

**IRRATIONAL OPTIMISM IN A DECLINING INDUSTRY:  
SIR ADAM BECK'S INTERURBAN RAILWAY PROPOSAL**

Sir Adam Beck, best known for his advocacy of publicly owned electric utilities, in 1920 sought to build a network of electric interurban railways, essentially long-distance trolleys, in southern Ontario. Beck's proposal illustrates the phenomenon of irrationally optimistic responses to decline of an industry.

Interurban railways are an industry that went through birth, a period of mania, decline, and death during a fairly short period. The first interurbans were built in 1899. The industry's decline had set in by World War I, although some interurban railways lingered longer. As such, this presents the opportunity to observe the growth and decline of an industry within a relatively compressed period of time. The current study focuses on an irrational spurt of optimism in Ontario during the 1920s: An ambitious new network of interurbans was proposed By Sir Adam Beck in southern Ontario at a time when the industry was generally in decline.

First, the notion of an interurban must be defined. (The word was used both as a noun and as an adjective.) These were not conventional heavy-rail operations; instead, the vehicles were more similar to trolleys than to conventional railway cars. Interurban vehicles were self-contained (not locomotive hauled), electric, and light in weight. Interurban vehicles would have a toilet, but (almost) never would they have dining facilities or sleeping cars because the distances were so short. Freight typically consisted of perishable farm products such as milk, often carried in the passenger compartment or in the entryway next to the driver. The rails were cheaply laid on private rights-of-way parallel to rural roads, and within cities and towns the interurbans used track laid directly in the streets, often sharing the track with local trolleys and getting bogged down in traffic jams. Interurbans had hills and curves that would be impossible for a conventional train. In Ontario, interurbans were referred to as "radials," but the more widely accepted term, interurban, is used in the current study.

The U.S. had an extensive network of interurbans, none of which exist today, with a few rare exceptions such as a Chicago-Northern Indiana line that still operates in a barely recognizable form. In the heyday of the industry, a dense network of interurbans covered the swath from Maine to Wisconsin, with smaller networks in other parts of the U.S., notably California. Their niche was to siphon off short-haul passenger traffic from the conventional railroads and to provide passenger service in areas where the population did not justify the costly

heavy-rail construction of conventional railroads.

The industry was short-lived. The first interurban line in either Canada or the U.S. was built in 1887 between St. Catharine's and Thorold. In Canada, construction peaked in 1908 when 126 km (78 miles) were built during that year. For Canada, the year 1917 was noteworthy for being the year in which the greatest number of miles were in operation (1328 km or 825 miles), and also for being the first year in which "miles abandoned" surpassed "miles built" (Due, 1966).

In the U.S., where overall mileage peaked in 1903, the pattern was similar. The year 1907 was noteworthy because there was more new construction during that year than any other. "Miles abandoned" surpassed "miles built" in 1917, with over half the industry's mileage abruptly being abandoned during 1925-1932 (Hilton & Due, 1960).

The interurbans serving Toronto suffered from an additional drawback: Due to the political power exerted by Toronto Street Railways, interurbans terminated at the outskirts of the city, necessitating a transfer to a trolley for the last few miles even though the track gauge was identical. For example, interurbans from the north terminated on Yonge Street where the present-day Summerhill subway station is located, and interurbans from Guelph and Georgetown terminated at Bloor & Keele, a long distance from downtown (Due, 1966). This inconvenience made it very difficult for the interurbans to compete against the conventional railroads on routes where their tracks were parallel.

Canada's interurban network was principally in southern Ontario, ranging from Lake Simcoe as far as Waterloo and Niagara Falls. Even within that region, there were gaps in the network, and lines were owned by unrelated companies. The last operating line in this region was Thorold-Port Colborne, which shut down in 1959 – an aberration within the industry since all the other lines of the region had been long abandoned by that time. Of course, ordinary trolleys operate in Toronto to the present day, but the interurban was a distinct phenomenon, running longer distances and using private rights-of-way outside the urbanized areas.

