The FAILURE OF REGULATION

By DANIEL W. HOAN, City Atty. of Milwaukee

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THE GIST OF THE CASE

Regulation had been tried, and it proved a failure in foreign countries years before it was imported into the United States.

Regulation of private monopoly means a needless duplication of effort and expense. The company provides for one set of managers,—the states for another,—the nation for a third.

If it takes one commission to regulate the inter-state railroads and express companies, how many commissions will it take to regulate ten thousand interstate combinations?

The cost of the Interstate Commerce Commission is one and one-half million dollars annually. What will it cost to regulate all the trusts now in operation in the United States?

Regulation in theory implies peace between the public and the corporations. Regulation in practice means one continual fight between the two.

No two systems of regulation are alike, and all of them are either being constantly changed or abolished.

Smashing a single trust has been a job of years; but even if we grant that President Wilson will smash one national combination each day during his entire term, there will still be about 8,500 of them left to smash at the end of that time.

If it takes four and a half years, and eleven and a half million of words of testimony to "dissolve" one trust, as it did the Standard Oil trust, how long will it take and how many words will it require to dissolve ten thousand combinations?

If one trust, after being "dissolved" comes back
the next day with a new set of books and twenty-nine different names and does business at the old stand, but at a twenty-five per cent increase in prices, what will be the result of dissolving ten thousand illegal combinations.

Do you know that when the foreign countries had tried regulation on railroads and express companies, and found it a failure, they dropped it and took up public ownership? They did not do as we have done after a similar experience,—extend its function and try to regulate all public utilities, thus making the confusion worse confounded.

Private business becomes public business when it reaches the stage of monopoly. This is so because single individuals through monopoly exercise a dangerous power over the community which the same persons under free competition do not possess.

Monopoly means that a few individuals have power to control the supply of the ordinary necessities of life and to fix the prices thereof.

Two telephone companies in a town are objectionable. Why? Because a single company can give us more service for the same money than two companies can. The one company can do this because it does not have to string two sets of wires, keep two exchanges, provide two sets of books, or pay for other duplication. The same principle makes monopoly desirable in other lines.

Our complaint about monopoly is that most all the benefits derived therefrom go to the private owners.

Why not let the people own the monopolies? In this way we would all share in the benefits.
INTRODUCTION

Up to the time of the close of the Civil War, the laissez-faire, or "let alone" theory of political science, had been the more or less uniform policy of both state and national government. Since then, an industrial revolution has been and is taking place. The corner grocery has become the large department store. The small railroad is now the huge trunk line. The individual firm has grown to be the giant trust. It is now conceded that government can not let private business continue to run free from all restraints. The problem is—How far shall the whole people through their representatives go? Shall they regulate, smash or own the trust?

In 1878, the United States government, and since that time many of the states have committed themselves to the policy of regulation. Generally speaking, regulation means that private monopoly shall remain in private hands, while subject to such restrictions as may be lawfully fixed by commissions supported at public expense.

During the above period, the Interstate Commerce Commission, and more recently the various state commissions, have been actively engaged in receiving complaints, making investigations, conducting hearings, listening to lawyers, reading briefs, and issuing orders. Report upon report has been published. Figure after figure has been hurled at a half-comprehending public. Expert following expert has unloaded his wisdom into the periodicals and the press. Not only has Congress and the Legislature from time to time
amended defects in these laws, but the courts have been busy giving them force and effect.

It is fair, then, after this one-third of a century of regulative activity to stop and inquire with all seriousness just what has been gained, what success achieved, and who have profited by this means of solving the trust question.

In no state in the Union has regulation had so fair a trial as in Wisconsin. This is generally admitted everywhere. Wisconsin has, in the opinion of practically all reformers, a first class regulation law. It has served as a model for sister states. Wisconsin has had among the members of its Railroad Commission men of ability and integrity. One of them, B. H. Meyer, a recognized authority on transportation problems, is now a member of the Interstate Commerce Commission.

For a main example of state regulation, then, we will take the best—the Wisconsin brand—the principal component of the "Wisconsin Idea," the plan which is sought to be copied.

While it is not amiss also to review briefly the question of the operation of the Sherman and other trust-smashing laws, we shall confine ourselves principally to presenting the facts from which the writer has drawn what seems to him the only possible conclusion, that as a remedy for the trust problem, as a means of protecting the public against the ingrained desire of individual capitalists to take everything in sight, regulation is a complete fizzle.

Regulation has been applied only to natural monopolies. If it has proved disastrous as to these, will or should the policy be extended? For obvious reasons it is more difficult to control other monopolies. The writer submits that if regulation has experienced disaster in controlling natural monopolies, no other conclusion can follow but that it must fail if extended to other monopolies.
CHAPTER I
SMASHING TRUSTS AS A REMEDY

In a speech delivered at La Crosse, Wisconsin, on October 22, 1912, Senator Robert M. LaFollette is reported to have made the following statement:

“When Roosevelt succeeded President McKinley and took the oath of office as president, there were one hundred forty-nine organizations in operation in violation of the Sherman anti-trust law. He had in this law a weapon as keen as a Damascus blade with which to deal with them, but when he retired, after seven years, from the high office of president, the unlawful combinations doing business, despite the Sherman law, had increased to over ten thousand.

“Roosevelt did a little prosecuting, about six a year, just about enough to say that he was trying to do something. But the fact remains that when he took office, there were about a skimmerful of these unlawful corporations. But my! how they grew these seven years.

“What an opportunity that man had when he took hold of the duties of president.”

During six of the seven years that Roosevelt served as President, Robert M. LaFollette was governor of Wisconsin. If Roosevelt lost an opportunity by prosecuting only about six trusts a year, there is no question that Senator LaFollette lost his. Not only were trusts not prosecuted in Wisconsin while Senator LaFollette was governor, but they have not been prosecuted before or since, in spite of the fact that there was then and is now a statute (Section 1791-j) which provides in substance that any corporation organized under the laws of Wisconsin, which shall enter into any combination or agreement to prevent competition or to control prices, shall in an action instituted by the attorney-general of the state, have its charter revoked.

The above statute has been on the statute books since
1897. Since that time we have had Democratic, Republican, Progressive, Tory, and, lastly, Bull Moosely inclined governors.

Notwithstanding this splendid variety, no trusts have been prosecuted in this state. All of this proves that if smashing the trusts is part of the "Wisconsin idea," up to the present time the idea has not materialized any tangible results.

It is true that LaFollette recommended that the law be changed so as to provide for jail sentences. But the legislature which he controlled absolutely failed to heed this advice, and has not done so since.

Ten thousand trusts is a goodly number. They grew up in spite of the Sherman anti-trust law and Teddy's big stick. Surely, Taft did not shoo them away. This law made it a criminal offense to form a trust. Verily, this Sherman's remedy is a regular fertilizer, instead of a Damascus blade. It works out about on the order of some of our government seeds. "Instead of producing a crop of clover, we are confronted with an over-production of Canadian thistles."

What are we going to do about it? With ten thousand trusts on our hands, it is certainly about time to think about measures and remedies. Three possible solutions have been advanced to meet the trust problem, namely: That the people, through their representatives, smash the trust, regulate the trust, and own the trust.

The Democratic party in 1912 swept the country on a platform proposing to smash the trusts. President Wilson, undoubtedly, has awakened to the fact long before this that he has an Herculean task on his hands. Heretofore it has taken all the way from two to ten years to smash a trust. Let us assume now that the president can smash one every day, Sunday included. At the end of one year he will have smashed about 365 trusts. At the end of his term of four years, Wilson will have smashed less than 1,500. This would
leave in the neighborhood of over 8,500 still to be smashed by his successors; provided, of course, no new ones are formed, and no consolidations take place.

Many well meaning people of the country are giving President Wilson great credit for his stand in favor of so altering the provisions of the Sherman Anti-Trust Law that it shall provide for jail sentences.

The press dispatches of January 23, 1914, announce that in conformity with the President's message, bills have been introduced in Congress to provide for such penalties. The President did not call attention to the fact that the Sherman Anti-Trust Law from its very inception provided jail sentences, and to this day not a single person has been jailed for forming a trust. Nor did he explain why he has thus far failed to jail them.

That this law is not a dead letter is borne out by the fact that the infamous injunction which finally resulted in Eugene V. Debs being sentenced to Woodstock jail for six months, for peacefully fighting for organized labor, was based, among other things, upon this Sherman Anti-Trust Law.

The section of the law in question was section 1 of the original act, passed by Congress on July 2, 1890, and reads as follows:

"Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding Five Thousand Dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

Again this policy of smashing the trust seems to be more of a boom to the value of stocks and bonds than a remedy for high prices.

The newspapers are now frequently printing articles
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headed about like this: “Dissolution is a Boom for Stocks,” and worded as follows:

“Will history repeat itself? On the heels of the Northern Securities decision came a boom in the stock market. The decree dissolving the Standard Oil was followed by speculation at advancing prices that has already made many rich. The dissolution of the Harriman merger suggests like possibilities to the holders of the Southern and Union Pacific. Rumors were current in the street that the underwriting syndicate would not be called upon to take up any stock. It is possible that the control of the property will be passed to another corporation with a large profit to the underwriters and the bankers.”*

On June 29, 1906, the congress of the United States enacted the much advertised “commodities clause” amendment to the interstate commerce law. This law was held up as being a knock-out blow for the railroad monopoly. It made unlawful the transportation from one state to another, with one or two exceptions, of all commodities manufactured, mined or produced by these companies. The law was aimed particularly at the railroads holding coal lands, and, as is plain, was designed to separate the two. The public was led to believe that with the railroads deprived of the coal lands, this source of trustification would be completely smashed, with a resulting lowering in the prices of coal. Let us see how it worked.

The United States government instituted in court what is known as the “commodities clause” case, to compel certain railways to comply with this law. The Lehigh Valley Railroad Company was one of the offenders. This company voluntarily decided to form a separate company to take over its coal mines. The readers may well know that the very same persons owned the stock of the sales company as formerly owned the railroad and coal mines. The point that we wish to make, however, is that the stockholders of the Lehigh Valley Company, by the simple operation of obeying this ferocious law for some unexplained reason, profited by increased dividends, gained by securing a nice large melon

*Milwaukee Free Press, August 24, 1913.
to cut, and actually benefited by an increase in the value of their stock. Prices of coal have since gone up instead of down.

The Reading Company is a gigantic holding company, which not only controls thousands of miles of railways, but vast anthracite coal fields as well. The brokerage and banking house which handles the sale of Reading stock is the well known firm of Eastman, Dillon & Co., of 71 Broadway, New York City, who are members of the New York Stock Exchange. In order to enhance the market for “Reading,” it was necessary to get before the people who had money to invest the fact that the law which was to be used by the Republican party as a campaign document to prove how fiercely they were smashing the trusts, was, in fact, a real benefit to the railroads. This choice bit of news could not be heralded in the press, for the obvious reason that the fraud would then be generally known. The brokerage firm published a special pamphlet for the inspection of investors. The following quotation taken therefrom lets the cat out of the bag and shows that the Reading Company was praying to be hit by the same law.

“It was in December last that it became generally known in the Street that the Lehigh Valley was to organize a coal sales company without waiting for a decision in the ‘commodities clause’ case by the United States Supreme Court. In that month Reading sold down to 146½. When the Lehigh Valley ‘melon’ was announced, Reading sold at approximately 149. It is now selling at 158, a difference of only nine points.

“What Lackawanna and Lehigh Valley have done to increase the principal and income of their stockholders was avowedly done in obedience to the ‘commodities clause’ of the Hepburn Act, above referred to. This provision of law was aimed primarily at the anthracite mining and carrying railroads and its enforcement was first undertaken by the Department of Justice in that direction.

“The question naturally arises,—Is the Reading any less subject to this provision of the federal law than the Lehigh Valley or the Lackawanna? The same question, indeed, arises as to the Pennsylvania, the Erie, the New York, Ontario and Western and one or two less important anthracite-mining railroads, but as far as the security markets are concerned the Reading presents the problems of deepest interest and greatest opportunity.”

*Pamphlet “Reading and Segregation,” by Eastman, Dillon & Co., 71 Broadway, N. Y.
While it may amaze us to know just how trust owners are actually enriched by the trust smashing program, on one proposition we are all clear, namely, prices seem to go up just the same whether the trust is smashed into ten or fifty different pieces. A partial explanation may have been given in the case where the Supreme Court of Missouri fined certain firms for forming a beef trust. The penalty was imposed one morning at ten o'clock and amounted to ten thousand dollars for each of the culprit firms. The defendants paid the fine on the spot. By eleven o'clock the trust had advanced the price of beef. By nightfall it had recovered the full amount of the fines imposed. What is worse, it kept right on collecting this fine day after day ever since. (*)

But why spend further time discussing the utter futility of any program to smash the trusts? In every instance of a smashed trust which has come to the writer's attention, (†) the prices on the commodity controlled have advanced as well as the value of the stocks. No less an authority than President Van Hise of the University of Wisconsin stated on January 4, 1914, that no one could point to a single commodity the price of which has been reduced by the trust smashing policy. (‡) At this rate, instead of lowering the cost of living, the program of smashing the trusts thus far has resulted in raising the prices and increasing dividends to the stockholders.

It is common knowledge that this law has been used with good effect in levying damages on trade unions, as was done in the Hatters' Case, and may be used at any time as a sledge hammer to crush the labor unions. If this be true, and prices are going up instead of down under the trust smashing policy, just what are the common citizens or the working people getting out of this political fakery?

(†) See Bliss' Encyc. of Social Reform Article on Trusts.
CHAPTER II

REGULATION HAS FAILED AS A REMEDY IN FOREIGN COUNTRIES

REGULATION of public service corporations was experimented with for nearly half a century in several European countries and abandoned in favor of government ownership long before the Progressives introduced this wonderful remedy into American politics. Undoubtedly, some of our Progressives had in mind Barnum's famous saying, "The American people like to be humbugged," when they adopted it. They appreciated, no doubt, that the people, becoming restive while being robbed by the trusts, will readily take to an issue which purposes to hit the big fellow for the benefit of the little one.

No Socialist could have better shown up the big interests and their system of thieving than did Robert M. LaFollette in his campaign speeches in Wisconsin. But, when it came to a remedy, he offered that which he knew, or ought to have known, had been abandoned years before by the older countries.

ENGLAND'S EXPERIENCE

In England in 1842, certain powers of supervision and regulation were conferred upon the Board of Trade. Ever since then, we are told, England has been trying to perfect a system of regulation to take the place of its worn-out "laissez-faire theory" of political economy.

All sorts of ideas to regulate the railroads have been advanced there during the past three-quarters of a century, all seeking to perpetuate private ownership and to continue
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a system of levying a tribute on the masses by the dividend-profit route.

After three-quarters of a century of effort to solve the railway problem of England by regulation and private ownership, Mr. Vrooman, in his valuable book entitled "American Railway Problems," says:

"The present railway situation in England is highly unsatisfactory to everyone concerned, and is steadily becoming more so. English industry, agriculture, and commerce, when in competition with continental rivals, find themselves seriously handicapped by their freight rates which Mr. Acworth has been reported as pronouncing 'the highest in Europe.' (The Railways, the Trusts and the People, by Frank Parsons, p 274). In spite of these high rates, however, the dividends received by English stockholders are strangely low, averaging for the past ten years under 4 per cent. It thus becomes sufficiently clear that, unless some radical change for the better can be made in existing methods of railway organization and management, the railway problem in England soon will reduce itself to a simple question as to which shall be sacrificed to the general good—shippers or stockholders."*

IN SWITZERLAND

For nearly half a century in Switzerland, regulation was left to the individual Canton corresponding to our state government. This system of regulation became so impotent and disputes between the Cantons and the railroad became so many that by the year 1872 the Federal authorities took away the functions of regulation from the Cantons.

The system of Federal regulation was of much more effect than the former system. However, the fight between the railroads and the public continued, wages were not increased and the entire situation was so unsatisfactory that the Swiss people, finally, to free themselves from the long continued oppression and arrogance of the corporations, and to put an end to the unceasing fight to obtain trifling results from regulation, demanded complete ownership and management of the railroads by the people. This move was crystallized by the railway purchase law of October 17, 1897.†

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†Vrooman's "American Railway Problems," Page 69.
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IN ITALY

Italy had been experiencing a dual system of both private and public railways for some time. It was finally decided to follow the example of Holland and attempt a combination of the two. In 1885 such railroads as the government owned were leased to three large private corporations for a period of sixty years. It was agreed that at the end of every twenty years of that period the contracts might be cancelled by either party. Under this arrangement the Italian government imposed some conditions which tended to improve the service. On the other hand, the financial interests wrested very favorable conditions from the government. For the first twenty years the stockholders of the private companies received from five to seven per cent. interest, while the government realized practically no net returns on its investment. The service was not only highly unsatisfactory, but was inefficient, and the rates high.* The whole arrangement collapsed when on April 22, 1905, a bill was enacted which provided for state operation of most of the Italian railroads.

FRENCH BRAND OF REGULATION

In France the government entered into a partnership with the railroads, that is, to say, the government went right into business with the private companies to operate the railroads. As was to be expected under such an arrangement, the private companies set out to exploit the people in order to get their pound of flesh—dividends. The government invested more money than the private owners, while the private companies were given the management of the roads.

