

*The Civic Revival in Ohio*

Municipal Ownership and Economic Privilege

By ROBERT H. BREMNER

TO THE CIVIC REVIVALIST the private ownership of public utility companies typified privilege in all its meanings: public service corporations were natural monopolies; they were founded upon franchises, the prizes for which businessmen corrupted politics; and they provided the funds with which "the system" undermined democracy. The fight of the Civic Revivalists for municipal ownership of public utilities is the urban side of the national antitrust movement.

In 1903, shortly after election to his second term as mayor of Cleveland, Tom Johnson proposed that the city issue bonds for the erection of an electric power plant authorized to sell electricity to private consumers as well as to provide electric power to the city. Although Detroit and Chicago supplied themselves with electricity for street lighting and other public purposes from municipally-owned power plants, no large American city had as yet undertaken to provide electricity for commercial sale. The conservative classes of Cleveland were amazed and perplexed at the mayor's audacious scheme. Why should the city enter a field already occupied by a private concern which was doing its job efficiently? Why should the city increase its debt burden by issuing bonds to build a new plant when there was already in existence one built by private capital without any charge on the credit of the community? And finally, why should the city's tax load be weighted by a foolhardy adventure into competition with a private company already paying taxes into the city treasury? The only answer to these questions was that Johnson was bent upon committing Ohio's metropolis to the doctrine of "municipal socialism."<sup>1</sup>

"Municipal socialism" was the term of opprobrium used to designate the idea of municipal ownership of public utilities by those who opposed it. Men who believed the city's duty was to transact public business efficiently and honestly and not "to furnish employment and pleasurable conditions

<sup>1</sup>H. T. Newcomb, "A Study in Municipal Socialism" (pamphlet). Johnson recounts how his plan to obtain a municipal electric power plant was temporarily defeated in "My Story" (New York, 1911), pp. 191-93. An injunction was issued to prevent the holding of the special election on the bond issue in the summer of 1903. At the regular election later that year the bond issue was defeated. Cleveland obtained a municipal plant through the annexation of South Brooklyn in 1905.

of life' to its citizens" saw nothing but evil in plans to extend municipal activity into areas which would bring the city into competition with private enterprise.<sup>2</sup> They conceded the city's right to construct grade crossings, to build bridges and viaducts, to pave streets, lay sewers, and to extend fire fighting services—all of which were beneficial to the business community. They agreed that the city should develop park systems to keep the children off the streets and the men out of the saloons.<sup>3</sup> But they opposed the city's entry into industries like transportation or electric power production in which private capital was profitably invested. The opponents of municipal ownership said that there was too much danger of graft and bureauracy accompanying the city's participation in these services.<sup>4</sup>

Men who professed a belief in the necessity of governmental regulation of public utilities drew back from municipal ownership simply because they didn't think cities were capable of handling such important problems. "The granting of unregulated power to municipal government to own and operate industries is like placing the operation of a powerful and complicated machine in charge of a novice." The chances are that the machine will be damaged and the operator injured.<sup>5</sup>

His critics were correct in their conjecture that Johnson was determined to commit Cleveland to a program of municipal ownership. Like the other leaders of the Civic Revival he thought the employment of its citizens was a matter of interest to the city and that the providing of "pleasurable conditions of life" was one of its chief concerns. The Civic Revivalists asserted that the city was more competent than private individuals to own and operate the public services necessary for urban life. They felt the possibility of graft in municipally-owned utilities was a less dangerous threat than the systematic prostitution of representative government that went on when public utilities were left in private hands.

The leaders of the Civic Revival were unanimous in proclaiming that the private ownership of public utilities was the fountainhead of municipal

<sup>2</sup> "Municipal Socialism" (pamphlet), p. 21, citing New York *Evening Post*, October 1, 1902.

<sup>3</sup> Newcomb, *op. cit.*, pp. 18-19, lists these as permissible fields for municipal activity.

<sup>4</sup> The pamphlet, "Municipal Socialism," *passim* gives the typical conservative arguments against municipal ownership.