Other Canadian interurban lines emanated from Windsor, Montreal, Vancouver, and other cities, but these were minor compared to the denser coverage of the Toronto-Niagara region (Due, 1966). It was never possible to make a long trip solely by interurban, nor was this the aim of the companies operating them. The longest uninterrupted interurban journey possible within Canada was the 122 km (76 miles) between Vancouver and Chilliwack (Official Guide, 1941).

### **The Role of Sir Adam Beck**

Sir Adam Beck (1857-1925) was a London, Ontario, businessman who served in the provincial legislature as a Conservative Party member. He was a firm believer that electric utilities should be government owned, and in 1906, he became the first chairman of the Hydro-Electric Power Commission of Ontario, predecessor to Ontario Hydro (now Hydro One). Beck is remembered for his pioneering role in promoting public ownership of electric utilities, but a lesser known, later chapter of his life involved his enthusiasm for planning interurban railways. In itself, this was not much of a leap, since many interurbans were owned by electric utilities, but Beck's most ambitious interurban plans arose when that mode of transportation was already

passé. It is ironic that Beck would be farsighted and ahead of his time where public ownership of utilities was concerned, yet so sadly out of touch with the state of the industry where interurban railways were concerned.

Beck had been enthusiastic about building interurban lines as far back as 1912, but the financing was not possible, although interurban lines were built in southern Ontario by other companies. Beck's complex formula was for the Hydro-Electric Power Commission, which he chaired, to build and operate the lines, financed by bonds which in turn were secured by provincially-guaranteed debentures issued by the affected municipalities. The municipalities, in turn, would be responsible for any defaults or operating deficits. Between 1914, when enabling legislation was passed, and World War I, three projects were approved but the war prevented construction: Toronto to Uxbridge and Port Perry, Toronto-Fort Erie, and an extremely ambitious Toronto-Sarnia line (Due, 1966). After World War I, Beck continued to pursue his dream of an extensive publicly-owned interurban system, not realizing that the industry had passed its zenith and that the technology was already obsolete.

In 1919 the Conservative Party was replaced by the United Farmers Party under the leadership of Ernest C. Drury. This was not necessarily a death-knell for Beck's proposal, since the United Farmers Party was opposed to the traditional railroads and supported rural development. In his memoirs, Drury discusses his opposition to Beck's proposal, which he describes as the "bitterest controversy" of his government (Drury, 1966, p. 116). Even in 1919, Drury regarded the interurbans as obsolete, due to the growing popularity of automobile ownership. Drury says that although he was entitled to free railway travel as Premier, he preferred to drive from Barrie to Toronto, and he wondered how the new interurbans would ever show a profit when automobiles were so convenient. Also, Drury noted that the region was already well-served by conventional railways, and that the inevitable failure of the proposed interurbans would result in the province bailing out bankrupt municipalities, since it was the municipalities who would be the guarantors of interurban-related borrowing. It is intriguing that even in 1919, some leaders recognized that automobiles would replace rail travel.

In addition to Drury's stated reasons for opposing Beck's proposal, it is quite possible that Drury wanted to take Beck down a peg. There was deep animosity between the two; Drury describes Beck as "a very hard man to get along with," and having the "character of a tyrant" (Drury, 1966, p. 118). Drury was not unique in his opinion of Beck's personality. According to historian Vivian Nelles, "vanity and love of authority were his two foremost weaknesses" (Nelles, 1974, p. 247). Beck's biographer says "He rebuked friends who advised the use of finesse and accused them of lukewarmness, timidity, and lack of dependability" (Plewman, 1947, p. 57), and goes on to state that many leaders whom one would expect to be Beck's natural allies because of similar interests, opposed Beck solely due to his bullying and abrasive personality.