The private owners, by their influence and dickering with the government, have so far succeeded in securing contracts by which the state not only agrees to pay all losses and pay 4% interest on all bonds, but guarantees returns to

the private owners of extremely high dividends of from 7 to 13%. Under these contracts the state does not begin to share until after the government has first paid to their private partners a dividend of from 10 to 22%.

A partnership arrangement of this character merely furnished an added incentive for the private railway companies to control the French government. That France must take over the entire railroad system before it can free itself not only from the obligation to pay enormous dividends to the private owners, but also from the corrupting influence of these interests in their dealings with government officers, is self-evident.

Thus, we see that all the attempts of the older countries to perpetuate private ownership of public utilities, by various schemes of governmental control, has proved unsatisfactory to the public there. Needless to say that regulation theorists make no attempt to substantiate the practicability of their remedy by referring to any success which may have been achieved in foreign countries.
CHAPTER III

WISCONSIN’S REGULATION SCHEME—WHAT THE LAW MEANS

The State of Wisconsin has been at work constantly, with more or less effort, since 1874, attempting to regulate the railroads. The earlier statutes, generally speaking, made it unlawful for the railroads to collect from one person a greater amount for a service than is charged to another, prohibited all discriminatory practices, required charges for all services to be reasonable, and established a maximum passenger rate of three cents a mile. They created a railroad commissioner, with power to hear all charges, subpoena witnesses and examine the companies’ books. The commissioner was given power to decide whether the railroads were violating any requirement; his decision was made final unless reversed by some court; and the companies were made liable for three times the amount of damage suffered by reason of any overcharge.*

That these early efforts brought little or no results satisfactory to the public is evidenced by the fact that LaFollette was elected governor upon the principal issue that he proposed to give the people of Wisconsin an effective public service corporation regulation law. This resulted in the enactment of Wisconsin’s widely advertised railroad regulation system—Chapter 362, Laws of 1905.

This act created what is known as the “Railroad Commission of Wisconsin”—a body of three men who were charged with the function of regulating the railroads, interurban and electric lines, express and telegraph companies.

The system of regulation as thus provided was extended in 1907 by what is known as the public utility act, so as to include regulation of light, heat, water, power and telephone services.

The three commissioners are appointed by the governor, with the advice and consent of the Senate, for terms of six years, and receive an annual salary of $5,000 each.

The commission is given authority to determine and fix the charges and rates for the services furnished, to see that overcharges are returned to the consumer, and to require adequate service and facilities from any person or company furnishing such services. The law not only makes it mandatory on public service corporations to furnish reasonable service at reasonable rates, but the commission is given authority to ascertain and fix the standards of adequate service and reasonable rates.

Under the law, any person can make a complaint to the commission, which body can in turn investigate the complaint. In doing so, it is given full authority to subpoena witnesses and inquire into the books and management of the business complained of.

The companies involved are required to fill out such reports as are furnished in blank by the commission, so that that body is supposed to have in its hands at all times all the data and facts necessary to ascertain and inquire into the affairs of the company. To secure the enforcement of the orders of the commission and the provisions of the law, it is provided that persons violating the same must pay to all persons injured thereby treble the amount of all damages suffered. For violating the law, the utility may also be fined from one to ten thousand dollars. The act makes provision for a review of the orders of the commission in the courts by persons dissatisfied therewith.

This, in substance, is the act pointed to with pride by the social reformers and Progressives as the model regula-
tion law. It is what has been branded as the "Wisconsin idea."

At first glance, it might strike the casual observer that the public service corporation had been handed a body blow. Has not the law been framed so that the public service corporations are compelled to give adequate service at reasonable rates?

Unfortunately, however, it is the case in Wisconsin as with the ten thousand trusts in the nation under the Sherman anti-trust law, the private corporations ordinarily refuse to obey the law until they are made to do so.

If the monied interests of the United States had obeyed the provisions of the Sherman anti-trust act, there would not be ten thousand trusts in existence. Each of them represents at least one violation of law. The private corporations and capitalists having investments in Wisconsin are no whit better than those of others of these United States, so that in spite of this so-called progressive legislation, the private interests refuse to give the so-called adequate service or so-called reasonable rates, except at the end of an everlasting fight, as will presently be shown.

Regulation in Wisconsin, as elsewhere, is one continual fight by the corporations on the one hand, and the municipality, or other complainants, on the other, before the Railroad Commission and the courts. The delays incident to such fighting, which is a necessary element of regulation, are beginning to make the citizens of Wisconsin disgusted with the entire mess of regulation, and developing them into advocates of common ownership of public utilities.
CHAPTER IV

THE INDETERMINATE FRANCHISE PERMIT

The so-called indeterminate franchise permit feature of the law was drafted to give the impression to the public that the law in fact favors municipal ownership. It provides a method by which municipalities may condemn, take over, and operate the property of certain utilities. Its effect, however, and very probably its real purpose, has been not only to discourage municipal ownership, but also to favor capitalistic interests.

As finally amended, Chapter 596, Laws of Wisconsin, 1911, provides that all light, heat, power and telegraph franchises be indeterminate, and that all franchises granted after 1907 to street railways shall also be indeterminate. In simple words, this clause changes existing franchises which had been granted by cities for definite periods into new franchises granted by the state to run indefinitely.

This regulation law builds up and intrenches public service monopolies in Wisconsin through the means of this indeterminate franchise permit. By "indeterminate" is meant that the utility's franchise to do business in any city is extended by the state, from terms definite in number of years to an indefinite term, to-wit, perpetually. The company under such an arrangement is not only relieved of the bother of getting a renewal of its franchise from the local council, but is made immune to possible competition. When one company in a city possesses such a franchise, no new company is allowed to come in and do business without the consent of the Railroad Commission.
The law, moreover, is so fixed and interpreted that it is very doubtful whether the commission really has power to permit a new company to come into a community where a company furnishing a similar service is already operating.

Thus, on close inspection, we find that the reformers who on the lecture platform loudly demanded that monopolies be busted, and declare that Roosevelt lost a great opportunity in not smashing the ten thousand trusts, in the legislative halls enact legislation which actually builds up and intrenches monopoly. Aside from the patent and copyright laws, this much proclaimed Wisconsin law is the only attempt to build up and protect absolute monopolies which has ever been recorded, to my knowledge, in this country.

It will perhaps be easier to illustrate the situation with which the people of Wisconsin are confronted by explaining the facts in actual cases.

On February 2, 1891, the City of Kenosha, Wisconsin, granted to the Kenosha Gas and Electric Company a franchise to conduct an electric light business in the City of Kenosha. Believing that it was to the best interest of the city that some competition should exist, the Common Council, on June 7, 1911, granted to a second company similar franchise rights.

The first company, however, appeared in court at about this juncture. It set forth that just ten days prior to the time the Common Council had granted the franchise to the competing concern, it, as the original concern, had surrendered its old franchise and taken an "indeterminate permit" under the regulation law. It argued that the city was without power to allow competition. Needless to say, the new franchise was knocked sky high. The citizens and the Common Council learned for the first time that the LaFollette statute had taken away its power to allow competition. The court of last resort of Wisconsin adjudged as follows in this case:

"The public utility law, in form and in unmistakable terms, disabled the City of Kenosha from making such a grant as that in
question after respondent’s indeterminate permit took effect. It provides that: ‘No license, permit or franchise shall be granted to any person, co-partnership or corporation, to own, operate, manage or control any plant or equipment for the production, transmission, delivery or furnishing of heat, light, water or power in any municipality where there is in operation under an indeterminate permit, as provided in this act, a public utility engaged in similar service without first securing from the Commission a declaration after a public hearing of all parties interested, that public convenience and necessity require such second public utility.’ (Section 1797m-74 Statutes, Laws of 1907, Chapter 499).”*

The casual reader may still argue that the Railroad Commission might permit the city to grant a franchise to competing public utilities, provided it is proven at a public hearing that public convenience and necessity require such second public utility.

The court, however, in interpreting the law in this case, declared in effect that where there is in business in any city of Wisconsin a public service corporation that has the power to reasonably satisfy (as far as the courts are concerned) the public necessities, the intention of the law was to protect the first company in its monopoly and to prevent the cities from granting franchises to competing firms.

Referring to the indeterminate permit feature of the law, the court said:

“The intent was to give the holder of an indeterminate permit, within the scope thereof, a monopoly, so long as the convenience and necessities of the public should be reasonably satisfied, yet to secure to the public the benefit of the monopoly in excess of a fair return upon the investment, under proper administration, by insuring to the consumers the best practical service at the lowest practical cost, and to that end prohibit conditionally the granting of just such franchises as the one challenged in this case, in the circumstances under which the ordinance of June 7th, 1909, was passed.”

Thus ended Kenosha’s attempt to secure competition.

It is not the intent of the writer to argue that monopolies are not desirable. I merely present the facts, and submit that if the reader has any idea that the “Wisconsin” idea implies smashing monopolies, it is not the public service monopolies of Wisconsin that are to be smashed.

Again, the city of Chilton, Wisconsin, offers a typical example of how the rights of the people have been taken away by the operation of this public utility law, so as to protect capitalistic interests.

The people of that city were exceedingly eager to own a municipal light plant because for years the private plant had been in a state of semi-bankruptcy, had changed hands several times, and for whole months at a time had neglected to even operate its plant or to furnish any service whatsoever.

On January 17, 1908, the Electric company of that city ceased to operate its plant entirely. On March 17, the citizens voted two to one in favor of building a municipal plant. On August 8, 1908, after the private plant had been idle for almost seven months, the city council, on the assumption that the private company had defaulted entirely and abandoned its rights, repealed the franchise which the city had granted to the company about eleven years prior to that time. On or about August 21, the private company appeared in court and asked for an injunction to prevent the repealing ordinance in question becoming effective. The injunction was granted on the grounds that the company had already surrendered the franchise to the state and had obtained an indeterminate permit; that this indeterminate permit prevented every chance of competition, even to the extent of preventing the city from building an electric lighting plant. No one had ever dreamed that the reformers had repealed the city’s right* to build a municipal plant by their regulation law.

It was not until after the temporary injunction was granted to the private companies on the above date that the corporation, on September 17, 1908, after a period of exactly eight months, aroused itself from its slumber and started to do business at the old stand.

The citizens of Chilton soon awoke to the fact that the

*Ellenwood vs. City of Reedsburg, 91 Wisconsin 131.
corporation had them by the throat. La Follette’s law had not only taken away the right to go ahead with its own plant while the private company was doing business, but it also prevented the dislodgment of the private company until such time as the city got ready to buy it out bag and baggage and pay therefor such price as the commission saw fit to fix. In other words, before a city could now own its own plant, it had first to buy all the property of the local company, no matter how old or out of date it might be, so long as it was in use, as a part of the plant. The case was taken to the highest court in the state, where both the claims of the company as to the meaning of this indeterminate franchise were upheld in the following language:

“In consideration of submitting to full control by the commission and the right of the municipality, at its option, to take over the property as indicated, certain conditions and limitations in favor of the grantee are attached to the new privilege. The dominant feature thereof is that the franchise shall not only be perpetual, subject to the conditions and limitations of the law—indeterminate as it is said—but shall be subject to such conditions exclusively. In other words, the idea is that the grantee, under state control, and subject to prescribed limitations and supervision, shall have a ‘monopoly,’ as it has been several times called by the railroad commission, in its administrative work, and by this court, within the field covered by the privilege, as to rendering the particular public utility service, whether directly or indirectly, to or for the public.”*

Not only did the indeterminate permit feature of the regulation law thus obstruct the cities when endeavoring to obtain municipally owned plants, but besides this, it deprived many of the cities of Wisconsin of many valuable provisions in their local franchises. Many of these were concessions which had been wrested from the corporations when the original grants had been made. They were now knocked out completely.

The City of La Crosse, Wisconsin, had a provision in the franchise granted by the city to the La Crosse Gas and Electric Company, that the company should pay into the treasury of the city 2% of its gross earnings, in addition to such other taxes as might ordinarily be levied against it.

*Calumet Service Co vs. Chilton, 148 Wis. 334, 357.
After the public utility act was enacted, the company refused to pay this 2%, and even refused to let the city see its books to ascertain the amount due. The only thing left the city was to commence an action in court to recover the amount due, under the terms of the franchise.

The people of La Crosse also had to be educated in the inner workings of this progressive reform. While it questioned the power of the city ever to have exacted such a condition from the corporation, the court decided that it was the intent of the public utility regulation law to wipe out all such conditions, and to substitute therefor a new franchise,—the "indeterminate permit"—which was uniform in character.*

The City of Kenosha, Wisconsin, in March, 1903, provided in its franchise with the Citizens' Telephone and Telegraph Company that the company should furnish telephones to the city free of charge. The successor of this company gave up this franchise for an indeterminate permit. This new company attempted to charge rentals for the telephones it furnished the city, notwithstanding the city franchise provision. The officials of the company were already aware as to what the public utility law meant, as their lobbyists had very probably taken part in its framing. The citizens of Kenosha, on the other hand, while they have received some enlightenment in the case already referred to, had still some lessons to learn. The city brought action to compel the company to furnish free telephones. The court, in deciding against the city, held that the legislature, by enacting the utility regulation law and providing an indeterminate permit, took away from the city the benefit of all such terms as were not contained in the new utility law; and that it was the intention not to burden the company with fulfilling conditions which the citizens had enacted under the old grants, such as free telephones, etc.†

I venture the opinion that if the citizens of Kenosha had

*La Crosse vs. La Crosse Electric Co., 145 Wisconsin 408.
†Kenosha Home Telephone Co., 148 Wisconsin 338.
realized that the public utility law, instead of protecting the citizens, would in fact work to prevent them from granting a franchise to a competing utility, and would also deprive the city of the free telephones which the company was obligated to furnish, neither Robert M. La Follette nor any other Progressive politician would have obtained a corporal's guard of supporters in that city.

The feature of the indeterminate franchise which gives cities the right to condemn plants and take them over whenever they are operating under the so-called indeterminate permit, would appear to favor municipal ownership. However, it should be remembered, that at the time of the enactment of the regulation law there was a rapidly growing sentiment in Wisconsin in favor of municipal ownership. It was hoped that this movement could not only be delayed, but in most cases entirely suppressed by a system of regulation under which the public service corporation would be compelled to observe a few of the principles of common justice.

The municipal ownership provision was inserted because of public sentiment, but it was so loaded down with contingencies as to favor private ownership. As is seen, it prevented cities from starting a competing municipally owned plant, and if successful bring the private company to its knees by this method. Secondly, it specified that no city could venture into municipal ownership where there was a private plant with an indeterminate franchise, without first buying all the property of the private plant which was in use, whether it consisted partly or wholly of worn-out equipment or not, and paying the full price that the commission fixed therefor. To say the least, would not this situation tend to discourage many cities from undertaking municipal ownership?

The old competitive system is based upon the principle that one citizen has the right to embark in business and compete against his neighbor. While it may not be advisable
in all cases, is there any reason why citizens in their collective capacity, that is to say, when organized as a municipality, should be prevented by law from building an electric lighting plant and competing against a private one, and from going into the business at all until they are ready to buy out the private plant first?

Secondly, what principle of the competitive system requires cities at the expiration of the term of a franchise to take over the leavings or old junk of a public service plant and pay for the materials that are worthless or obsolete? Why should not the citizens be given the full right, if they so desire, to build an entirely new plant, and at the expiration of the franchise permit the private company to take its belongings and vacate? Certainly the investors in the public utility company invested their capital on the assumption that they be allowed to continue in the business for the length of time only for which the franchise was granted; and with the hope perhaps, of obtaining a future grant, but with no promise or assurance of getting it.

Is it any wonder that the bonds of the public utility companies in Wisconsin sell better after the enactment of the above law than before? Certainly there is a reason why La Follette could properly proclaim in his campaign for the nomination of president of the United States in 1912 that the corporations had nothing to fear from his program in Wisconsin, since they were more prosperous after this regulation law took effect than before.
CHAPTER V

WHAT THE REGULATION ADVOCATES CLAIM FOR REGULATION IN WISCONSIN

It was to be expected that if the state protected the public service corporations from competition, and also guaranteed that it would compel the cities to buy and pay for all their equipment, in case they desired municipal ownership, that some concessions would be obtained from these companies from time to time. It is not claimed here that the citizens of Wisconsin have not received some of these concessions by means of this law, but I stand upon the propositions:

First. That the people gave over to the corporations rights, the value of which was incalculably greater than any benefits received.

Second. That as a real remedy for solving the problems of monopoly and giving to the people their just due, regulation is a farce and a fizzle.

It is claimed by the commission* that during the first seven years of its existence it had required from time to time reductions in rates of the various corporations so that in 1912 they approximate a saving of $2,700,000 per annum. It is also claimed that they have prevented some utilities from raising rates. The figures on this are not given. Let us concede that the whole saving approximates $3,000,000 annually.

The Commission also claims credit for having fixed standards of gas, electric and telephone services, which is,

*Report of Commission on what it has accomplished on file with Reference Library at Madison.
they say, of great value to the public, although no figures are given. It would be unfair to us to concede, except for the sake of argument, that this was of any great value, except in a few exceptional cases. To illustrate, in reference to the standards of heating units of gas, the Commission fixed the standard required in Milwaukee much below that which was actually being supplied by the company. This is probably the case in other instances. What the commission most likely did was to strike an average and fix this as the standard of service. The writer does not believe either that the commission can see that these standards are lived up to without employing from one to five inspectors for each service in each city in the state. At the present writing, the gas inspection of the whole state is handled by one man; the telephone inspection by one man; the electric lighting service by five inspectors. Like Roosevelt’s trust-busting, this is just enough to keep up a pretense. How can one gas inspector keep track of the speeding up of all the meters of the gas companies whose rates the commission may have reduced, etc.?

