to talk Galloway and Emerson out of any such closing.27

In relative terms B&O unionists had little to complain about. The company had been delivering on its promise of employment stability in the context of the inherent instability of the railroad business—not irreproachably, but
still commendably. Outside assessments seemed to support Galloway's protestation of good faith: a study published in the *Monthly Labor Review* in August 1928 showed that since 1924, when the Cooperative Plan became fully operational, the B&O had done better than either the NYC or the PRR in maintaining full-time employment for its machinists. For the period 1924–1927, B&O machinists had worked on average approximately 93.5 percent of full time; the corresponding figures for the NYC and PRR were 92.0 and 90.6 percent, respectively. For 1927 alone the B&O figure was 94.2 percent, compared to 91.9 and 87.8 percent, respectively, for the NYC and PRR. The differences were small but worthy of some appreciation. Unfortunately, for the person at the bottom of the seniority list, the only acceptable number was 100 percent; 94 percent (and dropping) was not good enough.

The negative pressure on shop employment levels brought about by the traffic slump did not abate until late in 1928. B&O revenues for that year fell another 4.1 percent below those of 1927. To prevent further furloughs, McGee in June 1928 convinced Emerson to place Mount Clare and Glenwood on a reduced workweek (five and a half instead of six days) for the balance of the summer. By fall, with traffic beginning to recover, some of the furloughed men were being called back to work, but the credibility of the program had to have suffered some, especially among those relatively junior employees who had been for a time unemployed. They, at least, might have questioned either the competence or the conscientiousness of those B&O officers responsible for equipment maintenance planning.

Through all of this, Daniel Willard seems to have been somewhat surprisingly remote from the frontline action: his operating officers appear to have held the initiative in making tactical personnel decisions. Having set the general direction of personnel strategy in prior years, Willard apparently left the day-to-day implementation of that strategy to his immediate subordinates—wise delegation, if one's subordinates fully understand and agree with that strategy. But as noted in the preceding chapter, Willard himself had some doubts about whether such understanding and agreement were initially present among lower-level managers as the Cooperative Plan was instituted; more critically, he might have wondered about Emerson and Galloway's level of commitment to the Plan. If he and his officers were not of one mind on the subject, then it would have been incumbent on him to continually keep an eye on the program and to probe those of their decisions that even indirectly affected it.

There is evidence to suggest that either Emerson or Galloway did not always share fully Willard's commitment to the Cooperative Plan, and there is also evidence that Willard did not on his own initiative probe very deeply some of the decisions that were made concerning its administration. As might be expected, this lapse in good judgment on Willard's part led ultimately to an
embarrassing situation. It occurred in August 1928, at the bottom of the 1927–1928 recession. Because of the continuing traffic decline, Willard had been exceedingly cost-conscious: throughout the spring and summer, he had been urging all of his people “to reduce expenses in every way possible.” In July he was informed that the company’s various committee meetings, principally those of the safety and cooperative committees, were costing four thousand dollars per month. Apparently without thinking through the issue, he ordered that a temporary but substantial reduction be made in those expenses. It is not precisely clear from surviving records what happened next, but it appears that sometime around the first of August, Galloway issued a directive that cut the frequency of cooperative committee meetings from every fourteen days to every ninety days.\(^{31}\)

When they heard of this unilateral action, the union hierarchy were dismayed. They sought immediately to appeal the issue to Willard, who at the time conveniently was in Chicago, only a few blocks from Bert Jewell’s home office. On the afternoon of August 6, the two men met at the Congress Hotel to try to iron out the matter. Jewell found Willard in a chastened mood. Having received a telegram on the subject from William McGee earlier in the day, Willard already had telephoned Galloway in Baltimore to have him rescind his order, and to direct Emerson to meet with the system federation executive committee to seek some less draconian solution to the cost problem. Willard accepted ultimate responsibility for the mistaken decision, and he suggested that Emerson and McGee might negotiate an agreement that the cooperative committees meet every thirty days until traffic levels recovered. This was accomplished on August 15.\(^{32}\)

The agreement applied only to the cooperative committees of the mechanical department, however. In the transportation and maintenance of way departments, the circumstances and outcome were different. As noted previously, union commitment to the Plan there was lower than in the mechanical department. Also, because of greater committee size and the geographic dispersion of committee members, the costs of convening a meeting were much higher than they were for the shop committees. Accordingly, the ninety-day schedule order remained in effect for the CT and MW committees.\(^{33}\)

The tendency toward penny-pinching evident in the meeting schedule misunderstanding almost caused a much more serious rupture in relations early in 1929. For some time, shopmen of the New York Central had received a base wage one cent per hour higher than B&O shopmen, as a partial offset for the latter’s Sunday and holidays time-and-a-half advantage. Then in mid-January an arbitration board granted NYC shopmen a further five-cent-per-hour increase. System Federation No. 30 immediately asked the B&O for a similar adjustment. Willard was away from Baltimore at the time, on a lengthy
Electrician Raymond E. Buckheister and his air-jack wagon for generator removal: suggestion submitted to Mount Clare Shops cooperative committee in May 1928. (Courtesy of the B&O Railroad Museum)

vacation, so vice president Galloway conducted negotiations over the request without the benefit of face-to-face, day-by-day discussion with his boss. Galloway began discussions by offering four and a half cents; then he withdrew that offer and offered four. Union officials were more than mildly miffed. After ascertaining that Galloway would not budge on his own, they cabled Willard that if he would not assure them that five cents would be granted, then they would submit the four-cent offer to the membership for a strike vote. Such an occurrence probably would have blown the Cooperative Plan to pieces. So Willard intervened, the higher increase was agreed upon, and there was no public falling-out. Nonetheless, like the meeting schedule problem, the incident did not contribute much to union confidence in the consistency of Willard's management team. That, in turn, did not help the Plan.  