In many ways Beck was similar to later public sector "empire builders" such as New York's Robert Moses in the 1930s and Toronto's Frederick Gardiner in the 1950s (Caro, 1974; Fulford, 1995). Beck, Moses, and Gardiner were all individuals motivated by the acquisition of power as an end to itself rather than by personal wealth, none were known for their charm or diplomacy, and all three created massive personal empires in the interstices of existing government structures beyond the reach of voters or elected officials. In Beck's case, his Hydro-Electric Power Commission of Ontario appeared to be a provincial-level organization, but when

attacked by politicians within the provincial government, he would claim the commission was a municipal-level entity and was always able to rally mayors to defend him (Nelles, 1974, p. 402).

### **The 1920 Sutherland Commission**

Drury, after taking office as Premier in 1919, might have openly rejected Beck's program, but instead Drury in 1920 established the Royal Commission of Radial Inquiry, otherwise known as the Sutherland Commission, to consider Beck's proposal (Globe, 1920). Beck envisioned a single integrated system connecting Toronto, Guelph, Waterloo, and Niagara, built to higher-than-usual standards, allowing 60 mph (97 kph) speeds. Actual speeds would be substantially less due to stops; for example, the Toronto-St. Catharine's run would average 41 mph (66 kph) from end to end and take one hour, 40 minutes (Reports, 1921, p. 19).

Beck's 1920 proposal consisted of five segments, combining new trackage with existing trackage which would be upgraded (Figure 1):

- (1) Toronto-St. Catharine's,
- (2) Toronto-Bowmanville,
- (3) Toronto-Georgetown-Guelph and Toronto-Woodbridge,
- (4) Hamilton-Galt-Guelph and Galt-Waterloo-Elmira, and
- (5) St. Catharine's-Thorold-Niagara Falls, including branches to Port Colborne and Niagara-on-the-Lake (Reports, 1921).

In many instances, the existing interurban lines were ultimately controlled by Canadian National Railways, although they were not conventional railroads and were operationally distinct, even having a different track gauge; Beck's proposal involved purchasing these. Under Beck's plan, one-fourth of the route between Toronto and St. Catharine's would be double tracked and the rest of the system would be only single track. In addition, Beck planned a private right-of-way for interurbans along the Toronto waterfront from both east and west. One variation would be to have an interurban terminal at the foot of Bay Street; another variation discussed was to have an interurbans-only subway under Bay Street, terminating at Queen Street near City Hall (Reports, 1921, p. 21). A third variation for serving central Toronto is mentioned, "a surface loop scheme at Bay Street," presumably meaning on-street trackage (Reports, 1921, p. 50).

Inexpensive electric power from Niagara Falls was touted as a special advantage for the proposed system. Although predominantly passenger-oriented, Beck's proposed system would have a greater emphasis on freight transportation than most interurbans, and thus pose a major threat to the existing conventional railroads. Premier Drury had been elected on a platform of opposing the conventional railroads, and hence the conventional railroads had little impact on the decision process.

If such a system had been built in the first decade of the century, it would have been a visionary proposal ahead of its time. But the era of interurban mania ran its course very quickly, and by the 1920s, the entire industry was past its peak. Automobile ownership was becoming so common that it was clear, although not to Beck. Conventional railroads would be able to hold their own against automobiles for decades to come because of the longer distances, but in the 1920s the automobile was already more practical than an interurban for the farmer wanting to go

into town or the salesman travelling from one small town to another, and it was these customers who were the bread and butter of the interurbans. It appears that Beck believed the automobile to be a passing fad long after others realized that it would revolutionize rural transportation. Beck's interurban dream had become an obsession with him, but because the lifespan of the entire industry was so short, an idea that was prophetic in 1912 had become obsolete by 1921.

**Figure 1. The Proposed Ontario Radial System: 1920**  
(From Due, 1958, p. 4)

To buttress his argument, Beck's Hydro-Electric Commission hired a New York engineer, William S. Murray, to investigate the feasibility of Beck's proposal (Murray, 1920). Murray enthusiastically supported Beck's proposal, but Beck was mistaken if he thought the report would sway the Sutherland Commission. Murray was called as a witness, and the Commission's final report castigated him at length, accusing him of having a "loose way of putting things" (Reports, 1921, p. 7).