The commission has also required alarm bells, guard-gates, or other protection to be placed at some railroad crossings. It has and will order certain grade crossings to be abolished. All this work was formerly taken care of by the various localities, and was merely transferred to the state commission by the regulation law.

Finally, the commission claims that it has, up to 1912, examined into and approved the issuance of $850,000,000 worth of stock and bonds of public service corporations of Wisconsin. It is very likely that this approval, like the United States meat inspection approval at the Chicago stock yards, serves more to enhance the value of the stocks than to benefit the consumer.

Let us be generous, however,—let us estimate, in the absence of other calculations, that all these services, in addition to the rate saving, are actually worth to the people of
Wisconsin the sum of $500,000 annually. This means that the commission has saved all told the sum of $3,500,000 per year to the inhabitants of this state. This amount is about $1.28 per capita per year to the 2,333,860 inhabitants of Wisconsin. Compare this with the fact that one company alone—the Milwaukee Electric Railway and Light Company—after being thoroughly regulated by the commission, and after paying all necessary expenses, extracts from each man, woman and child in Milwaukee a net profit in interest and dividends of over $3.50 apiece each year.*

We fear, however, that the commission has rather exaggerated its value. It forgot to mention in its report that there was a tendency in all growing cities for the public service corporations to lower their rates voluntarily before we had a commission, because many being monopolies, they feared reductions being forced by the legislature. The Milwaukee Gas Company, for example, has gradually and from time to time since 1885 made voluntary reductions in the price of gas from $1.60 per thousand cubic feet to 75c for the same amount in 1913. Then, too, the commission neglected to give and subtract from its accomplishments the total amount per annum of rates that it had ordered raised. It has ordered, up to 1912, seven private water, gas, electric and street railways, and twenty private telephone companies, to raise their rates. We might state, in passing, moreover, that there has been an ever increasing number of companies applying to the commission for permission to increase their rates until now it may be safely asserted that nearly one-half of the rate proceedings before that body are of that nature. Increases are now being allowed in a surprisingly large number of cases. The commission forgot to mention in its report also that the reductions in rates which it made were in many cases for the benefit of the large consumers only, and not for the little householders. This will be fully discussed hereinafter. Then the commission bases its conclu-

*Discussed in Chapter VII.
sions of large savings upon the assumption that wherever it has ordered rates reduced, the companies did not lower the standard of the service supplied. That such an assumption is a myth, will hereafter appear.

Subtract also from the commission’s claims of accomplishment the two hundred thousand dollars which itself costs the State of Wisconsin, and then subtract the value of the time spent by other departments of state government which are necessarily engaged in some phase of this work, and you will find that your total remainder will be little more if not actually less than the actual expense which cities and private persons and corporations were put to in prosecuting and defending regulation cases before the commission and in the courts.
CHAPTER VI

HOW THE REGULATION SCHEME WORKS

So that the reader may have a clear conception of how regulation works in practice, I shall stick to actual cases and treat the subject under separate subheads.

FIXING RATES

The argument for regulation has always been that the privately owned public service corporations were exacting unreasonable rates for their services, and that a commission of experts could ascertain scientifically the reasonable rate which a corporation should charge.

When it came to fixing the railroad passenger rates in Wisconsin, the matter being of such vital importance to all concerned, it was presumed that the rate fixed by the commission would be about as scientific as any that could be determined. After several hearings before the Railroad Commission of Wisconsin, this question was finally submitted to them on July 1, 1906.* Following seven and one-half months of investigation and analysis, the commission announced its decision, which covered 185 printed pages, and which, in effect, reduced the passenger fare from three cents per mile to two and one-half cents per mile, and provided that 500 mile books or tickets, good for use by the purchaser or any member of his family, should be sold by the railway companies at two cents per mile. Here the commission probably for the first time announced itself as favoring a lower rate to the larger consumer. It has always

been granted that the men who composed the commission at that time were very able. They were John Barnes, later member of the Supreme Court Bench of Wisconsin, B. H. Meyer, now a member of the Interstate Commerce Commission, and Alfred Erickson, probably one of the best, if not the best, statistician in Wisconsin.

The legislature, which was in session at the time, was more or less under the control of W. D. Connor, a Marshfield, Wisconsin, capitalist and politician, who was opposed to Robert M. La Follette. It was this legislature that elected Isaac Stephenson to the United States Senate on May 17, 1907. Desiring to take an uppercut at La Follette and his Railroad Commission, Connor secured the passage of Chapter 654, Laws of 1907, which was approved by Governor Davidson on July 16 of that year. This act reduced the passenger rates in the state from two and one-half cents, as fixed by the commission, to a universal rate of two cents per mile, without making any special rate for those who could afford to buy 500 mile tickets.

Thus the scientific rate, as fixed by the commission, passed into history. It was predicted that the railways of Wisconsin would go absolutely bankrupt as a result of being compelled to carry passengers at such a low rate of fare. No doubt the legislature at the time made a pure guess. It developed, however, that the guess rate was better than the scientific rate, for the railways of Wisconsin have made a greater profit under the two cent passenger rate than they did under the three cent or two and one-half cent rate, much to the chagrin of the advocates of scientific regulation.

The Manitowoc Gas Company of Manitowoc, Wisconsin, filed a petition with the Commission in April, 1907, to readjust its rates so that it would be permitted to sell both fuel and illuminating gas at a uniform rate of $1.00 per thousand cubic feet, and to charge 25 cents per month for hire of a meter. The commission decided that the company should charge a much higher rate for its gas than it
had requested permission for. It not only granted the 25 cent service charge, but ordered a net rate of $1.25 for the first one thousand cubic feet, $1.15 for the second thousand cubic feet, and $1.05 for each additional thousand cubic feet. Thus the commission's rate was from five to twenty-five cents higher than that requested to be charged by the company. Needless to say, the citizens of Manitowoc set up a protest that resounded around the whole state. The commission, realizing that its decision was indeed very unpopular, changed the same so that in the printed reports the $1.00 gas rate asked for by the company was ordered by the commission.* It thus appears that scientific rates are, at times subject to sudden and peculiar fluctuations.

SERVICE FURNISHED

One of the notable cases in Wisconsin which illustrates how matters are expedited before the Railroad Commission and the results which follow is the famous—or infamous—case entitled "The City of Milwaukee vs. The Milwaukee Electric Railway and Light Company."

In this case the City of Milwaukee filed a petition early in 1907 with the Railroad Commission, praying that the deplorable service furnished by the above street railway company be improved, and that the street car fare of five cents cash or six tickets for a quarter be reduced. The commission held hearings from day to day in the common council chambers in Milwaukee, finally closing on the 21st day of March of that year. Nearly one hundred witnesses were heard, particularly on the question of overcrowding of street cars during rush hours, lack of cleanliness of cars and poor ventilation. The case was argued by both sides at Madison, Wisconsin, on April 23, 1907, and the decision was rendered July 11th of that year.† The order which was rendered in the case was a joke from the view-point of the street railway company, but lacked all

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*3 Wisconsin Railroad Commission Reports, page 163.
elements of humor to those who, night after night, were packed like sardines into the street cars of the City of Milwaukee. The order in question reads as follows:

"That The Milwaukee Electric Railway and Light Company maintain in the future at least as good or better service than it maintained during the months of February and March, 1907."

It may be that the commission had not yet learned that the company placed more cars on during the time the investigators of the commission were in Milwaukee. Whether they knew of this or not, it is a certainty that by not requiring a time schedule for cars or similar standard, the order left the street railway company to supply as many cars as it saw fit. Not only did the street car service not improve under this order, but as a matter of fact it steadily became worse, at least up to about the first day of February, 1913. Citizens of Milwaukee who were forced to ride on the street cars during the period in question will readily testify to this.

The commission at that time did not decide whether or not it would lower the street car fares, but reserved the right to make its decision on that matter at some future day. The fare decision will be discussed later on.

Conditions in the street cars became worse and worse until near riots occurred at street intersections which were transfer points, as the result of passengers’ struggles to get aboard cars. It became apparent about January, 1913, that unless the street car company by some means could be induced to better its service, the citizens, who were compelled to stand for considerable time on corners watching crowded cars pass would destroy some of the property of the company as the only means of expressing their state of mind.*

On January 16, 1913, W. C. Wehe, an alderman allied with the anti-Socialist administration in power in the city at that time, and a practicing attorney, wrote an open letter to the Chairman of the Railroad Commission, Mr. John H.

*See Milwaukee Leader Files during January, 1913.
Roemer, demanding some action which would give better street car service. In his letter Mr. Wehe declared:

"The car service is getting to be more abominable every day, and if the same is not improved, I venture to say that we will have a riot in our downtown streets some of these nights. On some of our transfer corners several cars pass up the people, due to the fact that they are overcrowded, and people are packed in cars worse than cattle. A common brute is given more consideration in transportation than is given the people of the City of Milwaukee by the street railway company."

Things began to stir rapidly. There was talk among some of the legislators of a movement to abolish the Railroad Commission. A statement was given out in the press that a bill to this effect would be introduced into the legislature. On February 17, the Non-partisan Common Council of Milwaukee, by a vote of twenty-six to nine, endorsed a bill to take away from the Commission power to regulate street railways. It is stated, by a person close to the governor, that at this stage the railroad commissioners were called into the governor's office, and were told that the movement to abolish the Commission was well under way in the Assembly, and that unless the Commissioners did something for Milwaukee and did it quickly, that movement was likely to be successful. Whether this meeting was ever held in the Governor's office or not, one thing is certain, the Commission on or about the 1st day of February established an office in the City of Milwaukee and took up an investigation of street car service in that city. The action of the Common Council was then vetoed by the mayor, upon the ground that the Commission had taken up the street railway service problem. Engineers were sent out by the regulators to collect data on the actual condition of service. Hearings were held at which the evidence of these engineers and other witnesses was taken down in shorthand. It is extracts from this evidence that will be offered here to give the reader an idea of the character of service enjoyed by

*Milwaukee Free Press, January 16, 1913.
the citizens of Milwaukee after the street car system had been regulated for six years by the most perfect system of regulation and under the Wisconsin idea.

On March 24, 1913, a hearing was had on the National Avenue-Walnut Street and Fond du Lac Avenue car lines. On these lines there was in use at the time what is known in Milwaukee as the remodeled type of pay-as-you-enter car, i.e., the old plain type of cars were so rebuilt as to be used as such pay-as-you-enter cars. The door was placed immediately next to the outside step in such a manner that all the passengers, after once entering the car, were locked in until the conductor saw fit to open the door.

C. M. Larson, the chief investigating engineer of the Railroad Commission, testified* that these cars had a seating capacity of from forty-two to forty-four passengers, and that thirty could stand comfortably if they were evenly distributed throughout the car. It is well known, however, that passengers do not divide themselves evenly throughout a car.

Up to this time the Railroad Commission had never decided what it regarded to be good or bad service on street cars. It had never defined a crowded street car. For this reason the engineer was examined by the writer to ascertain what he, as a representative of the Commission, regarded as good service. He stated that he believed there should be a seat supplied for every passenger during the non-rush periods, and that during the rush hours there should be sufficient cars supplied so that there would be no car operating which contained more than one-third of the passengers standing. This rush hour he designated as from about six-thirty to eight o'clock in the morning, and from about five to seven o'clock in the evening. He stated that when such a car contained more than seventy to seventy-five people at the most, during this rush period, the loading and crowding was excessive and should be rectified. So now you know what

*Copies of this testimony can be seen at the office of the Railroad Commission or in the office of the City Attorney in Milwaukee.
good street car service is according to regulation standards.

Mr. Larson was questioned as to the condition on one of these cars when there were from eighty to ninety passengers aboard, and he admitted that in such a case the load would probably congest the rear platform and make it hard to get anyone else on, that is to say, to enable one by force of physical strength to push into the car if the door were open. Testifying as to the conditions he found on the evening of January 30, 1913, Mr. Larson stated:

"Well, the Lisbon cars had as many as 86, 87 and 89 and 93 passengers. There were other cars which had fewer than that."

What do you think of 93 persons being crammed into a car provided with only 44 seats?

At this hearing, Mr. W. L. Notbohm, the assistant superintendent of the poor for Milwaukee County, testified in substance that he had repeatedly called the attention of the company to the fact that it was practically impossible for citizens to board the Wauwatosa cars at Third and Cherry Streets, a point about six blocks beyond the center of the city. The following is a sample of Mr. Notbohm's testimony:

"Commissioner Harlow:
Question—How long did you have to wait at Cherry?
Answer—From 5:45 until 6:30. Again on January 27th, about 5:40 p. m., Lisbon car No. 152 refused to stop; Pabst car No. 446 refused to stop. Again on January 31st, at about 5:45 p. m., the following cars stopped, but were overcrowded, could not take on any more passengers. Lisbon 396, Lisbon 187. Again at noon on February 1st, about 12:30 p. m., Wanderers' Rest car No. 292 stopped, but was overcrowded and wouldn't open the door. On the evening of February 11th, about 5:30 p. m., Pabst Avenue car No. 385 refused to stop, had plenty of room for more passengers, was followed by Lisbon Avenue car No. 357; the car stopped but was overcrowded and unable to take on any more passengers. Here I was obliged to wait from 5:30 until 6:00 p. m.; at this time car No. 265, carrying Wauwatosa sign, came along and refused to stop. This was followed by Lisbon No. 191. This car stopped but was overcrowded. I was here obliged to wait from 5:30 p. m. until 6:55 p. m. for the arrival of Wauwatosa car No. 483; did not reach Wauwatosa until 7:08 p. m."

*Charts introduced by Mr. Larson show that this condition is a common, everyday occurrence in Milwaukee.
Mr. Hoan:

Question—I should judge by that that you then go home from your business about 5:30 every evening?

Answer—Between five and six-thirty.

Question—How often do you get a seat in a car when you get on at Third and Cherry?

Answer—I haven't had one seat in it as long—I can't remember when it was.

Question—That is to say, you had to stand as long as you can remember in the cars?

Answer—Oh, for a year and a half now."

These records go to show that even though the service as recommended by the engineer of the Commission, that is, that there should be no more than seventy-five passengers in a car and then only at rush hours—that even though this be "good service" the City of Milwaukee was not getting it. In other words, in this case the engineer of the Commission itself furnishes the proof that after six years of regulation the street car service was intolerable.

The last of the hearings of the Commission on street car service was held about July 15, 1913, which was about the time the Wisconsin legislature adjourned. During the time these last investigations and hearings were in progress, the company voluntarily put on some new cars, and announced that it had ordered thirty additional ones which would be put into use during the fall of 1913. Whether these cars were added by the company merely to demonstrate to the Commission that it would improve the service when it got good and ready, or whether it was done to prevent the riot anticipated by the alderman, is difficult to state. Whatever the reason, the street car service has been slightly improved by reason of the new cars. Whether the street car company will again reduce the number of cars as soon as the Commission ceases to investigate, as it has done in the past, or whether it will improve the service slightly through fear of a municipal ownership agitation, which is now being strongly advocated by the local Socialist press and party, remains to be seen.

The following newspaper clipping reveals the public
sentiment, as coming from a well-known disinterested Milwaukeean:*

"To the Editor of the Journal:

"Please publish this letter, which I have mailed to the street railway company:

"Yesterday, Aug. 25, 1913, at 5:15 p. m., one of your cars going north stopped in front of the Kirby House and I was ready to enter it, but the conductor refused to open the door and waved his hand to me and went on. I do not know the number of the car nor of the conductor. It was marked Vliet and Forty-eighth Sts. I rode in that car many times before, and know the persons in charge of it, but not their names. Many people witnessed the refusal. I have made many complaints, not of a trivial nature, before, but your officers ignored them, and there is no wonder that the people have no sympathy with an overbearing company grabbing fares and giving people no comfort. I had to wait for the next car just sixteen minutes. In order that you should not pigeon-hole this letter, I give a copy of it to The Milwaukee Journal, that other people may read it too.

"M. N. LANDO,
"419 East Water street.

"P. S. The car was not crowded."

On November 25th, 1913, the order of the Railroad Commission resulting from the above hearings was announced. While the Commission uses 87 typewritten pages to explain the reasonableness of its order, it admits in one sentence that no new cars, besides those the Company voluntarily offered to put into service, will be necessary in order to supply the standard of service which it requires. The sentence in question is as follows:

"Our engineering staff has estimated the number of cars which are necessary to comply with the standards of service ordered herein, under traffic conditions shown by exhibits in this proceeding, and it appears that with the addition of the 30 new cars this fall a sufficient number will be available to care for the traffic conditions disclosed by this investigation."