The Cooperative Plan, then, was an active but somewhat troubled program in 1928 and 1929. The problems described would have been in themselves cause for concern. There was, however, a potentially greater problem developing beneath the surface: the program simply was running out of issues with which to occupy itself. This was partly due, no doubt, to a certain slackening of employee interest in looking for issues, brought about by the company's sometimes clumsy efforts at holding expenses down. The greater reason, though, was that, in the words of system federation secretary H. L. Alberty, "This movement has developed and exhausted about all the things the program called for. . . ." The most obvious suggestions for improvement had nearly all been made; the Plan was being weakened by its own success.  

The solution from the union point of view was for Otto Beyer to become
closely involved with the B&O program once again. Beyer during these years was spending most of his time establishing a cooperative program in the maintenance of way department of the Canadian National, and serving as the AFL's all-around railroad consultant and troubleshooter; aside from his usual attendance at the corporate-level cooperative meetings, he had little contact with the Baltimore & Ohio. McGee and Albery, in particular, wanted Beyer to make a tour of all B&O shops, meeting with each local cooperative committee in an attempt to spark greater creativity and enthusiasm. Correspondence among Jewell, Beyer, and system federation officers implies that Beyer finally made such a tour, covering most but not all B&O shops, in the summer of 1929.36

Union leaders also tried to persuade Daniel Willard to go to work on the problem, in a rather unusual capacity. B&O shop forces were not 100 percent unionized; the shopcrafts unions were particularly weak, surprisingly, at Mount Clare. Jewell attributed this phenomenon to the presence, at Mount Clare and elsewhere, of "obstructors," informal leaders among the men who had no real use for unions and who influenced numerous coworkers to think likewise. Jewell further was convinced that by keeping union membership, and thereby Cooperative Plan participation, lower than it would be in a fully unionized shop, these obstructors diminished the vitality of the Plan. His solution to this problem was to have Beyer and McGee present the matter to Willard in those terms, and to have them attempt "to persuade Mr. Willard to see the necessity of taking some action which will convince these obstructors of the error of their ways." Willard was asked, in effect, to serve as a booster of union membership.37

Much later, in the spring of 1933, Cumberland Back Shop superintendent John Howe was so active in his concern for the betterment of his union lodges that the embarrassed local federation asked him to desist, presumably for fear of being upstaged.38 Whatever he was doing, it was probably not something that he was directly told to do by his chief executive. There is no known evidence that Willard ever, as a railroad officer, actively supported a campaign for increased union membership, much less pressured antionion shopmen on behalf of the AFL. He was, however, putting some effort into boosting the Plan. During the fall of 1929, the local shopcrafts federation at the Cumberland Back Shop, with the encouragement of superintendent Howe, conducted a series of evening "demonstration meetings" for the general public—operating open houses where local citizens could see just what it was that the back shop did. To the demonstration meeting of November 6, local federation chairman W. J. Jones invited Willard. Willard not only accepted, but brought the company's board of directors with him, and he took advantage of the opportunity to make a Cooperative Plan promotional speech. His address was, as
The Cooperative Plan Continues

MAKING THE GRADE VIA-
CO-OPERATION

IT'S EASIER WHEN WE WORK TOGETHER

Cooperative Plan poster, 1929. (Courtesy of the B&O Railroad Museum)

his addresses typically were, both unceremonious and purposeful: a little of
the background of the Plan, a few didactic anecdotes from his own blue-collar
days, praise for the shopmen, comments on the importance of an honest day's
work and of consequent fair rewards by the company, and an exhortation to
further the Plan and the B&O family spirit. The speech and laudatory editorial
comment about the Cooperative Plan were featured in the December issue of
Baltimore & Ohio Magazine.39

Such appearances may not have been of earthshaking significance, but
they were perceived as clear evidence that Willard cared about the program
and the people who participated in it. Union leaders on the B&O appreciated
that. J. J. Tahaney, the disgruntled former B&O carman who had blasted the
Plan in the Baltimore Federationist four years earlier, did not see it that way:
he believed that Willard was receiving credit that belonged entirely to the
AFL. Union men of broader perspective, however, understood that even though
they had done most of the work, the Plan never would have succeeded without
Willard’s unparalleled support and encouragement. The success of the Plan had not eliminated employment instability or nonunion shopmen, but it had reduced them to a degree. In 1929 as in 1922, Daniel Willard was not a hero of the labor movement, but he was a friend.

As January 1930 marked the twentieth anniversary of Willard’s appointment to the presidency, the officers of System Federation No. 30, joined by those of the other unions on the B&O, decided to show their appreciation by giving him a testimonial dinner. The planning of the event was led by William McGee, working with an arrangements committee that consisted of the general chairmen of the machinists’, conductors’, telegraphers’, clerks’, boiler-makers’, and maintenance of way employees’ unions, plus Otto Beyer. The main banquet ball of the Lord Baltimore Hotel was secured for the evening of January 13; entertainment (the Men’s Glee Club, the Women’s Music Club, and the Cumberland Shops Band) was lined up, and an impressive list of speakers was arranged. The master of ceremonies was to be Edward Keating, editor of Labor, the rail unions’ weekly newspaper; the welcoming address was to be given by Baltimore mayor William F. Broening. The first testimonial speech was to be given by William Green, president of the American Federation of Labor. He was to be followed by Senator James Couzens of Michigan, chairman of the Senate Committee on Interstate Commerce; by James J. Davis, President Hoover’s secretary of labor; by Sir Henry Thornton, Willard’s like-minded counterpart at the Canadian National Railways; and by Albert C. Ritchie, governor of Maryland. The evening was to conclude with the conferring upon Willard, by the unions’ Association of General Chairman, of the honorary degree of “Doctor of Humanity.”