The Sutherland Commission met over a period of months, questioning 141 witnesses, including experts from both U.S. and Canada about the economic viability of the project. The crucial parts of the hearings appear to have been presentations by William Murray and by Beck's engineers at the Hydro-Electric Commission, countered by testimony from U.S. interurban executives, especially from the Detroit-Toledo-Cleveland region. Beck's financial projections were subjected to scathing scrutiny and compared with data from existing interurbans in both countries. The argument against Beck's proposal was that the entire industry was past its prime and simply not profitable, and that the Toronto region lacked the necessary population density. The Commission emphasized how the growing popularity of motor vehicles had devastated interurbans in the U.S. One particularly damning statement in the Commission report is that "Mr. Todd [a U.S. witness] knows of no interurban lines which were built in the States during the past ten years, and Mr. Coen [another U.S. witness] says that no new interurban building was done... in Ohio, since 1906" (Reports, 1921, p. 27). Beck and his consultant, Murray, were fond of citing the London & Port Stanley line, owned by the City of London, as proof that interurbans could be profitable (Murray, 1920), although others would counter that it was nonrepresentative because it was quite short and had no competition from conventional railroads.

In particular, the Commission criticized Beck for overly optimistic freight forecasts, which were based on surveys of businessmen, who seem to have given off-the-cuff responses that were wildly optimistic. The Commission sarcastically refers to freight shipments "promised by friendly and public spirited citizens" (Reports, 1921, p. 45). Beck's proposal also based freight forecasts on "tonnage per capita" calculations, which the Commission said were misleading because such calculations hinge on how much of the population works in manufacturing and whether conventional railroads offer competing services.

The Sutherland Commission also considered some truncated versions of Beck's proposed network. However, much of the rationale underlying Beck's plan was that freight from the

Guelph and Waterloo regions would be carried on the Hamilton-Toronto segment, thus justifying the high capital costs of that segment. According to the Commission, if the Guelph and Waterloo elements were removed, the remaining Hamilton-Toronto (or St. Catharine's-Toronto) route became even harder to justify economically (Reports, 1921, pp. 60-61)

In the end, the Sutherland Commission defeated Beck's proposal in a 4-to-1 vote.

In late 1921 and early 1922, Beck tried to push through a watered-down proposal for a Niagara-Toronto interurban line terminating at City Hall via a subway under Bay Street, but discarding the Guelph, Waterloo, and Bowmanville segments of the 1920 proposal. Although Beck had the support of the relevant municipal governments, Premier Drury made no attempt to humour Beck and rejected the proposal outright (Drury, 1966). There was no hindrance to the municipalities financing the project by themselves, but Drury's opposition prevented Hydro from issuing bonds, and the idea died (Due, 1958). In January 1923, a Toronto referendum was defeated which would have allowed a right-of-way for interurbans to be built, and simultaneously, pro-Beck candidates were defeated in Hamilton. Although *The Globe* described this as a "temporary setback" and Beck vowed "We shall fight on," (Globe, 1923, p. 1), it marked the end of the interurban movement in Ontario. Two years later, Beck died in 1925.

### **The Phenomenon of Irrational Optimism Amidst Decline**

Beck had a deep attachment to the interurban industry and an extensive knowledge of it, yet he seemed unaware that it had peaked and that entire industry was on a downhill slope. Researchers have documented the phenomenon of irrational decision making within shrinking or declining organizations, and it is plausible that a similar phenomenon occurs when the level of analysis is an entire industry.

In documenting irrational responses to organizational decline, the first academic study was that of Tsouderos (1955) who demonstrated that non-profit organizations increase their headquarters staff and administrative budget at the same time as membership falls. In a similar vein, Parkinson's classic article on the British Navy showed how the administrative component grew while the Navy as a whole shrunk (Fortune, 1956). Other authors have speculated about a ratchet effect in which the number of departments and number of hierarchical levels increase when the organization grows, but do not decrease when the organization shrinks (Inkson, Pugh, & Hickson, 1970; Freeman & Hannan, 1975). Jeffrey Ford (1980) noticed that organizational leaders are surprisingly slow to respond to organizational decline, which he described as a lag phenomenon.