The reason why no new cars will be necessary to comply with the order is probably revealed by the fact that the standard of service which is ordered by the commission is that the company shall supply sufficient seats so that in non-rush periods there are 100 seats for every 67 passengers, while during rush periods the company shall supply only 67 seats for every 100 passengers. This requirement, however, is

not made absolute, but the company will be complying with the same if the average number of seats it supplies totals the above requirement. Of course, if during the non-rush period one car passes with no passengers in it, the company would have a right under the order to jam into the next car passengers at the rate of 133 for every 100 seats, and still be complying with the order. We can only hope for the best. We sincerely hope, however, that persons who are jamming into cars in the evening at the rate of 100 for every 67 seats will have as much reason for gratification at the order as has Mr. Mortimer, the general manager of the company. He, after carefully surveying the contents of the order, promptly announced that he is well satisfied with the requirements.*

During the two years the Socialist party was in power in the city of Milwaukee, the company, without the aid of the Railroad Commission, was compelled by the city to clean out the street cars before they left the barns, to give the cars a thorough scrubbing twice a week, to obey the smoke ordinance, and to place a lifting jack on each car for use if some one were to be run down—a not infrequent occurrence. A case pending in the Supreme court to compel the company to sprinkle with water between the rails and one foot outside thereof was won. Suits were also instituted and won in the courts to compel the company to pave between its rails and one foot outside thereof with the same pavement as that last used on the remainder of the street.† It is estimated by the Railroad Commission's engineers that this last requirement alone will cost the company not less than from $60,000 to $200,000 annually. It is, therefore, safe to say that the total cost of this pavement will be over two million dollars for the entire term of twenty-two years which the company's franchise has yet to run. And this victory was gained by

*Milwaukee Free Press, Nov. 28th, 1913.
†Order of Railroad Commission, dated Nov. 25th, 1913, on street railway service.
merely enforcing the provisions of an old franchise, which had been absolutely unenforced for at least twelve years.

ENDLESS DELAYS OF REGULATION

One of the inherent weaknesses of any system of regulating private business is the length of time required to get results. Several causes may be assigned for this. To start with, modern business and methods are complicated in the extreme. The Commission must come in and familiarize itself with business details which have taken those in charge years to learn. One can grasp the situation more readily if he imagines the predicament he would be confronted with if he were suddenly placed in charge of an entire new establishment. Then attempt to estimate the time it would take to learn the ins and outs of the entire business. Finally, try to comprehend what it would mean to be placed, with two other men, in charge of hundreds of establishments of various kinds and capacities. With complaints coming in thick and fast about this plant or that plant, can anything but long delay result if careful attention is to be given the complaints?

The city of Milwaukee, on July 14, 1911, filed a complaint, alleging that the rates charged by its local gas monopoly were excessive. Nothing was heard from the Commission for over a year. On July 22, 1912, the writer publicly criticised the Commission for its delay in the matter. The reply came that the Commission was making a valuation of the plant upon which the rate was to be based, and was proceeding with all possible speed. In October, 1912, the valuation was made public. On November 12 and 13, 1912, all hearings before the Commission on the valuation were completed. On December 2nd of that year, the city filed its final brief. Nothing was thereafter heard from the Commission until August 14, 1913, when the decision was rendered, giving a reduction in rates only to the large consumer. Thus over two years expired before the decision came.

The City of Milwaukee has instituted four track elevation and track depression cases since the inception of the
Commission. Each of these involve from six to fifteen grade crossings. A south side track elevation project was instituted March 3, 1910. The case was decided favorable to the city, after a period of two years, on May 20, 1912. A northwest side track depression case was instituted by Milwaukee November 9, 1909. No decision has been forthcoming to date, although over four years have expired. A railroad grade crossing case, involving track depression in the Sixth, Thirteenth and Twenty-first wards, was instituted March 3, 1910. No decision has come as yet, although nearly four years have expired. Track elevation and depression in Layton Park, a suburb of Milwaukee, was formally asked for January 12, 1912, but no decision has come from the Commission, although two years have since elapsed.

The writer has been the city attorney of Milwaukee since April 16, 1910. During all this time, both the engineering and the city attorney’s department of the city have co-operated to the fullest extent with the Commission in order to be ready to proceed at any day. They have prepared engineering plans, drafted forms of final orders, in fact, done everything which could possibly be done to assist the commission in its work. The records and communications on file in the city attorney’s office in Milwaukee, as well as the records in the office of the Railroad Commission, will verify these and all other statements made under this sub-head with reference to Milwaukee cases.

In May, 1909, a petition was filed by Thomas J. Neacy, and twenty-five other large Milwaukee manufacturers, seeking to get the commission to order a lower special rate for large consumers of water from the city-owned water plant. The city had adopted a uniform rate for all. The commission fixed a date for hearing the evidence early in 1912. At that time all of the complaining parties’ and part of the city’s evidence was introduced. The commission then adjourned the case, and stated that it would fix a time later on for the purpose of hearing the city’s remaining evidence in opposition to the position of the manufacturers.
Nothing more was heard from the commission until October 1, 1913, just about three years after the original complaint was filed. Then, like a crash of lightning from a clear sky, a document, comprising about ninety pages of typewritten statistics, costs and figures, came from the office of the commission to the water department through the mails. This document was followed by a letter explaining that the report was a copy of a tentative form of decision in the rate matter. The document provided that the old city system of uniform water rates to all should be rescinded and new rates substituted therefor, favoring all those who used over one hundred thousand gallons of water every three months. Thus, again, the fellow who could buy the largest amount of the product, to be used in most instances as a raw material for profits, was to be benefited at the expense of the small consumers, who consumed solely for use.

Naturally the news of the new scheme spread like wildfire through the city hall and to the press. Telephone wires between the commission, city officials and the newspapers were kept warm for several hours carrying denunciations and receiving replies. The commission then announced that the whole thing was a mistake; that the document was not intended to be even a tentative order; that the data furnished was merely the actual cost of water service sent for the edification of the unknowing city officials; that the city would certainly be given a chance to offer its evidence before anything further was done. The explanation of the commission has satisfied no one. Either clerks are preparing the orders for the commission without even reading the record of the case or the party who sent out this tentative order had gone clean crazy. Be that as it may, the commission appears to have learned, for the time being at least, that meddling with the rates of a municipally owned utility has its dangers and that there are some things which the public will not endure even from regulators trying to carry out the Wisconsin idea. Milwaukee water rates prom-
ise to stand as they are for some time, judging from the painful silence in the neighborhood of the Commission.

Another case of unwarranted delay occurred when, on October 24, 1910, the Common Council of Milwaukee, in seeking to compel the owners of interurban railways entering the city to equip their cars with fenders, passed an ordinance requiring such equipment to be placed upon all cars, and providing further that the design of the fender should be approved by the city commissioner of public works. Various attempts were made by the city to get the companies to voluntarily comply with this ordinance, but with no success. Finally, in the course of a year, prosecutions were commenced and convictions secured in due course in the District Court for violation of the ordinance.

On October 6, 1911, the Chicago & Milwaukee Electric Railway Company wrote the Railroad Commission of Wisconsin to the effect that such prosecutions had been instituted, and requested that, since each city through which their lines passed might require different types of fenders, the commission fix a standard type that might be adopted by all concerned from then on.

On November 8, 1911, the Commissioner of Public Works of Milwaukee wrote the Railroad Commission acknowledging that he appreciated the necessity of uniformity in type of fenders, and stating that he would gladly delay matters until the commission would decide the matter. On November 17, 1911, he wrote that he saw no reason why he would not adopt the commission's conclusions. The only satisfaction received from the commission was that it had assigned its chief engineer to the task of recommending a uniform design, and that more time was necessary to make a finding.

In the meantime, the city kept pressing its prosecutions, and had secured up to November, 1913, three or four convictions in the District Court. All these cases were appealed to the Municipal Court. There the defense is made that no conviction should be imposed until the Railroad Commission
prescribes a state-wide standard fender. When one of these cases came on for trial, the Judge declined to decide the same, stating as a reason on September 24, 1913,* that it was the plain duty of the Railroad Commission to prescribe a fixed type of fender, and promised to write to that body urging some haste in the premises.

There can be little doubt that one competent engineer could settle upon a standard type of fender in less than a week if he were authorized and directed to do so. The commission's engineers have during this time visited several cities and inspected street car service and equipment.† Still, although nearly two years and a half have elapsed since the matter was submitted, no word is forthcoming. If it be that the commission does not know that at least two persons were run over and killed by unfendered cars since the time they started to investigate, it surely will not claim that accidents are not likely to happen at any time.

In April, 1910, a proceeding was instituted by twenty-five citizens of Milwaukee for the purpose of securing better service and lower rates from the Wisconsin Telephone Company, a Bell concern. One year later, the city joined in the complaint, in the hope of getting the commission to act. This, however, was not successful. The Rip Van Winkle sleep still continues up to the date of writing, in January, 1914.

Delays before the commission are not the only set-backs enthusiasts receive in getting results through regulation. There is, following the commission's order, in many instances the well known delay of a court proceeding. Then, too, be it remembered no case can be carried into the courts until the commission has first come to a decision.

In a case already spoken of,—that instituted by Milwaukee in 1907 to get lower street car fares,—the decision was not forthcoming until some time in September, 1912,

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*Milwaukee Journal, September 24, 1913.
†Evidence of Engineer Larson in Milwaukee Street Car Service Hearings.
not until over five years had expired in the interim. During this time the business of the company had greatly increased. In consequence, the facts gathered and the evidence taken in 1907 were so far out of date by 1913 as to very seriously question the basis of the decision thus tardily handed down.

In answering the public criticism of its delay, the commission claimed that the special attorney employed by the city to test the matter was partly to blame, since he caused a delay of nearly two years so as to complete his own investigation and write a brief. Replying to this, the writer asked the commission why it was necessary for briefs to be filed by attorneys. He is still waiting for an answer. Why, he inquired, should one attorney seek to tell the commission in a brief that the rates should be made high, and another that the rates should be made low? If it is true that the commission employs experts to ascertain reasonable rates, ought they not to know more about the rates than the lawyers? Furthermore, was the commission not at fault in permitting this lawyer to waste two years, during which time nearly 400,000 people in Milwaukee were waiting for the decision?

The order granted one extra fare for every half dollar's worth of tickets sold. The citizens of Milwaukee waited five years for that trifling relief. Even then they did not get it.

The regulation act provides, as has been stated, that the company, if dissatisfied with any decision, can appeal to the courts for review. The company immediately went to the Circuit Court of Dane County, as provided in the law, to get the decision reversed. All the parties, including the court, united in expediting this matter to bring it to an early hearing and decision. The judgment of the circuit court was announced a month or so later, confirming the order of the commission. The end came not yet. The company appealed. The judgment of the court was stayed. The company was required to issue a coupon with each half dollar's and dollar's worth of tickets which will be good for a ride in the event the case is ever ended in the courts. All
parties interested again united to bring the case on for a hearing and decision at the earliest possible moment under the technical procedure required. The decision of the Supreme Court of the State was announced on the 31st day of May, 1913. This court again affirmed the decision of the Railroad Commission,—but the end was not yet. The company then secured a writ of error to the United States Supreme Court, and there at present the matter rests, with the company again permitted to issue the coupons good for a ride.

These coupons have been the subject of a great deal of joking by the citizens of Milwaukee. While many of the people are saving them, hoping to be able to cash them in before they die, a great many others have given up all hope of ever seeing the end of this attempt to regulate the Milwaukee street railway system, and are throwing their coupons away. No doubt the company anticipated this, and since, too, it will have the use of the money thus saved for a considerable time, it will be financially ahead by the delay, even though it loses the case in the United States Supreme Court.

While it has been announced that an attempt will be made to bring the case to an early hearing in the United States Supreme Court, the writer does not believe that the matter will be brought on for argument within another year. Whether this be true or not, up to the present time six years and a half have already expired since the case was instituted before the commission.

While the regulation law of Wisconsin does not provide that after the case is decided by the United States Supreme Court it may be appealed to the International Peace Tribunal at The Hague, there is absolutely no doubt that the local company will seek every means conceivable to delay the final enforcement of the order. Delay is almost as good as victory to the railway company, since in the meantime coupons are being thrown away in disgust by the passengers, and is well nigh as injurious to the people as defeat.
Besides this, even though the decision comes as early as 1914, the facts as found by the commission will have then changed. The business of the company is increasing so rapidly that a decision so long delayed does not rest upon present day facts. To conceive how rapidly the total gross or net revenues of such a concern increase in that time, one should bear in mind that during the year 1912 the company collected five million more street car fares than it did during the previous year.* To say the least, the decision will be unjust to the people of Milwaukee.

RAILROAD COMMISSION FAVORS LARGE CONSUMERS

In the City of Milwaukee, the rates for gas, as voluntarily fixed by the private company, varied from fifty to seventy-five cents according to the number of thousand cubic feet used. In the Milwaukee gas case already mentioned, instituted by the city, it was urged by the writer that the rates should not only be lowered, but that such a graduation of rates was unjust. Why should the fellow who uses ten times as much gas as the little householder get his gas so much cheaper?

The commission did not agree to this. It left the rates substantially the same. It made a cut only for the big fellows. It created a special class of favorites. Its decision held that all those who used more than 100,000 cubic feet of gas should pay thereafter only forty-five instead of fifty cents per thousand cubic feet.

This theory of special favoritism has been carried out in dozens of cases in Wisconsin. The commission justifies it by basing rates upon actual costs as it finds them. Rates so fixed, it says, are scientific.

We have heard in the past that the main reason why public service corporations should be regulated was because

they secretly gave specially low rates to the big interests,—that it was low railroad rates, etc., in the shape of rebates, that built up the big trusts,—that this was special privilege and should be stopped by law.

Now it is true that if the big fellows can buy raw material cheaper than the little fellow, the former can also sell cheaper than the latter. The logical outcome of this is "big dog eat little dog," until there is but one big dog left.

Upon this theory the large department store should buy the postage stamps from Uncle Sam more cheaply than the working man who buys one stamp at a time. It certainly costs more to sell one stamp than to sell them in fifty dollar lots. Then the steel trust should pay less for the use of each railroad car than the shipper using one car, since it also costs more to handle each car separately than to pull a whole train in and out of one industry.

The Wisconsin Railroad Commission stands committed to the policy of selling the products of light, heat, water and power plants on a basis of what it costs to produce and distribute the same, plus certain profits. They now apply this rule to all rate decisions in such cases. They are forbidden by the legislature from carrying this principle to the railroads. The rates they fix, therefore, mean low rates for the big consumer, the manufacturer, and high rates to the little consumer, the householder, the workingman. While it is generally supposed that the law would prevent special privilege entirely, the most that can be claimed for it now, even by its advocates, is that the special privilege shown large consumers in the past in matters of rates has now been placed upon a legal basis. This favoritism makes the law ineffective as an instrument to solve the problem of distribution of wealth, and in this respect is a keen disappointment to social reformers.

COMPLAINTS FROM SISTER STATES

The writer does not intend to attempt to present the facts relative to the workings of regulation in states other
than Wisconsin for two reasons, namely, lack of information gained from actual and personal contact with the laws and commissions of those states, and the fact that it requires perhaps too lengthy an article to cover the experience of even one state properly. There are, nevertheless, a few facts which have come to the attention of the writer concerning Massachusetts, which, for obvious reasons, should not be overlooked. Massachusetts was the first state in the Union to undertake a system of regulation. It is the only other state which preceded Wisconsin in this endeavor. The experience of this commonwealth dates back to 1869, when its Railroad Commission was established. After this, in 1885, a second commission called "Gas and Electric Light Commission" was created. Finally a third, "Boston Transit Commission" had to be instituted. Even these three commissions seemed unable to transact the business. Then the state board of health was given certain powers over rates and service of private water companies, while the Highway Commission was vested with control over telephone and telegraph companies. So that after forty-five years of experience, Massachusetts now finds it necessary to maintain five bodies with whole or partial jurisdiction to regulate public service corporations.*

The writer was the recipient of a copy of the brief of the City Attorney of Haverhill, Massachusetts, Mr. G. W. Anderson, which contains some first hand information on the workings of regulation in that state. Haverhill had brought one case before the commission to lower its gas rates in 1898, in which Mr. Anderson represented the city. The brief in question was in a second case instituted by the same city in 1910. Since Mr. Anderson appeared as the city's representative in both cases, he can speak from actual experience.

It appears that the papers of Haverhill were so controlled by the utility monopolies that the city attorney was compelled to have his brief printed and distributed from house

*King's regulation of Utilities, Page 285."
to house in order that the people might learn exactly how they were being robbed by the gas company while regulated. Among the various charges he makes is that during the twenty-five years after the state gas and electric regulation commission was created the gas company had earned an average dividend of 22.1-5% per annum; that twelve years after the city had brought its first case before that board to lower the gas rates, the rates were 15% higher, the service was painfully inadequate, and the meters were revolving more rapidly than ever.

We quote material excerpts from the brief itself:*

"CLOSING ARGUMENT OF G. W. ANDERSON.

"After hearings extending over about eight months, the taking of nearly 1600 pages of evidence, besides numerous elaborate tabulations, computations and charts, the time has come briefly to review some salient parts of this evidence and to submit our views as to what is a fair and reasonable price to be charged by the Haverhill Gas Light Company to its consumers.

"THE PRESENT SITUATION.