Unfortunately, the executive council of the AFL already had been scheduled to meet in St. Petersburg during the week of January 13, so Green was not able to attend the testimonial in person. However, he did prepare a speech for the occasion, working from a preliminary draft supplied by Beyer, to be read on his behalf at the dinner by Bert Jewell. Otherwise, the evening’s agenda was carried out exactly as planned, and the dinner was considered to be a great success. The unions sold tickets to the event to help defray their expenses; 1,293 people subscribed, enabling the general chairmen to cover their costs almost completely. Another 300 or so people crowded into the hall for the speeches after dinner was cleared, bringing total attendance near 1,600. Included in the assemblage were eight senators (among them such notables as Robert LaFollette and Burton Wheeler), ten congressmen (one of whom was Fiorello LaGuardia), thirteen past or present national labor officials (including William Johnston), five members of the B&O board of directors, the president of Johns Hopkins University (of which Willard was president of the board of trustees), and Robert McVicar, the locomotive engineer.
with whom Willard had made his first runs as a fireman fifty years earlier. Willard’s “degree” was presented by C. W. Jones, B&O general chairman of the Brotherhood of Railroad Trainmen. In making the presentation, Jones said, in part:

During our twenty years together, we have become more and more persuaded that the inner light that guides you is profound understanding of the human being as he conducts himself in railroading. You have imaginative sympathy for those who toil, for those who owe their living to the Baltimore & Ohio Railroad. You appreciate that a railroad company is only, in reality, sound when its employees as wage earners and producers enjoy protections and guaranties analogous to those of the Company’s owners and patrons. Upon this bedrock of policy rest many of the accomplishments and much of the progress of the Baltimore & Ohio during the last twenty years.

Through your appreciation of the part played by your fellow workers, the Baltimore & Ohio trackmen, shopmen, trainmen, enginemen, telegraphers, clerks, and officers, in the running of the railroad, you have won their hearty cooperation. Your spirit of tolerance has created in others the will to work with you.

He went on about Willard’s “[understanding] that in the free and independent labor unions of its employees the Baltimore & Ohio has an asset,” his “readiness to share the benefits of cooperation with all who play a part in the common project,” and his general capabilities as a motivator and statesman. Then, on behalf of the assembled “workers in the University of Life and Labor,” he conferred upon Willard his award. Willard opened his acceptance comments with the “plain Down-East Yankee” remark recounted in chapter 1, protesting that those who had spoken of him during the evening had greatly inflated his personal achievements and contributions. Bert Jewell, speaking for William Green, had called him the “one man in the United States who has surpassed all others in the development of the administrative affairs of the transportation industry.” Senator Couzens had said that with “his genuine attitude, his lack of four-flushing, the simplicity of his courage, the humanitarian aspect sticking out all over him,” he was “the greatest railroad man in America.” Sir Henry Thornton had spoken of him with the words of Psalm 145: “One generation shall praise Thy works to another and shall declare Thy mighty acts. . . . They shall abundantly utter the memory of Thy great goodness and shall sing of Thy righteousness.” Willard surely was pleased with such praise, but he also seemed a little embarrassed; he insisted that his family and closest friends could see that “the Daniel Willard you have been hearing about has been conjured up for the occasion.”

The heart of his comments was a reflective overview of the genesis and
benefits of the Cooperative Plan and of B&O labor-management relations in general. Toward the end of this reflection, he said:

I have frequently been asked for a copy of our labor policy, the implication being that we have something carefully worked out like a code of by-laws with numbered paragraphs, each to apply to different circumstances and situations that may arise. We have nothing of the kind beyond a very brief statement of belief and procedure. What have we then as a basis for our labor relations? I have tried many times to find the answer to that question. In my opinion the basis of the Baltimore & Ohio labor policy is best described as a state of mind resulting from the confidence which employees have in the fairness of management and which the management also has in the fairness of the employees. Instead of thinking of each other in terms of suspicion, a feeling of mutual respect and growing confidence exists, and this, in my opinion, is the outstanding contribution of our cooperative policy. . . .

I have said that we endeavor to deal fairly with our employees, and the question might well be asked, "What do you mean by fairly?" That is a difficult question to answer because, so far as I know, there is no definite standard for determining fairness. There is no established measure of fairness such as the yardstick. Fortunately, however, there is a rule many centuries old which, if honestly followed, I believe will bring substantial justice or fairness. The rule I have in mind is to treat the other man as you think you would wish to be treated if in his place. It is a very old rule, and a very simple rule, but I have not yet heard of a better one. That rule, I like to think, is the essence of the Baltimore & Ohio labor policy.

After ascribing most of the success of that policy to the unions, to his subordinate officers, and to B&O employees in general, and after offering that which he deemed to be hopelessly insufficient thanks to those who had honored him, he sat down.45 Thus did he receive the seventh of fourteen honorary degrees bestowed upon him in his lifetime. It was probably the most important one.

Daniel Willard, almost sixty-nine years old the evening of his testimonial dinner, was at the peak of his reputation. He was beginning to acquire a certain legendary quality, not just from grand banquets and speeches, but also from the observations and subsequent tales told by ordinary employees around the line. On two consecutive Saturday afternoons in November 1929, for example, he was seen by employees at Camden Station in Baltimore carrying burdens for fellow incoming passengers up the stairway from the lower-level platform to street level, quietly and without identifying himself—in one instance the two small children of a young woman, and the other time the suitcase of a frail, elderly woman.46 Such actions made a greater impression on his people than any number of speeches and bulletins on the importance of humble courtesy.
The reputation and all of the qualities associated with it were to be critical in taking the Baltimore & Ohio through the years ahead. As 1930 passed recession deepened into the Great Depression, and the B&O soon was in serious trouble. The company’s revenue in 1929 had recovered almost to the level of 1927, but it fell 14.2 percent in 1930. Despite the decline, throughout the year the B&O continued to honor its employment stabilization commitments to the unions as best it could. On February 10 the company and System Federation No. 30 signed an agreement designed to prevent the Depression, still thought to be a short-term phenomenon, from throwing any of the remaining 12,100 B&O shopmen (down from an average of 13,700 in 1929) out of work altogether. The principal provisions of the agreement were that all B&O shops would remain open, that all back shop forces would work a reduced (forty-four-hour) week, that a pool of junior men in danger of lengthy furlough would be designated to fill in for senior jobholders and guaranteed at least a twenty-four-hour week, and that overtime and any other costly or wasteful practice would be eliminated to the last degree possible. Management anticipated that for the year, equipment maintenance expenditures might exceed the normal budget, which was a function of both measurable need and traffic levels, by as much as $2 million.47