In a study of U.S. railroads during the 1960s and 1970s, many railroads responded to decline by targeting layoffs toward hourly workers instead of headquarters employees, in some cases even increasing the number of administrative employees (Mentzer & Near, 1992). In a few extreme cases, declining railroads focussed layoffs on track maintenance employees, creating a downward spiral of slower trains, less profit, and less money to spend on future maintenance.

Such self-destructive decisions make sense only if the railroad executives were convinced that their decline was a short-term aberration, and that if they waited it out, they could catch up on maintenance when their customers returned. With the objectivity of hindsight, such a response to decline can only be described as suicidal, but it should not be surprising that executives whose lives are intermingled with their careers lack objectivity when analyzing long-term decline.

Such responses to decline have many possible explanations. It is easy to make an organizational structure more complex as it grows, but far more challenging to reverse the process. Also, organizational decline is usually accompanied by increased centralization of power, and in such circumstances it is tempting for those at the top of the organization to increase the number of support staff. In many instances, leaders respond ineptly to decline because they don't recognize it as decline, instead rationalizing that the drop in revenue is a short-term blip that must be waited-out, or that the decline can be solved with more intensive management from headquarters, or with a bit of administrative fine-tuning. Those in a declining organization might be so emotionally tied to their careers, and spend so much time interacting with like-minded people in the same organization or the same industry, that they are the last to realize that their organization has entered a long-term decline not amenable to quick fixes. Institutional theory offers support for this conjecture, in that the turmoil and anxiety of decline cause decision-makers to imitate one another, and in the end, information from objective outsiders is even less likely to be considered (McKinley, Sanchez, & Schick, 1995).

If leaders lack objectivity in analyzing the decline of their own organizations, the same phenomenon could occur when the level of analysis is an entire industry. At the beginning of decline, it is difficult even for an objective outsider to distinguish between long-term decline ending in the demise of an industry versus a short-term problem that can be cured through better management. Those who have spent their entire careers in an industry are likely to have an emotional attachment that causes them to err on the side of unwarranted optimism when the industry enters a downturn.

Beck's obsessive determination to build his interurban system, coupled with his blindness to the growth of highway transportation, illustrate this phenomenon. He was aware that most interurbans were unprofitable, but he thought that some minor improvements (e.g., higher construction standards and soliciting freight business) would solve the problem. However, for Beck, the real problem was that the underlying technology was obsolete, and nothing he could do would re-create the pre-World War I heyday of interurban growth.

### **Conclusion**

If Beck's proposed interurbans had been built, would the Toronto-Niagara region, today, enjoy frequent electric train service because of his vision? In all likelihood, if Beck's interurbans had been built, they would have been abandoned sometime in the 1930s or 1940s. In their analysis, the Sutherland Commission frequently compared Beck's proposal to the interurbans linking Detroit, Toledo, and Cleveland (Reports, 1921). Yet the interurbans in that part of the U.S. had vanished by 1940. Because the Detroit-Toledo-Cleveland region was already saturated by conventional railroads, not even the rights-of-way of the interurbans were of value. The same fate would likely have fallen upon Beck's proposed interurbans, had they been built.

Such unwarranted optimism – last gasps at tweaking an obsolete technology – may occur in other industries characterized by obsolete technologies, and it would be interesting to investigate how widespread this phenomenon is. Normally, organizations are keen to hide failed innovations, and the organization might not even exist anymore. Such events are easiest to identify in regulated industries because the regulatory agencies preserve the historical record. In the case of Beck's 1920 proposal, it is mainly because of the report of the Sutherland Commission that one can understand the details of the controversy and comprehend Beck's rationale.

Earlier in his career, Beck was ahead of his time, but the industry went through maturity and decline faster than Beck's own thinking evolved, leaving him obsessed with pushing an obsolete technology on a hostile provincial government.

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