"Twelve years ago yesterday I argued for the Mayor of Haverhill a like petition seeking a reduction in the price of gas. It is interesting to compare the situation then and the situation now. At that time the company was furnishing at $1.00 per thousand, net, gas of an average candle power of 24.3, costing the consumers obviously a little over 4 cents per candle power. As a result of the evidence adduced on that petition the Commission ordered a reduction to 80 cents net. The Company refused to obey the order, and brought a bill in equity in the Federal Court setting up the usual allegations of confiscation contrary to the Fourteenth Amendment. To the disgrace of the Commonwealth of Massachusetts, the case was never brought to trial. The consumers were left until July 1, 1909, to pay the full price of $1.00. The regulated-price-by-commission order has accomplished nothing for the citizens of Haverhill during these twelve years.

"At the present time the price of the Company to consumers is 85 cents. But the candle power has been dropped so that it is, as nearly as one can make out from the loose and unsatisfactory records of the company, probably between 17 and 18 only,—or nearly, if not quite, 5 cents per candle power,—an increase in cost of at least 15% to 20%; that is, light is costing the consumers of Haverhill about 15% more today than it was twelve years ago today. . .

"But this is not all. When the present management took control they weighted the holder, increasing the pressure,—claiming that this was necessary in order to furnish an adequate supply in Brad-

*Printed Brief, Haverhill Gas Case.
ford and some other remote districts. If there was such necessity, it grew out of the painful inadequacy of the distribution system, due in considerable part to the fact that the company has an extraordinary amount of three and four inch mains where mains two or three times that size are necessary. Certain it is that in many parts of the city the increased pressure has resulted in bad service,—that the gas ‘blows,’ that meters revolve more rapidly, that the customer get less light and larger bills.

“How has the Company fared during the twelve years since the previous case was argued and this Board made its futile and unenforced order? The capital stock of this company is $75,000. This is all that the stockholders have in any form paid, directly or indirectly, to the establishment and maintenance of this public utility. The Company passed out of the hands of people whose primary purpose was that of making and distributing gas at a fair profit, into the hands of persons who have held and used their control mainly for speculative purposes,—security-making purposes,—in 1898 or 1899. During the period between the year ending June 30, 1898, and the year ending June 30, 1910, the Company has paid an average dividend of over 34 per cent,—something over $25,000 per year.

“Just what the gas consumers of Haverhill would have had under municipal ownership is, of course to some degree, speculative,—but not too speculative to make interesting and pertinent a comparison between what they have had and what they might have had if they had taken this plant over in 1886, when Massachusetts created this regulating Commission. The comparison, in brief, is as follows:

The amounts paid by the Haverhill Gas Company to or for the benefit of its owners are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends/Amounts Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1886-1896</td>
<td>dividends 10% per annum, 11 years</td>
</tr>
<tr>
<td>1897</td>
<td>dividends 14% per annum, 11 years</td>
</tr>
<tr>
<td>1898</td>
<td>dividends 50% per annum, 11 years</td>
</tr>
<tr>
<td>1899</td>
<td>dividends 20% per annum, 11 years</td>
</tr>
<tr>
<td>1900</td>
<td>dividends 30% per annum, 11 years</td>
</tr>
<tr>
<td>1901-1910</td>
<td>payments to Haverhill Gas Securities Co.</td>
</tr>
</tbody>
</table>

Making a total of ...........................................$416,623.86

“This is an average dividend for 25 years of about 22½% * * *

“These results of legalized monopoly are typical except as to degree. We must have municipal ownership: Our ‘regulation’ has given us piracy.”
CHAPTER VII

CAPITALISTS LIKE THE LAW

THE results which followed the enactment of the law regulating public service corporations in Wisconsin have very much pleased the special interests. The chief reasons for this are the following: The largest consumers get the lowest rates. Public utility stocks and bonds enjoy a rise in value. The utility corporation is protected from competition. The owners are granted an indeterminate franchise. The investors are guaranteed large dividends. Good legislation is defeated by the railroad commissioners.

At the time the proposition to enact the scheme into law came before the people of the state, it met with opposition from some of the big capitalists and their representatives. All of this has since changed. The law has been gradually gaining favor with the exploiters of public utilities, while it is rapidly losing the confidence of the masses. As one indication of this, it is significant that the chief lobbyist for the Merchants and Manufacturers Association of the state, an ex-county judge, and formerly an outspoken opponent of the regulation law, is now openly praising its wisdom; and that the people of the City of Superior, the second city in size in the state, after the law regulating its street railways and other utilities had been in operation nearly six years, in the spring of 1913 voted almost seven to one for the municipal ownership of the street car system.

Not all the big capitalists of Wisconsin opposed the enactment of these regulation laws. Those who had a real
personal interest, who had made a careful study of the situation and of the tendency toward municipal ownership, could not suppress their feeling of glee when the chapters were finally signed by the governor.

John I. Beggs, the General Manager of the Milwaukee traction trust at the time, and concededly the shrewdest financier and dividend maker which the utility corporations have supplied in Wisconsin in recent years, gave out the following to the morning press of Milwaukee on November 24, 1907, in response to a request for a Thanksgiving Day statement:

"I am thankful that traction affairs in the City of Milwaukee have gotten into the hands of the Railroad Commission of Wisconsin, an efficient body of men, free from local prejudice and capable of judging what is right.

"It is the best thing that ever happened to The Milwaukee Electric Railway and Light Company. It will insure to the company fair treatment and to Milwaukee the best service we can give at a fair rate.

"The report of that commission after its hearing on conditions regarding the City of Milwaukee here was the best bill of health ever received by a public utility corporation. The examination was satisfactory to us, and should be to the people, as it certainly was ably conducted by their city attorney."

(He refers to the impotent order of the commission on street car service of 1907 heretofore discussed.

When the proposal was first made by the Republican party to enact such a law, the voters flocked to the mass meetings in thousands to hear its merits proclaimed, and to encourage its adoption. Such meetings strongly contrast in their size, constituency and meaning with the little meeting of the committee of the legislature in 1913. This committee had under consideration bill No. 207, to repeal, in most part, the regulation system. At this meeting, aside from the committee, the only persons to appear in behalf of the law were three corporation lobbyists,—Clark Rosenkrantz, Chauncey Blake, and Clyde Ellis. Mr. Clark Rosenkrantz represented the Milwaukee Electric Railway and Light Company, which in turn is controlled by the North American

*Milwaukee Free Press, Nov. 24, 1907.*
Company, and then in turn by one of the two huge financial interests of this country. Mr. Chauncey Blake represented the Wisconsin Electrical Association, which is an organization of virtually all the private public utility corporations in the state. Mr. Clyde Ellis represented an Appleton, Wisconsin, utility company. Bearing in mind that the Rockefeller interest on the one hand, and the Morgan financial interest on the other, own or control virtually all of the profitable private utility companies of Wisconsin, we have here at this committee meeting final and complete proof that Wall Street is now backing and working to perpetuate regulation in the State of Wisconsin.

In an address delivered at Madison, February 21st, 1912, H. Draher, Manager of the Bond Department of Marshall & Ilsley Bank of Milwaukee, before the Wisconsin State Telephone Association* rather let the cat out of the bag. He stated that the regulation law had been of great benefit to the investors, and gave as his three reasons, in substance, the following:

(a) The law removed the difficulties formerly experienced by corporations in obtaining franchises, in that the law itself gave a long and indefinite franchise or permit to all corporations upon which a long term bond could be issued.

(b) It eliminated what he termed cut-throat competition.

(c) It guaranteed to the investor a return of the money invested by compelling the cities to pay the full value of privately owned plants, whether they wanted to or not, in the event the cities proposed to go into the business.

Much the same spirit of capitalistic satisfaction is expressed in the following extract from an editorial in the leading La Follette Progressive paper of Wisconsin:

"Measured, yet very strong, commendation of the Wisconsin idea of controlling public service corporations was expressed by one of the largest bond and bank houses of the country—Spencer

*Milwaukee Journal of February 12 or 13, 1913.
Trask, New York—in an article published Sunday in the Journal. These bond dealers say that public utility and securities issued under the Wisconsin system are in pronounced demand among discriminating bond buyers of the country, and that they bring higher prices than bonds issued by unregulated public utilities elsewhere command.

"The Wisconsin idea of public regulation, the public control of service franchises and utility capitalization, was at first mistaken for extreme radicalism; it was charged with being an attempt to control corporation business; it was considered with horror by the moneved powers; it was considered an arch enemy of capital; a dark plot against Big Business; designed to confiscate the proceeds of 'thrift' for the mass of the common people.*

The editorial continues, in English which is usually termed in the language of the street "bunk," attempting to show how, under this law, the utility corporations are made to walk the line and at the same time the humblest citizen's complaint is heard and justice done by the Railroad Commission, and concludes by the following paragraph:

"The Wisconsin idea of regulating public utility was founded on justice and it is not surprising that it has succeeded. It could not have done otherwise with a thoughtful and sound law and a wise commission, but it is of more than passing interest, it is even remarkable that capitalists have been found with the frankness and freedom of expression to concede that under it the capitalist is getting his due. It is the highest type of progressive legislation. It is constructive and effective."

There are reasons, however, which the editor does not disclose, why it is not remarkable that capitalists have been found with the frankness and freedom of expression to concede that under it the capitalist is getting his due. There is much, indeed, to cause the entire silk stocking element to be even highly elated at the body blow rendered them by this "Wisconsin idea."

In the first place, the Railroad Commission has guaranteed to them, as the largest consumers, cheaper public service rates than to the small consumers (except railroad rates, where the legislature prohibits the commission from granting special privileges.)

Secondly, the stocks and bonds of the corporations sell

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*Milwaukee Journal, August 16, 1912.
better since the law was enacted than do those of corporations of other states not so regulated. It has been the experience with other business interests everywhere, that when a law is passed or decision rendered which is injurious to a corporation, its stocks and bonds take a tumble in value on the stock market. When legislation is passed beneficial to a company, its securities rise in value. If one is to believe its sponsors, the Wisconsin regulation law has encompassed a bit of magic,—at the same time it increases the value of stocks and bonds while it is of benefit to the consumers.

Thirdly, the public utility capitalists favor the Wisconsin regulation law, because the indeterminate permit, discussed in Chapter IV, absolutely guarantees the company a continual monopoly of the business in that city. Of course, it is of value for an investor to know that his business will meet no competition in the future.

Preventing new companies or even the city from building a new plant in a city where there is one already in existence is not the only form of competition, moreover, which this law eliminates. Under the old order of doing things, where there was more than one competitor in the field, a rate war was a possibility. These fights cut the profits of the owners heavily at times. Even though dividends were cut, however, the public enjoyed slightly lower rates while the fight went on. Such contests are not now tolerated by the Railroad Commission of Wisconsin.

In the City of Milwaukee there exist four or five private companies supplying light and power for sale. One of these, the Commonwealth Power Company, which sells light and power in a restricted part of the business district, was supplying its service for a slightly cheaper charge than the other companies. On July 11, 1912, the Milwaukee Electric Railway and Light Company, which claims the only franchise to sell light and power all over the city, and the largest of all the companies, filed a complaint with the Railroad Commission charging that the smaller company was selling
electric current at rates lower than itself. The complaint requested that all utilities companies' rates be inquired into and made uniform.

In this investigation, the commission found that the smaller company, the Commonwealth Power Company, was supplying electric current at a lower rate than other companies. No attempt was made to show that the smaller company was not making a good profit at the lower rate. Nevertheless, the commission put to rout all possibility of any further rate cutting. That such a rate war was likely to occur is indicated by the following excerpt from the commission's opinion:

"In this investigation it was discovered that at least one of the companies, namely, the Commonwealth Power Company, partly through such applications of its rate schedules as to bring about lower rates than the existing lighting rates, and partly also through certain methods of computing the monthly bills and of furnished fixtures, etc., which appeared questionable, was gradually securing for itself the business and customers of some of its competitors. It was also found that these methods were resulting in unjust personal discriminations and had brought about a situation that verged upon a destructive rate war that would not only be injurious to public interests but to the companies themselves."

While only a careful study of the records will reveal just what changes of rates were ordered, and while the decision in the case recites that about as many increases as decreases in the rates were made, it is plain that the commission put to rest any possibility of a lowering of rates by a competitive war. A paragraph of the syllabus of the opinion, which reveals the effect thereof, reads as follows:

"In the public utility field rate wars are so clearly against public policy that they should not be permitted under any circumstances. It is clearly in order to enable this Commission to prevent or stop such struggles that Sec. 1797m-99 was included in the Public Utilities Law."

It is indeed interesting to note in passing that had the companies concerned voluntarily agreed to do the same identical thing that the Railroad Commission ordered them to do, they would have been violating Wisconsin's anti-trust

law which we have before spoken of. The Railroad Commission ordered these companies to stop competing one with another in cutting prices, and to sell electricity at the uniform price fixed by it. Since this is precisely what the anti-trust law forbids private corporations from doing themselves, it is amusing to note that the commission itself comes along under the regulation law and with great dignity makes an order which enables the companies to violate the said statute with impunity. Thus worketh the "Wisconsin idea."

The parts of the anti-trust law which are here material read as follows:

"Any corporation . . which shall enter into any . . agreement or contract intended to restrain or prevent competition in the supply or price of any commodity in general use . . or which shall in any manner control the price of any such . . commodity, fix the price thereof . . shall upon proof . . have its charter or authority to do business in this state cancelled and annulled. . . ."

There are two other points about this case which should not go by unobserved. First, the rates established by the commission for the large consumers favor the largest of these. They are as follows:

"ENERGY CHARGE.

4 cts. per kw. hr. for first 1000 kw. hrs. consumption during month
3 cts. per kw. hr. for next 3000 kw. hrs. consumption during month
2 cts. per kw. hr. for next 6000 kw. hrs. consumption during month
1½c. per kw. hr. for all energy consumed in any month in excess of 10,000 kw. hr."†

In the face of these low rates for the large users, residents are compelled to pay as high as twelve cents a kilowatt hour, or 800 per cent, higher than the one and one-half cent users.

Next, it did not take from one to six years to get action out of the commission in this case. It is possible that the fact that the impending rate war would have lowered the profits of the owners had nothing to do with the unusual haste of the commission, but whatever the explanation, the owners have no grievance because of delay. The complaint

*Sec. 1791j, Statutes of Wisconsin.
was filed on July 11, 1912. The commission held a hearing July 31, 1912. A decision was pronounced August 20, 1912. Thus within a month and a half after the first complaint was made a decision was rendered.

Fourthly, the indeterminate permit compels cities to pay the value for all utility equipments as fixed by the Railroad Commission. It is a well known fact that the character of machinery used in producing and distributing gas and electricity changes from year to year, and that such machinery often in ten years becomes absolutely out of date and useless. A private company proposing to enter a business would equip itself with the newest and latest machinery. Under the above law, however, the cities of Wisconsin are compelled to buy the equipment of the existing plant, whether such equipment is antiquated or not, provided the machinery is not so badly worn out that it can not be used. This is a condition of affairs which is well nigh appalling. In other places, when the term of the franchise expires the company will have to move on if the city insists. At such a juncture a city may either strike a bargain-counter price for the plant or secure very favorable conditions as an inducement to extend the grant. The Chicago street railroad corporations were face to face with this exact situation about 1903. To stave off the insistent demand on the part of the public for municipal ownership, the company agreed to turn over to the city treasury 55% of its net profits. Suppose the city of Chicago would have refused this offer and have taken steps to construct its own line of street railways. Imagine the predicament of the private company if the municipality would have insisted that it either sell at the city’s figure or move on. It must be borne in mind that it is admitted by practically all street railroad engineers that the cost of taking up the tracks and thereafter relaying the pavement is greater than the value of the ties and rails taken out. In such cases, the railway corporation is better off financially to leave its rails in the street rather than take them up. It follows,
therefore, that the street railroad corporation without a franchise is like a camel on a desert without water.

This was exactly the condition in Wisconsin prior to the enactment of the La Follette regulation law. Besides this, there was no question that the cities enjoyed the right to engage in municipal enterprises.* There is no doubt that private utility interests foresaw at the time a strong movement in Wisconsin for municipal ownership, and if they had hesitated to accept such a law as La Follette gave to the people of this state, they could properly have been charged with being asleep at the switch.

Whatever may have been in their mind at the time, there is absolutely no doubt that, thanks to the working out of regulation in Wisconsin, a similar law will be advocated by politicians at the behest of Wall Street in every state in the Union which does not already have a similar statute.

The profit takers know that the day is rapidly approaching when the utilities of this country will be owned by the people. It is their purpose not only to delay this movement as long as possible, but to compel the people by law to bond themselves to pay for the worn-out equipment of utilities which have been depleted.

Regulation legislation solves the public service corporation problem completely in favor of the capitalist. I venture the statement, without fear of contradiction, that no shrewder piece of political humbuggery and downright fraud has ever been placed upon the statute books. It is supposed to be legislation for the people. In fact, it is legislation for the moneyed oligarchy.

The reason why the Progressives of the country have thus far been able to bamboozle the American people with laws of this character, under the guise of Progressive legislation, is because their real nature has never before, to the knowledge of the writer, been thoroughly explained.

The fifth reason why the corporations favor the Wis-

*Ellenwood vs. City of Reedsburg, 91 Wis. 131.
Wisconsin brand of regulation is because it not only guarantees a rate high enough to insure the maintenance of their plants, plus a depreciation fund sufficiently large to pay for rebuilding the plants when they are worn out, but high dividends as well. By "guarantee" is meant that when sufficient returns, in the opinion of the corporations, are not forthcoming, they can complain to the Railroad Commission that their rates are too low. If they can make a good showing of figures to prove their contention, the commission, if it follows its practice of the past, is sure to raise the rates.