In addition, a placement service was established to aid those workers who had been furloughed or given part-time substitute status. A file containing the names of all such employees and their service records was established by the company; when a job became vacant, the employing officer was required to hire from the file, given that it contained the name of a qualified worker willing to make any necessary transfer. Beyond that, the B&O promised to use whatever remained of its purchasing muscle to secure outside employment for its furloughed employees. Finally, in October the company authorized the construction “in anticipation of future requirements” of one thousand boxcars, one thousand heavy gondolas, and forty-five locomotive tenders; all of the work except the erection of the boxcar bodies was to be done in B&O shops. The project was a considerable boon to B&O shopmen; it provided approximately sixty-five thousand man-days of work that normally would have gone to outside car manufacturers, and that, given the state of business, might not have been contracted at all. The total cost of the project was estimated to be $4 million.48

The result of all of this was that the number of B&O shop employees actually increased between January and October 1930, by 1.4 percent, even as the traffic decline was accelerating. In contrast, the B&O’s competitors were cutting their shop forces: the Pennsylvania by 8.4 percent, the New York Central by 8.5 percent, the Erie by 11.3 percent.49 Willard obviously was doing the good thing.
Whether it was also the smart thing might have been less obvious, especially to the B&O’s shareholders and bankers. Had the economy begun a serious recovery in late 1931 or early 1932, Willard would have been seen in the long run as having been both good and smart. However, it did not: 1931 was a very bad year, and 1932 was even worse. The company’s revenue in 1931 was 18.5 percent below that of 1930, and in 1932 it fell another 20.9 percent. The B&O’s traffic in 1932 was barely more than half of what it had been in 1929. Spending $4 million on new equipment as an increasingly large percentage of the company’s existing car fleet sat idle was a decision that might have been questioned and probably was questioned. There is no record of any link between his offer and possible criticism of the car building and employment stabilization decision, but in January 1931, citing his advancing age on the occasion of his seventieth birthday, Willard offered to resign. The offer was refused vigorously by his board, as was his similar offer the next year and every other year save 1937 until his retirement in 1941, but it still might have crossed the minds of some people that perhaps Willard’s compassion and optimism had outweighed his prudence.50

The B&O did not place a new equipment order of that size again for the balance of the Depression, and layoffs of its employees eventually came to be commensurate with those of its competitors. Willard really had no choice; 1931 profits of $1.4 million amounted to a tiny 0.4 percent return on equity, and the 1932 loss of $6.3 million represented a negative return of 1.8 percent. By November 1932 the total number of full-time B&O employees had fallen to around thirty thousand, from an average of sixty-six thousand in 1929. Of those thirty thousand few were working the old forty-eight-hour full-time week. In the shops, to spread the remaining work around, the standard week had been dropped to thirty hours. To provide some income for men on furlough, a voluntary work sharing program was organized; many of those not among the fortunate thirty thousand thus were able to work fifteen or twenty hours per week.51 That was about all that employment stabilization could mean in 1932.

In the midst of these difficulties, an attempt was made to develop the Cooperative Plan a step further. Late in 1929 an agreement was reached by the Canadian National Railways and the Brotherhood of Maintenance of Way Employees to establish a full set of cooperative committees within the CNR’s maintenance of way department.52 As described in chapter 2, B&O maintenance of way workers already were involved in the Cooperative Plan, but they were generally submerged in the transportation department meetings and were not very active. In December 1930 Otto Beyer wrote to Willard, proposing the creation of separate MW committees on the B&O. Willard was amenable to
pursuing the possibility, and in March 1931 preliminary discussions were held between Beyer and B&O management, represented by Charles Galloway and by Earl Stimson, the company’s chief maintenance engineer. Beyer reported to Bert Jewell that Galloway and Stimson both “were quite willing and ready to proceed” and that he would prepare a more formal report on the structure and staffing of the program for presentation at a follow-up meeting later in the spring.\(^{53}\)

Beyer’s report proposed an arrangement that was very similar to the one in effect on the Canadian National. There was to be an MW cooperative committee for each of the B&O’s fourteen divisions, plus one each for the Green Spring tie plant and the Martinsburg maintenance of way equipment shops. The Green Spring and Martinsburg committees were to meet monthly; the divisional committees were to meet once every two months, because of the logistical problems and attendant costs posed by their geographic breadth. Representing management on each divisional committee were to be the division engineer, one or two of his assistants, one or two bridge and building force supervisors (master carpenters), and three to eight supervisors of road (the number depending upon the number of track subdivisions on the given division); representing labor were to be three to eight members of the track forces (one for each subdivision) and one or two members of the bridge and building forces. Composition of the Green Spring and Martinsburg committees was to be similar to those involving the shopcrafts unions. The labor representatives on the divisional committees were to be allowed one or two days per month to travel their respective segments of the railroad to receive suggestions from, and to pass information to, the local work crews. At the top of the structure there was to be a system cooperative committee, composed of Stimson and four of his subordinates, four general officers of the maintenance of way (MW) union federation, the five executive committee members of the MW federation, and William McGee of the shopcrafts federation; McGee’s presence was the result of the anomaly at Martinsburg wherein the workers were members of his unions.\(^{54}\)