<sup>5</sup> Allen Ripley Foote, "How Should the Franchise Question be Settled?" (pamphlet). In 1905 James Dalrymple, manager of the Glasgow municipal railway, reported to Mayor Edward F. Dunne of Chicago that political conditions in Chicago did not warrant the serious experiment of municipal ownership and operation of the street railways of that city. Ida M. Tarbell, "How Chicago Is Finding Herself," *The American Magazine*, LXVII, p. 126 (December, 1908).

corruption. They thought the political boss was kept in power by the campaign contributions he collected from the privilege seeker. They believed the most valuable privileges the boss had at his disposal were franchise grants. In their opinion, bad government, as manifested by election frauds, protected vice, and petty grafting resulted from the rule of the boss and the men he elevated to political office with money received from franchise-seeking (or franchise-protecting) public utility companies.<sup>6</sup>

The famous liberal clergyman, Washington Gladden, who served a term in the Columbus City Council in the early nineteen hundreds, agreed with Frederic C. Howe that such privileged business interests had a negative interest in reform and a positive one in bad government. Men whose private economic welfare was connected with the profitableness of public service corporations did not want good government. They could not get the kind of concessions they wanted from honest government. "Good government would not permit them to levy tribute on the public for the payment of dividends on vast issues of fictitious capital."<sup>7</sup> Their economic interests made them welcome the entrance of weak and corruptible men into politics, for to privilege, "bad government is profitable, reform a menace."<sup>8</sup>

Just as they were in agreement in holding that the struggle for privilege, and especially for franchise privilege, was the chief source of corruption in cities, so the leaders of the Civic Revival all advocated municipal ownership as the best way of ridding cities of this blight. None of them had any illusions that the regulation of public utilities by the city or the State would solve the problem. They firmly believed that as long as we allowed public utilities to be privately owned, the utility interests, acting through their political henchmen, would control the agency which was intended to regulate them.<sup>9</sup> Municipal ownership, on the other hand, would take down the prize of privilege which tempts businessmen to corrupt politics. "Did you ever hear of anybody trying to get a fire department franchise?"<sup>10</sup> Municipal ownership impressed Howe and

<sup>6</sup> William Allen White, "The Old Order Changeth: Progress in American Cities," *The American Magazine*, LXVII, pp. 603-10 (April, 1909).

<sup>7</sup> Washington Gladden, "Recollections" (Boston, 1909), pp. 346-48. For Steffens' theory of why public utility corporations stay in politics after having won franchises see "The Autobiography of Lincoln Steffens" (New York, 1931), pp. 527-28.

<sup>8</sup> Howe, "The City, the Hope of Democracy" (New York, 1905), p. 114.

<sup>9</sup> "Big Matt" in Whitlock's novel of the same name is the corrupt commissioner of public utilities in a middle western state.

<sup>10</sup> Johnson, *op. cit.*, p. 40.

Samuel M. Jones as the only system under which the economic interests of all the people would allow them to work for, rather than against, the city.

Despite their belief in the theory of competition Howe and Johnson were as willing as Jones to admit the necessity of public ownership of any industry that was naturally<sup>11</sup> a monopoly. Some things, of which the services rendered by public utility corporations were the best examples, could be more efficiently done by monopoly than by competition. They insisted that all such industries should be owned and operated by and for the public. Howe, who never completely lost the service ideal with which his university training had indoctrinated him, thought municipal ownership would cure the apathy which most people felt toward municipal government. "Let us give the city things to do that will make it important and beloved. Then the citizens will be proud of their city and be eager to serve it."<sup>12</sup>

The Civic Revivalists did not deny that municipal ownership might result in some extravagance, in some grafting, and in the temporary extension of the spoils system. The temperament of these men was such, however, that they were less disposed to worry about those possibilities than to rejoice in the greater likelihood that municipal ownership would make every citizen a critic and would free the press from the toils of privilege so that it would be able to use its energies on behalf of the people.<sup>13</sup> They had little fear that municipal ownership would result in an overbearing class of officeholders. "Which is more in politics, a private or a publicly-owned water plant?" asked Howe.

As evidence of the greater ease of reforming the spoils system under public as contrasted to private control, Edward W. Bemis, the superintendent of Cleveland's municipal water works in the Johnson administration, pointed out that many of the interests most opposed to Johnson's more fundamental reforms were enthusiastic in their praise of his administration's effort to put the water department on a non-partisan basis.<sup>14</sup> All of the Civic Revivalists thought the "oligarchy of privilege" which controlled the political parties was a greater menace to real democracy than a large officeholding class would be. We must remember, too, that they

<sup>11</sup> The interpretation of this word is what differentiated Jones from Johnson and Howe. With his broader conception of social values Jones would say many industries are "natural" monopolies which Johnson and Howe (at this stage of his career) would insist were monopolistic only because of the private ownership of land and resources.