By its order in fixing the gas rates in the Milwaukee Gas Light Company case heretofore referred to, the Railroad Commission allowed a profit to be made on the value of the plant of approximately ten per cent. per annum, not to speak of a depreciation fund approaching two per cent.

The writer, in his brief filed with the commission before it decided this case, called attention to the fact that the United States Supreme Court had decided* that six per cent. net profit per annum was sufficient return on the investment of a gas plant in a large city. The Wisconsin commission, however, thought it would be more progressive to allow ten per cent. This per cent. profit allowed to be earned on the value of the plant is not a limitation of the amount of dividends the stockholders may receive. It has generally been supposed that under regulation, when a profit of say ten per cent. was allowed to be earned upon a plant that this amount was all an investor was allowed to earn. This has not proven to be the case. Stockholders may receive in excess of this. If, for instance, a company organizes with a stock of only $100,000, borrows money on bonds at 4% secured by mortgage in an amount sufficient to enable it to build up a plant valued at $1,000,000, a 10% return on the value of the plant would mean $100,000.00 profit per year. On $900,000, borrowed by bonds, only 4% would have

*Consolidated Gas Co Case of New York City, 212 U. S. 19, 53 L. Ed. 382.
THE FAILURE OF REGULATION

to be paid by the company, since that was the rate of interest the money was borrowed at on the bonds sold. Therefore, bond holders would get $36,000 interest, while the remainder of the $100,000 profits, or $64,000, will go to the stockholders. A $64,000.00 plum for the stockholders controlling $100,000 of the stock would be a dividend of 64%.

The Milwaukee Gas Light Company was organized with a capital stock of $5,000,000. It has borrowed on bonds secured by mortgage $8,000,000. The plant was valued by the commission at about $10,000,000. It follows that that part of the plant which is worth more than $5,000,000, the part equal to the amount of stock, is in reality owned by the bond holders. These bond holders purchased the bonds with the understanding that they were to receive but 4% interest, which means that the owners of half the gas plant were satisfied with 4% profit.

The commission, however, allows about 10% profit on the value of the entire plant. Thus the stockholders will not only get a dividend, represented by 10% on the half they own, but receive in addition the difference between 10% and 4% on at least another $5,000,000. This would give them a dividend of approximately 16% on the $5,000,000 of stock. One reason why they do not get quite this amount in fact is because interest must be paid on the full $8,000,000 of bonds which, when added to the $5,000,000 of stock, makes a total capitalization of $13,000,000.00 on a $10,000,000.00 plant.

This proposition can be looked at from an entirely different angle. If the owners of the Gas Company are permitted to make a profit over and above all the expenses and upkeep of the plant of 10%, then the citizens of Milwaukee are paying rates for gas high enough to give the company a clear profit of nearly $1,000,000 per annum. In about ten years this equals $10,000,000, which is equivalent to the value of the plant. Thus, under the Wisconsin regulation law, we are paying enough profit to the gas owners to build a brand new plant about every ten years.
That the returns to an investor may vary very greatly, depending upon the particular plant in which his money is invested, is shown by what follows, as well as the enormous earnings which may be squeezed out of the public under the "Wisconsin idea."

The report of the North American Company to its stockholders for the fiscal year ending December 31, 1912, and for the various utilities which that company owns in Wisconsin, reveals (not to the public) to its stockholders that after those companies had first deducted from the total operating revenues or total receipts received for the whole year, all the following expenses,—operating, maintenance, depreciation, reserve credit, taxes, and interest on bonds and loans (which, by the way, cover all the possible expenses)—the balance at the end of the year left to go to the stockholders was as follows for the various companies: The North Milwaukee Light & Power Company $1,982.29, or 15%; The Burlington Electric Light and Power Company $6,565.62, or 30%; The Watertown Gas and Electric Company $18,216.45, or 20%; The Wisconsin Gas & Electric Company $94,192.52, or 14%; Milwaukee Light, Heat and Traction Company $538,824.29, or 43%; and The Milwaukee Electric Railway and Light Company $828,277.54, or 14%.

The North Milwaukee Light and Power Company carries a capital stock of $25,000. The above profit would result in a dividend of over 7%. The Burlington Electric Light and Power Company is capitalized at $50,000. The above profit would result in a dividend of over 13%. The Watertown Gas and Electric Company was capitalized at $200,000, so that the above profit would result in a dividend here of over 9%. The Wisconsin Gas and Electric Company is capitalized at $1,200,000, so that the above profit would result in a dividend of slightly less than 8%. The Milwaukee Light, Heat and Traction Company is capitalized at $10,000,000. On this the dividend resulting would be
over 5%. The Milwaukee Electric Railway and Light Company carries a capital stock of $14,350,000, so that the above profit would result in a dividend of slightly less than 6%.

Do not conclude, however, that the dividends above discussed are the only profits which that company exacts from the Milwaukee public. They have charged up as part of their expenses the total amount of money they pay in interest on their bonded indebtedness. It follows, therefore, that this interest, while it is in fact a profit, is not included within the amount which was above set forth as dividends. The total amount of bonded indebtedness of the last named company is $16,849,000.00. These bonds must be drawing interest of at least 4%. This would mean that the company pays out $842,450 each year in interest, which they have charged to running expenses. It appears, therefore, that the public is paying interest on bonds to the extent of nearly $17,000,000 and dividends on stock of over $14,000,000, making a grand total of about $31,000,000 of stocks and bonds on which the public must pay profit. This might not be subject to such severe criticism if the value of the plant approximated that amount. The Railroad Commission recently fixed a valuation of the total property of this company at twelve million dollars. Assuming this valuation to be correct the people of Milwaukee are paying to the stock and bondholders † of The Milwaukee Electric Railway and Light Company $1,402,237.54 dividends and interest on a

†We have chosen this company for example notwithstanding the fact that it is one of the poorest dividend paying properties of the North American Company in Wisconsin, because since it was thoroughly regulated by the commission it can not be said that all the facts were not in its possession. This is the company which was involved in the Fare case and was subject to investigation and orders on its service herein discussed. In the case referred to in Note (*) the Commission ordered improvement in service which it estimates will cost $100,000 annually. Since the revenues of the company are increasing at the rate of $200,000 a year, it is apparent that the figures here given will be altered little, if at all, on this account in the future.

*Order of the Railroad Commission, Nov. 25, 1913.
plant worth twelve million dollars. This would be a
+ twelve per cent return on the valuation. It also appears
from this that the company under Wisconsin regulation
is exacting from each man, woman and child in Milwaukee
(400,000) about $3.50 in interest and dividends alone,
after paying all its expenses, in a single year.

None of this discussion so far takes into consideration
the enormous salaries paid to the officers and various other
flim-flam arrangements, of which space will not permit a
discussion. For instance, subsidiary companies, such as now
exist, which perform services for the main company. In
Milwaukee we have the Arrow Construction Company,
which is owned directly by the North American Company,
which does paving and construction work for the street
railway company. That the North American Company,
through such a construction company, can also make con-
siderable profits is well known. Is any better proof needed
to demonstrate that the "Wisconsin Idea" is a success for
the stock and bond holders?

A sixth reason why capitalists are pleased with the law
is that it takes away from the employees of the business
regulated a powerful weapon to secure improvement in work-
ing conditions. It takes this weapon away by making its use
impractical. This may best be explained as follows: It is
the almost universal practice of cities to insert in franchises
a clause requiring the utility to furnish continuous service.
When the employees of a company go on a strike in such
cases, the company is always in danger of losing its most
cherished right—its franchises. City officials can demand
that the company resume operating at once. Resort to the
courts may be had to enforce obedience to the demand. Many
a concession has been gained by the employees without a
strike, and many a strike has been settled as a direct result
of this remedy. Its effectiveness, however, in either case
depends upon the willingness of city officials to proceed and
the length of time required to get the provision enforced.
This is apparent at a glance, when it is considered that the decision of a court must of necessity be rendered, if the company fights, and this decision must be made, before the strike is lost.

In the city of Superior, Wisconsin, in 1912, the street railway company had been dismissing its employees for joining a union, and for attempting to send representatives of such union to the company to ask for improvements of working conditions. A strike was called. The men offered to go back to work upon recognition by the company of their right to organize. The company refused to grant the demand. The service remained at a standstill. Here was a clear case where the company violated its duty. It could not even successfully claim that its breach of duty was due to the action of the union. The company itself on the one hand had discharged men exercising their legal right to organize, and, on the other hand, by its own refusal to accept the offer of the men, was itself causing the service to lapse. An action was instituted in court to compel the company to supply service. Success in this move would have meant victory for the men. The company could not successfully deny the facts. What was it to do? The excitement was intense. The case came on in court. The hope of the company was in delay. The attorneys of the company moved to dismiss the case. By what right was this? What law would assist them? The climax came. The attorneys of the company opened the books to La Follette's regulation law. There, sure enough, it was written that all questions of adequate service must be first determined by the Railroad Commission before the same could be taken into the courts. The delay of the court was bad enough, but to think of first going to the commission was despairing. The lower court even refused to hold that the law could be used in such cases. The company appealed to the Supreme Court, where its contention was sustained.* The consequent result of this

*State ex rel City of Superior vs. Duluth St. Ry. Co., 142 N. W. (Wis.) 184.
is that employees find this weapon now useless. This fact, together with the actual experience which Superior had with the Commission itself, helps to explain why that city voted seven to one in favor of municipal ownership of the street car line rather than continue under the regulation law, much to the despair of the interests.

A seventh and final reason why capitalists smile at the law is that the railroad commissioners opposed certain legislative bills which were clearly designed to protect the people. In the session of the Wisconsin legislature of 1911 there was introduced into the assembly, by Assemblyman W. J. Gilboy, a bill bearing number 833. This measure required every railroad company in the state—

"... to erect, maintain and operate at all times at every place where such railroad crosses a public highway or street, and near such crossing, an efficient electric alarm bell or signal, properly installed and kept in good working order."

The Railroad Commission must have had an exalted idea of its own ability to solve such difficulties. They claimed that they had full and complete authority under the regulation law to order such protection as was necessary at the crossings, and that the above measure would impair their jurisdiction. The measure was then changed to meet this objection. As amended, the bill provided in substance that while the Railroad Commission could require other or additional safeguards and devices at any railroad crossing, there must be at least an alarm bell or other signal installed. Thus amended, the measure passed the Assembly by a vote of eighty-two to six and was then dispatched to the Senate. There on the strength of a statement made on the floor by a prominent senator that the Commission still opposed the bill, it was killed.

Another successful attempt of the Railroad Commission of Wisconsin to defeat a meritorious measure will be better understood, if the conditions leading up to its introduction into the legislature are first related.

While the legislature was in session in January to July,
1913, the Commission was holding its inquiry on street car service in Milwaukee, as has already been explained. During this time an order was issued by the Commission providing that four additional cars be operated on one of the lines. This order was entered February 4th, 1913. The company immediately notified the Commission that they could not comply with said order because they lacked sufficient cars. Persons interested wondered what the Commission would do if the company was correct in its contention. Was the company going to fight the order in the court? Could it succeed in getting out of obeying the Commission by merely failing to provide cars? These and other questions had not been adjudicated. It was feared that the company could at least delay matters for years in litigation. Having this and the deplorable condition of street car service in mind, David V. Jennings, a Milwaukee assemblyman, introduced into the legislature a bill designed to make unlawful the carrying of more than ten people without seats in any street or interurban car. Fear was expressed around the corridors that the bill would not pass, on the ground that it would be considered a rebuke to the Commission. Jennings then offered a substitute to overcome this objection and to solve the extra car question. It provided in substance that whenever any street or interurban company fails to operate such additional cars as may be ordered by the Railroad Commission, all passengers not furnished with seats should be carried free. It was made obligatory upon the company to stop and take on passengers when signalled. This measure, as thus altered, passed the assembly. When it got to the senate, Railroad Commissioner Halford Erickson appeared before the committee on corporations, to which the bill was assigned. He argued that the present statutes fully covered the case. He was fully aware at the time of the reason assigned by the Milwaukee Street Railway Company for failing to observe the orders of the Commission. Even though the commissioner was correct, was there any special reason why he
should appear as a lobbyist to fight this measure? The bill certainly would have assisted the Commission in getting the corporations to obey its orders for more cars, rather than attempt to disobey, as they had in Milwaukee. The Commission may have had some scientific reason for taking sides against the people. So far, however, they have failed to inform the public the exact character of this reason.
CHAPTER VIII

EIGHT REASONS WHY REGULATION FAILS

Our discussion has demonstrated that in actual practice regulation, as an effective remedy to protect the people from the greed of monopoly, does not meet the promises of its advocates. There are certain inherent defects in the plan that simply make it impractical, except as a political expedient.

In the first place, the attempt to leave public service corporations in private hands to be regulated by governmental supervision, has succeeded nowhere. The absolute breakdown of all the various brands or different ideas seeking to obtain governmental regulation in foreign countries has been fully reviewed. It does not necessarily follow, of course, that regulation can not be made workable in the United States because it has failed in all other countries. When, however, we discover that we, too, are making a fizzle of the job, is it not about time to cast around for some other measure?

A second reason why we may seriously doubt the possibility of ever succeeding in successfully and satisfactorily regulating private industry, is that there has never been a system devised, which, for any length of time, has suited its most ardent advocates. The systems used in foreign countries were constantly undergoing changes until abandoned.

Congress enacted the Interstate Commerce Act in 1878. This law created a commission for the purpose of regulating the railroads. It is amended in some respects at almost every
session now. At the present date, everyone knows that the act is working wholly unsatisfactorily. It is common knowledge that practically every leading Progressive in Congress has his own little pet scheme for amending that law.

The Wisconsin statute has been heralded as a model. It was framed by such well known experts as Professor John R. Commons. He had the benefit of the experience of other countries and the assistance and suggestions of the best students of regulation in America. The much-heralded model, nevertheless, has been subject to an increasing number of amendments, until at the session of the legislature of 1913, thirty-five bills were introduced, all seeking to alter and amend the law in innumerable particulars. One of these was for an outright repeal of its main features. No one can truthfully say “There is a system of regulation which is a success. The law may need some minor alterations, but on the whole the number of changes sought to be made are few and far between.” If regulation is not to become an object of popular disapproval, its advocates will soon have to agree upon some definite scheme. Then, and not until then, can we expect to have the same plan in operation in more than one state.

A third weakness of regulation is that it means needless duplication. The private corporation pays for one management—its officers; the people, through the state, pay for a second management—a commission. One of the main abuses of private ownership is the enormous expense in salaries which boards of directors frequently allow officers. What of the cost of the second management? The Railroad Commission of Wisconsin now costs the state about $200,000.00 annually. The State Utility Commission of New York runs up an expense each year of over one million dollars. The Interstate Commerce Commission draws upon the United States treasury for nearly one and one-half million per annum. The expense of each of these commissions ever runs higher and higher. From this it appears that the states ought, on the average, to regulate the public service corpora-
tions for less money than Uncle Sam can regulate, by its Interstate Commerce Commission, two national monopolies—the railroads and the express companies. If it costs one and one-half million dollars a year to regulate, through one commission, two trusts, what will it cost to regulate the ten thousand trusts? Add to this the expense of the state commissions, and you will find that for a sum thus wasted we could buy, pay for and turn over to Uncle Sam all the big trusts in a very few years.

The absurdity of the needless duplication will be more forcibly presented if we take the utility which has received the most serious attention of the regulators—the railroads—for illustration. The first set of managers are the private officers. The second set of managers are the members of the Interstate Commerce Commission. The third set of managers are the individual state commissions. The needless economic waste entailed in this senseless duplication is obvious. It is enough to brand the whole scheme of regulation as unscientific and wrong.

For what purpose is all this? We first pay the salaries of the railroad officials, large though they may be. We do not relish the kind of management they supply. Then we create a national commission to tell the first managers how to run the concern. Not being fully satisfied with this, we hire a state commission to rectify the shortcomings of both in our locality. In short, we employ, at our own expense, two sets of public officers to induce Shylock to take from us fifteen ounces instead of a pound of flesh.

Fourthly, an inherent weakness of regulation is the utter impossibility of ascertaining the true facts concerning the inside working of a gigantic business institution. To illustrate, valuation of plants may be made upon which a certain rate of profit will be allowed. The valuations, however, are nothing more or less than guesswork. No two men working independently will fix the same value on a plant. For this reason even the officers of a large corporation may know the amount of dividends which are declared, but they can only
guess at the amount of real profit a plant may be actually earning. This is not only true because the value of a plant is guesswork, but because its value is undergoing constant change.

Then, too, in what amount is the property depreciating? Has enough been set aside to cover this? What outlays should be properly charged to maintenance? Was this or that repair or replacement a betterment or maintenance of the plant? These and innumerable other perplexing questions puzzle even the private owners who have all the original data at hand. Then in addition imagine a situation where the same group of stockholders control two to a dozen separate corporations, all making charges against each other for certain specific services,—the various transactions so manipulated that the company sought to be regulated is actually on the face of the books losing money—losing perhaps because of excessive prices being paid sister companies for services. Add to this the secret manipulation of accounts which would dazzle the most expert. Then you have a situation where no one can accurately find all the necessary material facts.