Beyer pegged the direct costs of the program, primarily in the form of paid release time, at $7,130 per year. He recommended that before the program be implemented systemwide, a six-month trial be conducted on the Cumberland Division and the Chicago Division, both notable for the discipline of their union locals and the harmoniousness of their local management-labor relations.\(^{55}\)

Bert Jewell anticipated that the proposal’s recommendation concerning McGee and the Martinsburg situation might be walking into a turf battle between the two departments headed, respectively, by Stimson and by George Emerson; shopcrafts people normally reported up through the mechanical de-
partment to Emerson, but at Martinsburg they reported up through the MW department to Stimson. In a June 26 letter to Beyer acknowledging receipt of his report, Jewell observed: "I think our most difficult cooperative problem is yet to be met—that is, cooperation between the respective departments of the Railway Companies. . . . There is so much friction, jealousy, individuality—buck-passing if you will, as between the different departments of a railroad that it seems to me cooperation between them is bound to be most difficult." He went on to say that he hoped that the presence of a shopcrafts union officer on the system MW committee would "contribute to steadying the boat."  

In that hope he was disappointed. When Stimson met with Beyer, brotherhood president Fred Flipozdal, and officers of the B&O MW federation on July 16, the suggestion about McGee was one of three sticking points. The other two were timing—Stimson and the federation people argued for waiting for an upturn in traffic—and money. With regard to the latter point, Stimson did not wish, given the company's straits, to spend even $7,130; he insisted upon trying the program without giving the local labor committeemen company time to travel their territories gathering ideas. The four-hour session ended with only the agreement to try again in the fall, when business would be better.  

Of course, business was not better in the fall. It did not improve much for a long time.

As the Depression lengthened, and wage cuts and layoffs began to look more and more permanent, union-management relations across the country were subjected to severe strains. The mutual good feeling that had fueled and had been fueled by cooperative programs began to run out. Cooperation was no longer even a slowly growing movement; in fact, it was shrinking fast. Seeing no future in his position with the AFL, Beyer left to become director of the labor relations section of the Office of the Federal Coordinator of Transportation in 1933. The AFL that same year quietly retreated from its official espousal of cooperative programs. Before long the B&O Plan was the only surviving major cooperative program in the United States. It did not grow; serious discussions between the B&O and the MW brotherhood were never reopened. But it survived.

The obvious question now is, Why just the B&O? Why of the dozen or so sizable companies that tried a program of cooperation, and of the thousands that might have, was the B&O the only one in the country to stay the course? Why did not the economic forces that wrecked cooperation in the clothing and textiles industries and on other railroads wreck it on the B&O? One author states somewhat glibly that the B&O Plan survived "for the simple reason that it had proved profitable to the men and the company." That explanation begs the question: Why was it profitable for the B&O, and not for other firms in the same industry? We return to the same broad answer suggested to similar ques-
tions on preceding pages: character of leadership. Leadership determined to see the long-run benefits to company and employees in a program that for short-run stretches might not appear profitable: if that is not wholly the answer, then surely it is a vital part of it. It is hoped that by now the reader has become convinced that in Daniel Willard, the B&O had such leadership.

The proof of such a judgment lies in an accumulation of small but revealing incidents, many of which have been related already. A further case in point still may be appropriate.

The annual Glenwood shopcrafts picnic was the most important company social event of the year for employees of that facility. Although it had to compete for employee attention with other local B&O festivities, such as the outings of the Veterans’ Association and the Pittsburgh Division Athletic Association’s Labor Day weekend corn roast, it was always exceedingly well attended. Dating from the early days of the Cooperative Plan, it had grown quite elaborate over the years. Recently it had been held at Conneaut Lake Park, more than one hundred miles from Pittsburgh. The B&O ran special trains to the affair, upon which employees and their immediate families of course could ride free—at some considerable expense to the company, especially as the trains could use B&O tracks for only a portion of the trip.60

The Mutual Beneficial Association of the PRR had for several years run a similar outing for its central region chapters—similar except in size (total attendance at three separate picnics in July 1930 was sixteen thousand) and in the levying of a charge upon attendees (thirty-five cents for adults and ten cents for children, for lemonade, coffee, and off-line handling of trains—the PRR did not directly serve Conneaut Lake, either). Then in 1931, as a Depression-induced economy move, the MBA and the railroad canceled the event. Presumably being aware of the Pennsylvania’s action, and subject to increasing pressure from Baltimore to keep costs down, local B&O officials prepared to do the same to the Glenwood outing.61

When advised of this action, Glenwood shopcrafts leaders were upset. Local federation officials drew the matter to the immediate attention of William McGee, who in turn pursued the subject up the B&O’s managerial hierarchy to Charles Galloway. Galloway stood by the initial decision: no special trains, hence no outing. McGee did not give up. He apprised Otto Beyer of the situation, and the two contacted Willard, calling his attention to the symbolic importance of the picnic to the Glenwood cooperative program. Willard was on an inspection trip over B&O western lines at the time, but when he returned to Baltimore, he promptly sat down with McGee to discuss the issue. The discussion did not last long; Willard concluded that his views were “quite in accord” with those of Beyer, McGee, and the men at Glenwood. He reinstated the picnic, with special trains, and sent McGee down the hall to work out the
details with Galloway’s assistant. The only change in arrangements from those of prior years was in the advertising of the trains: they were announced as a “Baltimore & Ohio excursion Pittsburgh to Conneaut Lake,” available to all area B&O employees, not as special picnic trains for the shopmen at Glenwood. So on August 29 two full trains were run, and, according to the local correspondent for *Baltimore & Ohio Magazine*, everyone had a marvelous time.⁶²