<sup>12</sup> Howe, *op. cit.*, pp. 123-24.

<sup>13</sup> *Ibid.*, p. 123.

<sup>14</sup> "The Franchise Situation in Cleveland," *Municipal Affairs*, VI, p. 261-67 (June, 1902).

meant to complement municipal ownership with political innovations calculated to bring the government under closer popular control.

Perhaps the reasons so far emphasized for the Civic Revivalists' championing of municipal ownership of public utilities were rationalizations of their belief that municipal ownership was a just system. The value of the franchises of public service corporations was made in the same way as the increase in the value of land. They looked upon both land and franchise values as unearned increments created by the growth of the city and enjoyed by private individuals who had obtained a legally-protected monopoly of things everyone needed.

The leaders of the Civic Revival believed that it was fair that the wealth the city had created should go to the city, whether the wealth took the form of land or franchise values. But since all the leaders of the Civic Revival agreed the public utilities were natural monopolies they thought that justice dictated going beyond the taxation of franchise values to municipal ownership of these monopolies. They looked upon charges for services such as street car transportation to and from work or school as burdens incidental to living in the city. Life there was practically impossible without them. Because of the common need for these services, and because of the necessarily monopolistic character of the agencies which provided them, the Civic Revivalists thought it was wrong to permit anyone to make a profit from supplying them.<sup>15</sup>

Jones, whose chief objection to our present economic system was that competition made men seek individual success at the expense of their fellows, was particularly conscious of the immorality of allowing public utilities to remain in private control. "I see no reason why all the people [i.e. the State] should give a few people the right to get rich off the rest of the people."<sup>16</sup> In his Annual Message to the Toledo City Council in 1899 Jones recommended that the city take over the job of lighting the streets. Disclaiming any personal animosity toward the company then holding the street lighting contract, he nevertheless insisted that lighting was a public necessity and hence a function that the city should perform for itself. "The people have a right to furnish their own light at cost without paying private profit to anyone."<sup>17</sup> Jones looked upon municipal

<sup>15</sup> Howe, *op. cit.*, pp. 133-34, gives the single tax justification of municipal ownership.

<sup>16</sup> Quoted in the *Toledo Bee*, December 6, 1897.

<sup>17</sup> Toledo Annual Statement . . . 1899, p. 18. In "The New Right" (New York, 1899), pp. 95-99, Jones tells of his unsuccessful attempt to establish this municipal lighting plant. Whitlock summarizes the progress of municipal ownership in Toledo in a letter to Louis F. Post, November 15, 1910, Allan Nevins, ed., "Letters and Journal of Brand Whitlock" (New York, 1936), p. 141.

ownership as a way of demonstrating the superiority of the co-operative to the competitive way of life. He believed that municipal ownership was a step forward in the process by which government was to evolve from an agency concerned with the coercion of individuals to one concerned with the management of things; from the policeman to "the means by which we do our work together."<sup>18</sup>

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<sup>18</sup> Johnson, *op. cit.*, p. 236.

### *Mechanization of Southern Agriculture*

AS THE SOUTH MECHANIZES, great changes are sure to follow. Larger farms, for one thing. Fewer hands to plant, care for, and harvest crops. Some small farm units will expand. Others will disappear and be absorbed in larger farms.

What is that going to mean to the family sized farm? I think that with proper guidance and assistance, it will be good for the family farm. Certainly, it will mean that some producers who are barely getting by with a hand-to-mouth existence on submarginal land with a minimum of equipment, will leave the farm for jobs in industry or the service occupations. But this is not a bad thing, if thereby they better their living standards. Others will undoubtedly get larger acreages. Farmers Home Administration will help in this as it has in the past. Tenants will be aided to ownership through that same agency. Some farmers will take their land out of uneconomic crops and diversify. If they do not have the acreage to raise livestock or to take up dairying, they may go in for more poultry and truck crops.

But always the family size farm that uses machines is going to come up against the factor of larger operating costs compared with large units. Where a tractor is employed on a 200-acre plot, the cost of operating it may be only one-third as much as if it were operated on a 50-acre plot. Obviously, the smaller farm is at a disadvantage.

There is an answer to this also: Co-operation.

Where it is not feasible for a producer to put out a large sum for farm machinery—or where the acreage is too small to permit full use of machinery—it may be possible to form a co-operative and buy machines on that basis. Or it may be more practicable to engage machinery on a custom basis. (From an address).

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