In the fifth place, unbearable delays are part and parcel of such a system. Even though we assume that a commission can find and determine the true state of facts upon which to base so-called reasonable rates, it can not be denied that the length of time required to determine these facts is so great as to doom regulation to failure. We have fully reviewed the time it takes the Railroad Commission of Wisconsin to render a decision in Chapter VI. Chairman Roemer of the Wisconsin Commission publicly confessed that none of these decisions could be rendered any sooner than has been there described.*

Having in mind why the intricacies which a commission must unravel before making a decision, and recalling

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*Milwaukee Leader and Journal, May 24, 1912.
the number of utilities the Railroad Commission of Wisconsin must regulate,—ask yourselves the question: Is not unbearable delay an inherent weakness of regulation?

The Railroad Commission of Wisconsin pretends to regulate forty-three railroads controlling 7,586 miles of track-age on June 30, 1913, besides a dozen other logging private railroads doing business as common carriers; six express companies; several telegraph companies; twenty-eight street railway companies, of which sixteen are doing interurban business, and in addition thereto 1,164 local utilities:

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<th></th>
<th>Municipal</th>
<th>Private</th>
<th>Total</th>
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<tr>
<td>Electric utilities</td>
<td>73</td>
<td>171</td>
<td>244</td>
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<tr>
<td>Gas utilities</td>
<td>13</td>
<td>41</td>
<td>54</td>
</tr>
<tr>
<td>Water utilities</td>
<td>129</td>
<td>27</td>
<td>156</td>
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<tr>
<td>Telephone</td>
<td>...</td>
<td>666</td>
<td>666</td>
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<td>Heating</td>
<td>1</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Street railway</td>
<td>...</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>216</strong></td>
<td><strong>948</strong></td>
<td><strong>1,164</strong></td>
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Thus the commission and their staff must look after the inner workings of about thirteen hundred institutions. Anyone familiar at all with the vast amount of information necessary to run one of these concerns properly will know how utterly childish it is to assume that a commission can regulate promptly thirteen hundred utilities, not to speak of watching them ever after to see that the orders are complied with.

To the delays incident to fighting the corporations before the commission must be added, in many cases, a long fight in the courts. During all this time the public sits by in wonderment. They ask: "Why can we not get results? Must we fight these corporations forever to get even a slight concession? Is there ever to be any cessation of hostilities?" It was this endless delay and unceasing litigation which finally brought the various peoples of Europe to a state of
utter disgust at all attempts of government to regulate private business.

The sixth reason why regulation must fail is that any material reduction in rates made by the commission means nothing else than poorer service. To prevent the corporations from getting their usual dividends by lowering the standard of service, the commission would have to employ an army of inspectors. To illustrate, a Gas Company can make up for lower rates by increasing the pressure in the mains or by adulterating the gas. A street railway can save money to make up for a low rate of fare by supplying fewer cars or paying low wages and otherwise cutting expenses. All other utilities can likewise lower the grade of their service. The Chief Engineer of the Railroad Commission testified on two occasions that he had observed that the street railway company put on extra cars when he was about the car barns.* It is a matter of common talk in Milwaukee that any time the inspectors of the Commission are checking up the service, the company puts on extra cars.

A commission composed of three men, moreover, with its handful of experts and inspectors, cannot be all over the state at all times to watch and see that its orders are complied with. It reports one inspector employed to watch the service of all the gas companies of the state. It also has but six inspectors to see that its standards of service are enforced in the state. Could anybody expect seven men to watch over two hundred forty-four electric, fifty-four gas, and six hundred sixty-six telephone plants?

Managers of private businesses know that if they can not make big dividends they will be replaced by someone who can do so. Low fares usually mean low dividends, unless the difference can be made up by paying lower wages to the employees or lowering the standard of service. The reader can draw his own conclusions of the natural result.

*Testimony taken June 17 and June 30, 1913, on Milwaukee street car service, on file with Commission and City Attorney, pages 10 and 46.
Seventhly, regulation must fail for the reason that the commissions realize that if they should put the rates down where they ought to be, and then required the service to be kept up to a good standard, not another dollar would ever be invested in public service corporations by large capitalists. The railroad and utility business now requires a great amount of money to finance them. This can only come in the main from large capitalists, unless furnished by the state. New railroads or extensions of old ones have to be built from time to time. Old equipment has to be replaced. Would the moneyed interests invest more money in an enterprise that would not bring them big fat profits? Is it not plain that if money could not be made in railroads, the big fellow will invest elsewhere? Low rates and good service are incompatible with high dividends and large profits. The regulators are between the devil and the deep blue sea. On the one hand, the people are clamoring for results, while, on the other hand, the corporations demand dividends. Which shall it be? That is the problem.

There is no doubt that the commissions are at all times in mortal fear of driving capital out of the utility and thus see the equipment depleted and the business stifled. The following quotation from a decision of the Wisconsin Railroad Commission will convey the inner workings of state railroad commissioners' minds when confronted with this proposition:

"In passing upon these matters, however, it should be borne in mind that under present industrial conditions, the best interests of society, as a whole, are subserved, when the share of each factor of production is high enough to cause a free and unrestricted flow of labor, capital and business ability into the various utilities. If wages, interests and profits are not high enough to attract the factors which they represent, then these factors will not enter the utility business. The result of this is clear. If either or all of these factors refuse to enter this field, then no service of the kind these utilities render will be furnished, and the people may have to forego what may have become necessities to them."

The commission is not worrying about the flow of labor

into Wisconsin. There is usually an oversupply of that hanging around. It is the fear that capital will be invested elsewhere than in Wisconsin. La Follette could not make campaign speeches to the effect that capitalism is not injured by his regulation law in Wisconsin, if the capitalists did not see fit to permit their money to flow readily into the Wisconsin investments. The regulators dare not materially cut down profits. A fear that capital will not flow freely into industry is enough to give any progressive politician the blind staggers. President Wilson's trust smashing program has already taken a turn as though smothered by chloroform by fear of a panic.

The following statement is by Franklin Lane, member of the Interstate Commerce Commission:

"If our commerce is to grow and trade is to be fluent, if we are to continue of interdependent communities and individuals, if we are to give the world the benefit of the great resources of this country and put to its highest use the genius for industrial development which our people manifest, our existing lines of railroad must be made profitable to their owners, and money must find that investment in railroads is both attractive and secure. A regulating body which is not fair to those who have invested this money in a public utility does infinite damage to the community."

To satisfy the public with lower rates and good service, and at the same time allow high dividends and profits, the regulators have an insoluble problem.

The final reason why regulation must fail is that the corporations will ever strive to control or influence the commissioners. This may be done in at least three ways: First, by influencing appointments on the commission. Second, by corrupting the regulators. Third, by controlling the public press.

The power of the public press to influence the general character of decisions, either by flattery, by suppressing facts, by molding public opinion, etc., is too well known to need discussion. A live, honest, critical, and impeachable

†From Railway Library, 1911, page 88, and California Outlook.
press is absolutely essential to spur the regulators on to do their best for the people.

It is unnecessary to prove here just what sources of public news are controlled by special interests. It is only necessary to point out that this whole system of regulation furnishes a particular incentive for the big interests to control or influence the source of public news. In the City of Milwaukee, it is known that public service interests own at least one large daily newspaper. It is not uncommon for them, moreover, since this law went into effect, to place in the various newspapers a full page advertisement of their business.* If anybody can explain why a local monopoly spends thousands of dollars a year in advertising its business on any other ground than because they desire to be influential with the public press, I would be glad to learn that reason.

The following quotation will illustrate the condition of absolute servitude under which the public press of a city can humble itself under this system of regulation.

"Poor gas at high price, with enormous dividends to speculation in gas securities, are not the only evils from which this community is suffering as a result of private management under legalized monopoly. We find here, as we have at times found almost throughout the Commonwealth, and of which we had long and sad experience in Boston, a public utility company in local politics. We find it in apparent control of part of the local press. Throughout this controversy it has been obvious that the press is dominated by the same interests that dominate this speculative gas scheme. In the local daily paper nothing has been published showing the real situation to the citizens of Haverhill. The news published has been misstatement and distortion. It becomes necessary, in order to let the people of Haverhill know what their city government is really trying to do for them, to have the substance of this argument printed and distributed in pamphlet form to the citizens of Haverhill."†

As to the control of the commissions by the big interests, I desire to say, as far as the Wisconsin Commission is concerned, that I have never had the slightest doubt that the commissioners themselves were honest, trustworthy men, who were attempting to make a success of regulation. They

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*For an example, see Milwaukee papers on Sept. 22, 1912.
†Quotation from page 8 of brief in Haverhill Gas Case.
are obsessed, however, with the haunting fear every time they render a decision that they might drive capital out of this state. This is the only explanation I can give for the commission allowing 10% profit to the local gas company, when the United States Supreme Court allows only 6%. I do not propose to predict, however, that the corporations of Wisconsin will not attempt in the future to influence the appointments on the commission, nor will they hesitate in using every means at their command to control the Railroad Commission of the state of Wisconsin. This is an inherent weakness of regulation.

The following statements sum up the experience of Carl Vrooman, after he had made an extended study of governmental regulation and the experience of the people of Nebraska with their commission.

"WHY REGULATION FAILS.

"If the Minister of Public Works and the rest of the Cabinet, together with the Government majority in the House, were independent and free from railway influence; if the friendships, prejudices and financial interests of the head state engineers impelled them to think and work first, last and all the time, in the interest of the nation; and if all the little subordinate inspectors were animated solely by the desire to force the railways to live up to the spirit and letter of the law,—Government control in France would be productive of strikingly different results. Unfortunately, however, in France as in England and America, or wherever private railways exist, these roads, by the use of both fair means and foul, have acquired an extraordinary influence over politicians and Government officials, big and little. On account of this fact railway students and specialists are slowly coming to see that there is incomparably more political corruption in connection with the private corporation-owned railways of America, France and England, than with the state railways of Belgium, Germany and Switzerland, and that really efficient and satisfactory government 'control' of corporation railways is a more difficult proposition than is the plan of complete state ownership and operation."*

NEBRASKA'S COMMISSION.

"The greed of Nebraska telephone interests to merge and to advance rates provoked resistance that grew little by little into a public demand for public ownership. The supervising control given the railway commission was misused by the commission. It turned

*Vrooman's American Railway Problems, pages 89, 90.
out to be, not control of the telephone corporations by the commission, but control of the commission by the telephone managers that got from the commission whatever they wanted.

"When this legislature convened, the telephone lobbyists convened, and for a time threatened to boss the legislators as they had bossed the commissioners.

"It looks now as if the situation were reversed and as if the legislators are in an attitude that promises a public ownership law that will protect 'phone users from extortion and at the same time guarantee justice and fair treatment to the 'phone properties where they are taken over."*

In the Milwaukee Journal of August 26, 1913, Congressman Manahan of Minnesota, in an interview tells how he discovered that railroads were in politics, controlling railroad commissioners. In this interview Manahan says that in a hearing before the Minnesota Railway Commission, he wanted to show by the leading railroad man of the Northwest, James J. Hill, what it cost to elect a senator or a congressman or a judge on the bench. He got him subpoenaed to appear before the Commission on a certain day. The outcome he explains as follows:

"The day before, one of these same reporters came to me in confidence and said: ‘Mr. Manahan, they are not going to permit you to examine Mr. Hill.’ I said: ‘Why not? He is the man wanted.’ ‘You will never examine him in this case.’ I said: ‘I certainly will examine him.’ But I didn’t examine him. What happened? He sent word to the capitol that they must not be permitted to examine him.

"Just imagine a railroad man sending word up to the governor, 'Thou shalt not.' And they did not. What happened? I was in there, and the commission sat around the table looking wise and solemn, and the attorney general and his assistants were there. I started to go ahead with the lawsuit and they stopped me, and the commission said: ‘We have decided that this case has assumed so much importance that we will have the attorney general of Minnesota ask all questions, and anyone who wants to ask any questions must make them in writing to the attorney general.’ I said to them: ‘Why gentlemen, why do you sit there freezing to the powers of Jim Hill? Gentlemen, our government will be a failure when the truth cannot be told in any court of justice.’ "†

As to actually corrupt commissioners, little has been proved thus far. That there has been corruption in the

*Editorial from the Sioux City (Ia.) Tribune, April 3rd.
† Milwaukee Journal, May 26, 1913.
past, however, was clearly proven in the United States Senate, when, during January, 1913, it voted to impeach Robert W. Archibald, member of the Interstate Commerce Court. The vote stood sixty-eight to five to find him guilty of unlawfully, wilfully and corruptly taking advantage of his position to gain financially from railroads who were at the time litigants in his court. Numerous other like charges were sustained.

In conclusion, it can be safely said that the temptation of the corporations to influence governmental officials has and will continue as long as private business exists. Ninety-nine per cent. of corruption in government is traced to a point where favor is sought by big private interests. This is perfectly natural. Not until the owners and the regulators of business become one and the same party will this cause of bad influence and corruption disappear. Of the three remedies suggested,—smash, regulate or own the monopolies—the latter is the only one which will attain this object.
CHAPTER IX

THE REAL REMEDY

If from what has been said, the conclusion can be drawn that the policy of smash the trust has already proved its utter impotency to accomplish anything except to raise prices, boost stocks, and increase dividends, unless it be to hamper the trade unions; if it is now fully demonstrated that the attempt to regulate monopoly has and must result in dismal failure save to improve investments, guarantee dividends and to perpetuate monopoly, unless it be to slightly temper private piracy, then where are we to turn for a remedy for present conditions but to public or collective ownership of monopolies? It is conceded by nearly everyone that if the former alternatives fail, Socialism is the only remedy.

It will be impossible to treat this broad subject with any degree of fairness in one short chapter. The writer will only attempt to acquaint the reader with a few vital facts for the purpose of inducing you to continue elsewhere a fair and unbiased study of the proposal.

Let us grant, while making this argument, that two of the three proposals—smash, regulate and own the trusts—are practical remedies; that is to say, assume that they would accomplish all that is claimed for them. Which of the three is preferable? Were we to succeed in smashing all the trusts, the best we could do would be to re-establish the golden days of Jefferson. In those days, most of the people
were poor. Only a very few had sufficient wealth to enjoy life. About the only change would be that under such a scheme we would have eight or ten little exploiters where we now have one big one. This is the idea of the Democratic party and President Wilson. Next assume that we do not smash the trust, but regulate. This system at its best means that the paying of dividends and profits by the people to a few shall be made perpetual. It will matter not whether the ownership of the monopolies is achieved by inheritance or trickery. The logical outcome of such a system is to create a class of idle aristocrats corresponding very much to the ancient feudal lords. This would be traveling in a circle.

Even with the practicability of these two remedies conceded, there is no comparison between the results which would ensue under either with those obtainable under the third.

At the outset it will be granted by all that monopoly is, as a rule, a splendid proposition for those who may be fortunate enough to own the creature. This character of industrial organization has made millionaires and multi-millionaires by the hundreds. If then it produces such vast returns for a few, why would it not serve to benefit a larger number? But then why limit the ownership to even a larger number? Why not let all share in the benefits? One can readily see that if a few men privately owned the postal service, now owned by us in common, they could manage that activity for their sole enrichment. Private business is run for profit. To secure dividends, the salaries of those who make the service a reality might be lowered. Their hours of labor might be lengthened. The prices of postage stamps might be raised. All this could be done for the benefit of the few, but at the expense of the many. The boast has been made that the postal system could be managed privately at less cost than at present. To do this it would certainly be necessary to eliminate many of the rural deliv-
eries which may be operated now at a financial loss. What would be gained by this change? The farmer would be compelled to go to town for his mail. He would lose the opportunity of receiving a daily paper. His chance of taking a live interest in civic affairs would be lessened. This would be a loss to society, as well as to the farmer. Suppose that the people were to turn over the postal service to private monopoly. Assume that these individuals were to accomplish their boast. This might be achieved by a system of speeding up the employees, by eliminating a man here and there, by lengthening the hours of labor, or by cutting wages. This would be misnamed efficiency. What would be gained by it all—nothing but profits for the few and misery for the many. To the extent that the post-office is now operated for use and not for profit, it is Socialistic in character. This policy of operating a concern for the use and convenience of the public, as distinguished from the policy of operating it principally for private gain and profit chiefly distinguishes public from private ownership.

It is easy to understand that private ownership would mean a higher price for postage stamps, since they are about the only necessity (except parcel post service), the cost of which is not increasing. The public ownership of this concern, then, stops one source of private exploitation. This is so generally known that no one would now advocate the private ownership of the system. But why stop at the post-office? If the principle works good there, it ought to be extended. Why should we hesitate to likewise stop other sources of private graft? Is there any material difference whether the moneyed oligarchy levy the tribute on beef, coal, shoes or stamps? Are they not all equally necessities of life? Why should the few hog all the coal, and, not being satisfied with this, levy a tribute on us each time we purchase some of this product? Is it not about as sensible to let private individuals bottle up the air and charge us for the right to breathe? By what right other than custom do
the few claim the power to monopolize the coal and not the air? Both come from the same source. Both contain many similar constituents. The only possible explanation is the fact that so far no means has been devised by which the supply of air can possibly be controlled. If stupidity on our part were the only barrier, Rockefeller might now be selling air instead of oil.