The incident reinforces the conclusion that Willard was a leader sympathetic to his workers, and willing to spend some scarce money in the short run to maintain their loyalty in the long run. It also strengthens the following conclusion about the style (as opposed to the substance) of his leadership. In broad terms Willard should be judged a highly participative leader, one who delegated a great deal of authority to his subordinates, especially Galloway. Except with respect to results, he did not seek out and exercise tight control over the company’s administrative details. He would note and order prompt remedy of streaks and smudges on passenger car windows, but he would not specify the means of remedy, other than that the first recourse should not be punishment. He would discuss any general issue or specific problem in labor relations with McGee, but he would not work out details of contracts or agreements, for lack of sufficient knowledge or expertise, unless forced to do so.⁶³ A task would be delegated; Willard would note that it was not being executed up to standard, and he would order correction, with the details left to the person responsible. A problem or an opportunity would emerge; Willard would gather opinions and information, alter or reaffirm pertinent policies, and delegate the development of technical specifics. He would step back into a matter only if policies were violated or standards not met. His essential style was this: to set general policies, standards, and tone; then to delegate, to watch that things were done properly, and to intervene if they were not. Sometimes that allowed problems to grow somewhat before they were resolved, but generally it was a very effective means of getting the most out of his subordinates’ managerial talent. To have been more autocratic would have been to violate the spirit of the sign in his office.

Problems like the picnic incident notwithstanding, Willard’s management team generally knew what the boss expected of them. Most disputes or performance problems were resolved in the field; Willard did not often have to serve as final arbiter or enforcer. His door was virtually always open, but not everything landed in his office. This was as true of the Cooperative Plan as of any other matter. During the late twenties and early thirties occasional problems with disagreeable or uncooperative local supervisors still arose. Such minor unpleasantness apparently was usually corrected at lower levels of the hierarchy, without any intervention by Willard.⁶⁴ Galloway and his subordinates
may not have been quite so rigorously committed to cooperation as was their president, but neither were they the stumbling blocks that they at times might have seemed.

Nor should it be thought that all of the labor-management difficulties that arose during this period were the fault of management. During the summer and fall of 1931 a disagreement that demonstrated that the unions were capable of being every bit as niggling and shortsighted as the most unregenerate of operating officials occurred. In mid-June, after a lengthy period of pressuring and negotiating with Pullman Company management, the B&O succeeded in landing a contract to install air-conditioning in a number of Pullman sleeping cars at Mount Clare shops. It was highly unusual for Pullman to engage outside subcontractors, but the B&O had gone in hard pursuit of the contract anyway, seeing it as one means by which the company might honor its employment stabilization pledge under the Cooperative Plan. Perseverance paid off, and the contract was won. To complete the work—a rush order, since summer was beginning—Mount Clare management retransferred ten workers from the freight car department back to the passenger car department, where they had worked before a force reduction seven days previously. To speed the work along, the second shift was reinstated, to be worked by the returning men. Their wages were jumped back up to the passenger car rate of eighty cents per hour from the freight car rate of seventy-three cents, and ten men were recalled from furlough to fill their places in the freight car shop. Everyone should have been delighted. Instead, the local shopcrafts federation, on behalf of the ten men, filed a claim for penalty overtime.65

The Mount Clare superintendent, F. S. Stewart, was stunned. There was a clause in the shopcrafts contract that allowed a worker transferred from one shift to another without his request to demand the overtime rate for his first day on the new shift, a measure designed to protect the worker from frequent transfer from shift to shift at the whim of management. Stewart's subordinates, in their haste to get to work on the Pullman job, had neglected to post notice of the shift reinstatement so that the ten men could request the retransfer themselves. Because they had been working the day shift in the freight car shop and had not formally requested to be transferred, the men were technically entitled to invoke the penalty overtime clause. Stewart and his staff could not believe that the men would do that, since they were essentially getting their old jobs back at nearly a 10 percent higher wage and making room for the return of ten unemployed colleagues. On July 6 Stewart denied the claim.66

The shopcrafts committee did not let the matter rest; they appealed the decision up the chain of command. The issue was listed for discussion at the fall grievance conference between Federation No. 30 and headquarters man-
agement in Baltimore. It was discussed, on November 10, but to no different outcome. Conference chairman F. E. Blaser (Galloway's assistant) noted as critical to management's decision the fact that everyone knew that the ten men wanted the retransfer. Subsequently, on November 16, McGee appealed directly to Galloway.

One can practically see the steam rising from Galloway's letter in response to McGee's request for an appeal conference. In essence he called the union position petty, ungrateful, and utterly unreasonable, and he made it clear that although he would meet with McGee promptly, they would be wasting their time. He also made it clear (to paraphrase) that it would be a cold day in hell before he went out of his way to land any more Pullman subcontract business.

Beyer and Bert Jewell meanwhile were keeping an eye on the dispute from a distance. Beyer, probably embarrassed by his union colleagues' behavior, never did interject himself into the matter. Upon receiving a copy of Galloway's blast, however, Jewell did become involved. He sent Willard a copy of his file on the dispute, with a cover letter that, although not specifically discussing the merits of the case, called the matter to Willard's attention and offered the thought that it was "most unfortunate that the right of appeal from one officer to another cannot be exercised without the expression of undue resentment and threats." Willard's reply to Jewell, although not so emotionally accusatory as Galloway's, was uncharacteristically blunt and reproachful. He thanked Jewell for calling the matter to his attention, and he stated that since by the letter of the contract the men were entitled to time and a half, their claim would be paid. He then went on to say that he nevertheless was very much in sympathy with Galloway's position: that the ten men and their union, for the sake of a small, effortless gain ($3.20 each), were penalizing their company for its efforts on their behalf. The damage done would exceed the $32.00 benefit. "Personally," he wrote, "I think that the Company can much better afford to pay the claim than the men can afford to take it, in all the circumstances." By mid-December the matter was settled: the men got their day's overtime pay, McGee got an "I guess I've been circumvented" letter from Galloway, and Jewell and Beyer got an attempted explanation from McGee. There is no evidence that Mount Clare shopmen got any more Pullman air-conditioning work.

Willard by this time was the acknowledged senior statesman of railroading. His opinions and judgments were widely sought and respected outside as well as inside the industry. He was a director of AT&T, a member of the board of visitors of the Naval Academy, and the chairman of the board of trustees of Johns Hopkins University. He was held in high esteem in Washington, espe-
cially by kindred spirits in the progressive wing of the Republican party. He was much in demand as a speaker, both to trade groups and to the academic community. 72

The judgments he offered in the world beyond his railroad were invariably those of a statesman: loyal to his own interests, but appreciative of and even defensive of the interests of potential adversaries. He was not afraid to speak up in favor of a legitimate but unheard side of an argument. His willingness to take the part of the common worker before an audience not too eager to hear it is well demonstrated in a speech that he gave in March 1931 at one of the great bastions of laissez-faire capitalism, the Wharton School of the University of Pennsylvania. In the course of presenting his thoughts on the role that Wharton should play in the world outside its walls, he stated that he could think of "nothing more deplorable" than that a man should be able and eager to work but be unable to find a job. Then he went on to say that were he unemployed, he would steal before he would starve. 73 That comment created something of a stir, both in his audience and later in the press, coming as it did from such a man in such a setting. But in the midst of a depression, it was something that the future financial elite and their teachers needed to hear.

A statesman also is willing to try to serve as a conciliator between two sharply opposing interests. One notable attempt to do so was his quiet lobbying of a number of coal mine operators, the "bad" side of an industry with perhaps the ugliest labor relations history of any in the United States, to sit down with the United Mine Workers and set up a B&O-type cooperative program on their properties. In 1933, at the suggestion of Beyer and Ellis Searles of the UMW, he took the matter up with several coal firms, but only one—a major B&O customer—indicated any serious interest in pursuing direct talks with Searles. Even that one possibility came to naught, but he did try. 74 The year 1933 simply was a terrible one to talk about cooperation, as the economic pie was shrinking and everyone was scrambling for crumbs. Besides, the Appalachian coal industry was a more hopeless place for a union-management cooperative program than Glenwood in 1923.

Of all of Willard's acts of statesmanship, though, his most difficult and, at the time, widely appreciated was his nearly single-handed negotiation of the 1932 railroad wage reduction. Throughout 1931, as the monetary deflation that accompanied the Depression deepened and as traffic nationwide continued to fall, the railroad industry's need for a general wage cut became increasingly obvious. During the first part of the year, the subject was being discussed privately by a number of railway executives, including Willard. As the year passed, the consideration of various approaches to the possibility became more intense. The hardest of the hard-line railroad executives favored posting notices of an intended 20 percent across-the-board permanent cut.
Willard's preference was for a 10 percent temporary cut, with full wages to be restored as traffic levels improved. As discussions proceeded through the fall, the presidents of a group of the most powerful roads (including the Pennsylvania) settled on announcing a 15 percent cut. Willard opposed such a step. After a lengthy and heated debate at a conference of the Association of Railway Executives in November 1931, he succeeded in convincing a majority of his counterparts to give him a chance to negotiate a voluntary temporary 10 percent wage reduction. Working with a committee composed mainly of the presidents of roads of modest strength, Willard arranged for a conference with the twenty-one AFL and independent rail unions, to be held at the Palmer House in Chicago beginning on January 15, 1932. The debate at the conference was even lengthier and more heated than at the preceding executives’
conference. For seventeen days Willard argued his case, with individuals, in small groups, and finally before the entire assemblage. When the matter was put to a vote, he won: all twenty-one unions agreed to an eighteen-month 10 percent pay concession. In an unusual display of respect and affection for a man who had just talked them out of 10 percent of their income, the unions sent him a basket of flowers.\textsuperscript{75}

For his own part Willard already had cut his own salary by 20 percent from $150,000 per year to $120,000. As the Depression continued, he cut it to $60,000. He reduced the salaries of his officers—those earning at least $300 per month—by 10 percent in November 1931 and by another 10 percent when the union agreement became effective.\textsuperscript{76} Then in June 1932 he ordered a cut that was painfully symbolic of the B&O's declining fortunes: suspension of the publication of \textit{Baltimore & Ohio Magazine}. Its publication did not resume until March 1934.

Statesman that he was, Willard could not stop the B&O's financial slide. Neither could he halt the gradual decline in vitality of the Cooperative Plan. All of the negative forces and incidents already described gradually took their toll. Through 1926, an average of 529 suggestions per month had been submitted to shop cooperative committees; for the subsequent period through 1933, the average was only 190. The suggestion acceptance rate also fell in the latter period, from 86 to 78 percent.\textsuperscript{77} Mutual irritation between labor and management, exhaustion of the more obvious improvements, reduction in meeting frequency, lowered interest resulting from worn-off novelty, and reduced enthusiasm caused by lower morale all slowed the program down. The most tangible reason for the declines, though—of particular importance with reference to the acceptance rate drop—was budgetary constraints, especially from 1930 on. Otherwise acceptable ideas were being deferred or rejected for lack of funds with increasing frequency as traffic levels plunged.