Let us now shake off habitual superstitution. Neither coal, beef, oil, shoes or stamps were made with the view of enriching solely John Doe. The control of these commodities have made John rich because we have stood by without protest. This cannot continue. It must stop. We who are being robbed by John of our natural heritage must do the stopping. It is not regulation that John needs, nor a fake smashing up, but an order to get off our backs.

The field of public ownership is ever expanding. Such activities as are now most dear to us are common property. The parks, the schools, the roads, the museums and libraries. These are now operated for public use, comfort and convenience, not for private welfare, gain and profit. These, then, can not be used solely for purposes of private exploitation. This movement to convert such property as is now publicly used, though privately owned, into public property is rapidly gaining ground. Scores and hundreds of cities run and operate their water works, gas plants, electric light and power plants,—and the number is increasing every day. In other countries the principle of public ownership has gone farther than here. There are 189 cities that own their own gas plants, and 83 that own their own street car system in England alone, while of 87 different nations of the world, all but 8 own and operate all or part of their railway systems. The further it goes, the better we like it. The movement can never stop until the last vestige of publicly used property is owned by us in common.

One reason for this assertion is that were all such properties but one publicly owned, we might be still exploited to
a degree almost equal to present conditions. Suppose we left only the salt in control of private monopoly. This monopoly could raise the price of salt to a point where the tribute levied might equal the gains we made by stopping the opportunities for private graft in the other fields? Be that true or not, the principle that such property as is privately used should be privately owned, and such as is publicly used must be publicly owned is in accordance with every known scientific, natural and economic law. My only regret is that lack of space forbids a discussion along these lines in this pamphlet.

The struggle to end the present capitalistic system does not end here, however. Hand in hand with this move must go a fight by those most interested to secure the democratic control of collectively owned property. It will never do to take over as public property several of the important industries, and still let John run the government. He would like to see them run either to demonstrate that the whole scheme is a failure, or for public profit instead of use. An instance of the first case is Philadelphia, where the private gas interests succeeded in running the government long enough to convince the people that their gas plant should be leased back to private persons. An example of the second is Japan. That government is now the owner of several industries. They are run as purely business enterprises to make profit for the government and so as to reduce the tax burdens of the rich. The conditions of the workers in the governmentally owned plants are no better than those in private concerns.

Industry must be democratically managed with a view of returning to those whose labor makes the industry possible the full product of their toil. They are termed by Socialists the workers or the workingmen. It matters not whether a man uses a spade or a pen. Every person who earns his living by his own efforts is a worker. He who exists by virtue of the labors of others is a capitalist. Our problem
is not only to prevent capitalists from waxing fat by levying a tribute on all the necessities of life, but to get back to the workers—the productive members of society—all that they produce. Before this can be accomplished, all the great social means of production monopolistically controlled must not only become public property, but must be democratically managed by the workers themselves through their chosen representatives. Nothing short of this is Socialism.

At present, the users of a public utility, generally known as the public, want better service and lower rates,—the owners want more dividends and higher rates. To improve the service means to lower the profits. This is contrary to the self interest of the owner. Thus an antagonism arises. The street car company becomes very unpopular. The officers of the company call the public a lot of bad names. As long as the users are not the owners of property of that nature, then there will be a definite conflict of class interests.

The wage earners also want more wages. To get them they join a labor union. The employer wants more dividends. To get them he must keep down the wages of his men. Is it not natural that strikes and lock-outs ensue? As the fight becomes more intense, the employees resort to the boycott, while the employers use the black-list. The employers, seeing the advantage of the police and militia as instruments to break up strikes, set out to control government. The wage earners in time see that their fight is lost unless they can get the government away from the boss. And thus the fight ensues. A Socialist party is organized,—and why? Because the wage earners are forced to so organize or lose their fight. If the employer would be very goody-goody, as some reformers propose, all might be well for a time. But dividends, dividends,—that is their god.

To understand the cause of all this, we must note that an industrial revolution has brought about the present condition from which we are trying to extricate ourselves. At
the beginning of the commercial era, each man owned the tools and even the crude means of transportation used by him in gaining a livelihood. At that stage, the owner and user was one and the same person. There was no cause for him to fight himself. In other words, the personal interest of the owner and user did not lie in opposite directions. Therefore, at that time, there was not even a trade union. There were a few guilds here and there, but with a purpose entirely different. The industrial revolution has changed the small hand tool to the large steam hammer. It has changed the small one-room work-shop in the home to the great factory. It has changed the crude means of transportation to the great railroad system.

This change has been the means of taking away from the users their tools and their means of making a livelihood. All these have now been placed in the hands of an entirely different class. That class is our present capitalistic class,—a class which in most cases now know nothing about the trade or business they are engaged in, except to clip coupons and collect dividends. The economic interest of these two classes lies in entirely different directions. Each class is fighting to increase its share of the world's goods. What is the remedy? Just this: The great means of production and distribution have by reason of an industrial revolution become publicly used property. If publicly used property is converted from private to publicly owned property, then we shall again see the users the owners of their means of livelihood. Thus the personal interest of the two will unite. Then, and not until then, will the economic basis for the present class struggle disappear. To accomplish that is the work of the Socialist,—that is, to assist society to develop more rapidly along natural lines of evolution, so that we may the sooner reach that state of society—Socialism, a stage of society in which the economic basis of the class struggle is eliminated.

That we must line up on one side of this fight or the
other, there can be no doubt. It is the great political fight from now on. The users of the tools must have a political party of their own to express their wants. That party is the Socialist party. It is an ever growing body, and necessarily so. That party naturally assists in obtaining public or municipal ownership, as such a move lies in a straight line to Socialism.

But, ah! say some, where are you going to get the money to do all this? Well, this question is about on par with the question,—Where are you going to get all the money necessary to regulate all the trusts? This problem of compensation is one for the people themselves to decide. There is a difference of opinion on this subject. There are those who would not pay a cent for the same. Most Socialists believe, however, that compensation of some sort should be paid for such property. Many ways for supplying the funds are proposed. Perhaps two of the most practical of these are, first, to issue bonds to be given to the owners for their property, these bonds to be non-transferrable and non-inheritable. In this way, the bonds would all expire in one generation. If such bonds were issued as either twenty, thirty, forty or fifty year bonds, then, since many of the owners thereof would die long before the time for their redemption, many bonds would never have to be paid in full. To illustrate,—if a twenty year bond were issued and the owner should live but ten years, since these bonds are uninheritable, at most he would have received but half of the principal, and the remainder of the debt could not be collected. In case the bonds were made out to be redeemed only at the end of the period for which they were to run, none of the principal could be collected if the original owner of the bond were not alive at that time. Secondly, it has been suggested that sufficient funds may be raised, even though all the bonds are to be paid, by means of a heavy graduated inheritance or income tax. There are numerous ways of raising funds. The precise method, however, that
may be used can be finally determined only when that time comes.

Whenever a city undertakes to take over a local utility, it is met with the argument that a city cannot operate the same as efficiently as can a private concern. I deny this,—but, suppose it were true? What of it? The comparison is entirely unfair. Before comparisons are made, we would have the right to add to the cost of the privately owned plants innumerable expenses which the public must bear, and which expenses would either be very light or not exist at all if the same plants were publicly owned. The so-called efficiency of private enterprise puts many men and women on the worn-out scrap heap at the age of fifty. Who cares for such now? A few may have been able to save a little, but most of them must depend in varying degrees upon private or public charity. The public must pay for the almshouses. What becomes of many of the maimed and injured? Do they not become public charges? Many of them must be supported by city and county hospitals. What becomes of the thousands of tubercular wrecks produced by filthy conditions, both in factories and homes,—supported in the main by public or private charity? Let the private plants pay the cost of these items, then pay their share of the cost of the courts which they keep fairly busy at an expense of about one hundred dollars a day each in their endeavor to beat some workingman out of his just compensation, and then add the cost of the time spent by the innumerable other departments of government, not overlooking the railroad commission, and you will find reason to conclude that private ownership in all cases is a very costly affair for the people. Dividends! Dividends! Dividends! This is the aim of private monopoly. These can be achieved by cutting down the cost of labor entering into the services rendered and by raising prices of the same. That the private company is efficient in both these respects
we shall admit. But who receives the benefit of this?—A few capitalists, not the great mass of people.

You will find that persons who possess the greatest amount of wealth are more greatly concerned with the inefficiency of the government about the time that a city undertakes to make some activity public property than at any other. Usually the corporations, for example, plan to keep government, especially municipal government, in the hands of a disreputable, incompetent bunch of grafting politicians. In Milwaukee, for example, where a move is now on in earnest to municipalize many activities, the representatives of the North American Company, controlling street railways in many cities, including Milwaukee, are the leading spirits in raising funds to finance a private bureau to study municipal government and report on its efficiency and inefficiency. I am of the opinion that this move is instituted for the sole purpose of convincing the public that their government is very inefficient. These worthy gentlemen thought nothing about making the Milwaukee government efficient when in 1900 they secured from the common council, behind locked doors, a long term franchise, or at the time when dozens of city officials were being jailed for graft. Now, however, since government is actually becoming more honest; now that the Socialists in office will not sell out for a mess of pottage; now that municipal ownership looms upon the horizon,—these worthies are much concerned about the inefficiency of municipal government.

The persons whose great interest in continuing private ownership is due in large measure to the big dividends they are now drawing from their possessions, will go to the extent of getting out fake reports on failures of municipal ownership in order to discredit that movement. The National Civic Federation, during the early stages of its existence, did one thing to its credit. It appointed a committee to make an investigation of the merits and demerits of municipal ownership both in this country and in Europe. They
published that report, and it contains much valuable data. Among the work which the committee did, was to investigate a list of alleged failures of municipal plants. The result of this investigation is contained in the following excerpt from their report:

“A list has recently been published of seventy alleged failures of municipal plants, the list beginning with Abington, Va., and ending with Xenia, O., and is a fair sample of such lists. In response to letters from the writer to mayors or city clerks, thirty-nine of these places have answered. Three of the alleged failures, Anderson, Ind., Bowling Green and Toledo, Ohio, were of natural gas and were due to the giving out of the supply—a difficulty which has always confronted many private companies. Three others, Gravesend, L. I., Fostoria, Ohio, and Mayfield, Cal., never did operate a municipal lighting plant, and twelve others of those which have been reported as having abandoned municipal operation are, in fact, still operating their lighting undertakings. These are: Frankfort and Mohawk, N. Y.; Park Ridge, N. J.; New Berne, N. C.; Middletown, Pa.; Northeast, Pa.; Ashtabula, O.; Mason, Mich.; Monroe, Mich.; Springfield, Ill., and Herington, Kan.

“There were other cities, also, where the cessation of city management was no indication of the comparative merits of municipal and private management. For example, a plant owned by the suburb of East Portland, Ore., was closed because of annexation to the larger city of Portland; and in Xenia, Ohio, the private company which bought the municipal plant went into bankruptcy afterwards.”*

During the year 1913, there was written by one Glenn Marston, and published by the Public Service Publishing Company in the People’s Gas Building, Chicago, Ill., a pamphlet entitled “200 Municipal Ownership Failures.” It is not stated in the publication whether Mr. Marston is an expert on deciding whether a municipal plant is a failure or not, but since experts may now be employed to argue in favor of any side of a question, the lack of this information matters but little. It is perhaps encouraging that Mr. Marston, after his painstaking efforts, was only able to find two hundred municipal ownership failures to his mind, although the municipal plants in the United States now number up into the thousands. The census report shows that the num-

ber of municipal electric light plants alone equalled in 1907 one-third of all the plants in existence in the United States. The 200 failures have been partially investigated by the magazine entitled "Municipal Engineering" of April, 1913, a publication which states that its policy is not partisan for either municipal or private ownership of public service utilities. While many of the individual plants said to be failures are reported upon, the following quotation from the magazine will reveal the character of the pamphlet on municipal ownership failures and what may be expected as to the character of such reports on municipal ownership failures and even newspaper articles on the same:

"This magazine does, however, like to see fair play and cannot let such a publication as the one mentioned pass unchallenged, even if its reputed author does not carry authority and its publisher is a prominent and evidently biased advocate of the side so unfairly presented in it.

"Information is at hand concerning nearly half the 192 plants included in the list, and indicates a possibility that 20 per cent. of the plants are properly classed as municipal ownership failures, an indication of very low efficiency in the editorial department of the publications under consideration. These failures are in small towns and some of them show equal or greater failures to supply good service and pay good returns under private ownership than they did under municipal ownership.

"There would be too much repetition in showing all the errors of statement in the Marston list, so a few have been selected to show the various types of misrepresentation used and the field covered. Some of the more important cases will be treated in detail in special articles which will appear from time to time. . . . *

Opposition to Socialism is always encouraged by those who possess vastly too much of the world's wealth. It matters not whether their worldly goods come to them by virtue of inheritance or by activity in business. The old way of acquiring a moderate amount of wealth and being respectable is now out of style. One who cannot acquire a million dollars is considered by big business to be a failure. The fellows with many millions will not associate with the person with a paltry million or so. The whole performance is one continual struggle for dollars, and then more dollars. Hu-

* Municipal Engineering, April, 1913, p. 300.
man comfort and welfare receive little consideration, except as a means of appeasing public criticism. The whole spirit of commercialism has so possessed us that we send the man who takes a loaf of bread to jail, while we elevate the man who steals the timber of a state to the senate.

The latter class encourage the fight on Socialism. They are ever ready to supply reasons why they are so much better fitted to own and operate about everything than the people. Their point is that, say a hundred stockholders, who probably know nothing about a business, select a board of directors from among themselves. The board of directors in turn select a manager, whose sole virtue is that he can squeeze dividends out of both the laborers and the public at the same time. Their point is that they can run a business so much more efficiently than could the people if they chose the managers.

They are ever ready to furnish reasons why you should not order them to get off from our backs. They will tell you that Socialism will lead to the corruption of officers, although they know in their hearts that right now there is ten to fifteen times as much corruption and rottenness inside of private corporations as there is in government. It is a matter of common knowledge that a man who is real honest and conscientious has about as much chance of succeeding in business today as a mud-turtle has to fly. Bribery of officers, debauchery of women, maiming of workmen, and even murder are part of the game of the interests. There is no crime on the calendar which big business will not resort to to make profit. Just recall the Mulhall investigation in Congress. Then hold your nostrils. Ninety-nine per cent. of whatever corruption we have in government can be traced to big business. Show me an official that is bribed, and I will in most cases point to a capitalist who sought some privilege.

We can at least claim, then, for Socialism, without fear of contradiction, that as rapidly as monopoly is converted
from private to collective property, one big cause of cor-
ruption will disappear. Even though you think that cor-
ruption will not vanish under Socialism, what of it? Sup-
pose you assume that there will be just as much corruption
under Socialism as there now is in private business. Even
then there is the advantage that the profit which now goes
to a few will go to the many. As a matter of fact, bribery
and dishonesty are part and parcel of private business. Not
until the system is changed will either disappear.

Now to conclude, the reader might just as well make up
his mind that before capitalism will release its strangle hold
upon the people, there will have to be a fight to the finish.
Remember that large capitalists are collecting millions of
dollars which are now being spent to this end. Remember
that newspapers and magazines are being bought with a
view of distorting public news. Remember that thousands
upon thousands of dollars are expended in advertising with
no other motive than to control the news. Remember that
the newspapers you read are likely influenced by filthy
lucre. They will even stoop to advertise throughout the
nation the domestic trouble of some lone Socialist as a shin-
ing example of what Socialism means, without referring
to the thousands and thousands of similar cases of non-
Socialists. The spirit of big business is poisoning the source
of public news. I appeal to you to read between the lines
and think for yourselves. Read Socialist literature with a
view of giving the problem fair and unbiased hearing. Then
if you believe we are right, take off your coat, roll up your
sleeves and go out and fight. Join a Socialist local, support
the Socialist press, pass around some Socialist literature,
and in doing this you will not only be fighting for your-
self, not only for your children, but for humanity as well.

Better things are in store for us. The world ever moves
onward. Get into the fray. Do your part, and you will
soon see the results of your efforts. Don't expect all Social-
ists to be either perfect human beings or to think exactly
as you do. Learn to overlook the shortcomings of your comrades. Remember we are fighting for a better system, not to make all men uniform or perfect. Filled with a conviction of right, resolved with a determination to win, nothing can stop the onward march of this movement for a higher civilization until final victory is achieved. I can do nothing better in closing than to recall to your memory the words of Abraham Lincoln:

"And inasmuch as most good things are produced by labor, it follows that all such things of right belong to those whose labor has produced them. But it has so happened, in all ages of the world, that some have labored and others have without labor enjoyed a large proportion of the fruits. This is wrong, and should not continue. To secure each laborer the whole product of his labor, or as nearly as possible, is a worthy object of any good government."

(THE END)
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Young People—The Young People’s League forms a part of the Socialist organization the world over. Its work in this country is handled by a department in the National Office.

Translator-Secretaries—Ten foreign federations are affiliated with the party and have translator-secretaries in the National Office. They are Finnish, Bohemian, Jewish, Polish, Italian, South Slavic, German, Hungarian, Slovak and Scandinavian. Literature in all of these languages is available.

Inquiries on any phase of the Socialist work will be cheerfully answered by addressing Socialist Party, Halsted and Madison Sts., Chicago, Ill.