The impact of the company's financial exigency can be seen in the minutes of the system cooperative meeting for the first quarter of 1933. Held from 10:15 to 11:55 A.M. on January 4 at the B&O central office building, the meeting was attended by a typical complement of seventeen people: George Emerson chaired the meeting and represented management, along with the superintendent of the car department, the superintendents of motive power for the eastern and western regions, the superintendent of Mount Clare Shops, and three lesser mechanical department officials; labor was represented by Otto Beyer, William McGee, the general chairmen of six Federation No. 30 unions,\textsuperscript{78} and an assistant general chairman. There were five items of old business on the agenda, all of which had been deferred for financial reasons. The first item, the construction of a washroom at the East Dayton shops, had been held in abeyance since the meeting of January 1927—for six years—“account
necessity holding down all expenses.” The second item, the addition of a washroom and lockers at Toledo, had been held up almost as long for the same reason: its cost, estimated at $3,570. The other three items were proper drainage for the floor of the car shop in Lorain, Ohio; the resurfacing and waterproofing of the pits in the Glenwood back shop; and the elevation for drainage purposes of track 20 in the car yard at Benwood, West Virginia. All of these recommendations dated from 1930, and all had been deferred because of insufficient funds.\(^7\)

Upon only one of these five items was action taken at that meeting; it was decided to proceed with raising the soggy yard track at Benwood. The other four items were deferred again, until April. There was no new business before the committee; the balance of the meeting consisted mainly of McGee’s asking Emerson about the possible reinstatement of work forces at various specific points around the system and Emerson’s providing little definite encouragement.\(^8\)

The Cooperative Plan had been more than a short-term success. In systemwide operation for nearly ten years at the end of 1933, it had built up some impressive numbers. Some 9,524 meetings (shops and CT/MW, local and system) had been held; 41,333 suggestions had been received, and 32,754 of them adopted.\(^9\) Nonetheless, Cooperative Plan activity had slowed considerably, and its impact upon company profitability, it may be inferred, was much diminished. Such an inference is supported by Figures 3-1 and 3-2. The B&O’s return on equity more or less kept pace with that of the Pennsylvania through 1928. In 1929, though, it fell well below PRR return on equity, and it stayed there; B&O ROE did not equal or surpass that of its rival again until 1941. Net railway operating income figures were less discouraging, but they still indicate that during the late 1920s, the B&O lost some of the ground it had gained on the Pennsylvania earlier in the decade. From 1930 through 1933, PRR net railway operating income fell as far as did the B&O’s, but it recovered in comparative terms thereafter.\(^10\)

As pointed out at the end of chapter 2, ascribing shifts in such general measures of profitability to the level of Cooperative Plan activity cannot be done with great confidence. Capital expenditures, and strategic decisions more broadly, are at least potentially weightier determinants of economic success. B&O and Pennsylvania percentage increases in net plant and equipment were roughly equal from 1927 through 1933: 18 and 17 percent, respectively. This apparent parity would seem to wash the factor out as a major element behind the relative performance of the two railroads. However, Willard and Atterbury did not spend their money at the same time or in the same ways. Broadly speaking, Atterbury concentrated his investments on betterments to existing property relatively early in the period, while Willard spent heavily on
Figure 3-1 Return on Common Equity
Figure 3-2 Net Railway Operating Income—Index Numbers
(Base = 1925–26 average)
acquisitions of new property in 1931. Nearly two-thirds of the increase in value of PRR net plant and equipment during the period was from internal investment before the end of 1929; roughly one-half of the B&O's corresponding line increase resulted from the purchase and consolidation of the Buffalo, Rochester & Pittsburgh (BR&P) Railway and the Buffalo & Susquehanna (B&S) Railroad, completed in November 1931. Willard's acquisition of the BR&P and the B&S, along with his simultaneous expenditure of $25 million for the entire capital stock of the just-out-of-receivership Alton Railroad, simply did not pay off as Atterbury's betterments did. With the Depression dragging on, the Alton proved to be more hindrance than help, and the BR&P and B&S probably were less help than a debt reduction would have been.\(^3\) The ineffectiveness of the B&O's capital expenditures, then, distorts the profit picture by which the effectiveness of the Cooperative Plan might be judged. Figures 3-1 and 3-2 thus provide no definitive answers, but they are consistent with the conclusion that a weaker Plan was providing a weaker boost to B&O profits.

Was Willard's wisdom in personnel policy being offset by foolishness in overall strategy? To answer the question affirmatively would be unduly harsh. Neither Willard nor anyone else in 1931 expected that the Depression would continue without a full recovery for eight more years. Had there been the anticipated robust recovery by 1933, then Willard's acquisitions would have been good investments. Furthermore, his acquisitions did not spring from some impromptu expansion impulse, but from a government-encouraged master plan for eastern railroad mergers that had been gestating for over a decade. Willard had been involved in this matter from the beginning, seeing in the orderly ICC-supervised consolidation of smaller and weaker roads into larger and stronger ones the chance to achieve economies and efficiencies that would benefit both the public and the companies. Through his friendly relationship with the progressive Republican senator Albert Cummins of Iowa, he had helped to shape the portion of the Transportation Act of 1920 (the Esch-Cummins Act) that mandated such consolidation. Throughout the 1920s his long-range strategic plans for the B&O both influenced and were influenced by the ICC's evolving merger plan. He was a strong supporter of the final plan proposed by the commission in 1929, and, in concert with the Hoover administration, he worked hard to cultivate its acceptance among his fellow railroad presidents.\(^4\)

Discussions over the next two years finally yielded a somewhat watered-down consensus on a four-system plan, submitted to the ICC in October 1931. The four systems were to be built around the B&O, the PRR, the NYC, and the C&O–Erie–Nickel Plate. In addition to roads in which it had long-standing partial ownership—Reading, Jersey Central, and Western Maryland—
Daniel Willard's master plan of expansion of the B&O Railroad. Four-system plan presented to the Interstate Commerce Commission, 1931.
the B&O was assigned the BR&P, the B&S, the Alton, and the Ann Arbor (see map). In making his acquisitions, then, Willard was moving to carry out an element of public policy that had been under development for a very long time.85

His conscientiousness was not well rewarded. Final ICC approval of the plan was announced in July 1932, but Willard's counterparts in the other three groups moved much more slowly or not at all, thus saving themselves precious cash and credit for other uses. Willard was out on a limb, and the Depression was weighing him down more and more as the weeks and months passed. He needed the loyalty and commitment of his employees more than ever before.