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D THE MUNICIPAL OWNERSHIP
OF GAS PROPERTIES IN AMERICA
PROMOTE THE GENERAL GOOD?

By WALTON CLARK

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Would the Municipal Ownership of Gas Properties in America Promote the General Good?

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The arguments upon this question are necessarily mainly those that would be used in a discussion of the wisdom of governmental ownership and operation of public utilities in general. Herein I use the word "ownership" as indicating ownership and operation.

I argue the question upon the theory that the assumption by the Government of the ownership of any public utility would be so financed as not to work a hardship to the present owners of the utilities taken over,—except as they would share with all citizens the misfortunes that would follow municipal ownership—that there would be no act of injustice involved.

Also I want to argue as a citizen interested only as are all other citizens, in the proper and efficient conduct of our Government and the welfare of our people; hoping that I may be able to place good government higher in the scale of importance than is any immediate personal advantage.

I oppose governmental ownership, as I oppose complete socialism, because I believe it to be contrary to proper theories of government, and that it would injuriously affect the governmental conditions that will surround my children and my children's children. I go no further down the generations, because I do not believe a socialistic state could survive two generations of Americans—if ever Americans be beguiled into accepting it.

I know no new argument against government ownership of utilities, unless each added instance of disappointed hope following experience be an added argument. Such instances are of frequent occurrence. To comment upon them and to trace causes, so far as they are local, and other than general, would exhaust my patience and yours. I attach hereto a list of publications giving instances of such disappointment, and containing other information pertinent to our subject, and too extensive for present reading.

In this paper I discuss municipal ownership of gas plants, attempting a philosophic attitude, and giving little attention to actual experiences.

There will be little that is new, even in method of statement, in this fragmentary writing; mainly, it will be found to be paraphrase or quotation. In the main, it will be taken from
discussions prepared in collaboration by Charles L. Edgar, of the Boston Edison Electric Company, James W. Sullivan, student, labor leader, author, and the present speaker, and from other existing papers of which I am the author.

Although I have little that is new to say to you, and no new way of saying it, I justify my appearance before you with this paper by the fact of the present prominence of the subject of governmental ownership, and by the consequent importance of having constantly in mind the evils that may be expected to follow its adoption in our Republic, and some, at least, of the facts and arguments concerning it.

Twenty-eight years ago I wrote a paper on municipal ownership of gas plants, taking issue with all of its advocates, and more particularly with Professors James and Bemis—at that remote day the high priests of the cult. The first paragraph of that paper, which, pertinent twenty-eight years ago, seems equally pertinent now, reads:

"The development of the industrial socialistic idea in America has naturally found an early expression in the advocacy of municipal or state ownership of the industries that generally are, and/admittedly should be, operated as monopolies. Among them the more notable are street railroads and electricity supply and gas properties. These natural monopolies, because of the large investment they represent, the quasi public character of their functions, and the number of their customers and employees, appear to the conscientious socialist peculiarly fitted to form the thin end of the wedge with which he hopes to split our industrial system; while the socialistic demagogue finds in an exaggeration of their powers, privileges and immunities, and of the success attending present public ownership, a theme as certain to secure him applause, as it appeals to the prejudices of his auditors."

There are conveniences, comforts and protections of urban life possible to combined effort, impossible to individual effort. Such of these as confer benefits impossible of accurate measurement, and of apportionment of cost in proportion to benefits received, or as are of equal benefit to each citizen—each citizen's proper use being of immediate interest to all citizens, because of the direct influence on the general health and order, such conveniences, comforts and protections are ordinarily and properly at the general expense and paid for in taxes. Such are police and fire protection, sewage facilities and the administration of justice. Other such conveniences, comforts and protections, impossible of individual provision, conferring benefits that are susceptible of accurate apportionment of cost, and utilized by the citizen if and when he will, and in quantity as he desires, and as are substantially without the factor of general benefit from
individual use, are ordinarily provided by chartered companies and at a price per unit of service rendered. Such are the gas supply, the electricity supply and the street car service. This division of public serving effort seems natural and proper in a democratic Republic.

Our Republic was erected upon a foundation of industrial individualism, the theory being that the Government should protect all individuals in their equal right to life, liberty and the pursuit of happiness,—providing, also, and from the general fund, such means of health and property protection as it is to the direct general interest that each individual should employ and enjoy. This protection involves the insurance of fair dealing between man and man, or between man and corporation, and such regulation of the business of men or groups of men operating under special grants to supply a generally used service as will insure the continuance of such service, and this upon terms fair to user, supplier and state.

It may be claimed and admitted that when the savage human inhabitants of any portion of the earth first made agreements of mutual protection and forbearance with each other, they unwittingly put their feet to a trail whose logical further end would be in socialism, as its beginning was in anarchy. Hard the choosing between these termini for communities of men; and they have chosen neither.

But, backward, forward, up and down, tracing and retracing their way over this trail, mankind has moved—as it approached the socialistic end, being, at least, so much further from anarchy—as it approached the anarchistic end being, at least, so much further from socialism—and never, so far, except temporarily and in isolated groups, reaching either terminus, the savagery of anarchy or the industrial stagnation and intellectual squalor of socialism. Just where on this trail between its undesirable extremities, society may most advantageously rest is the great problem of statesmanship.

The present governmental conditions in our Republic are as good as those of any similarly great country of which history bears evidence. With the frank admission that we can imagine and perhaps foresee a betterment of these conditions, we may insist that any change in our governmental condition involving an approach toward a condition of industrial socialism or toward anarchy is to be vigorously resisted—unless and until it be shown that the benefits to be expected—not alone hoped for—but confidently expected—from such changes are so manifold and manifest that the risk of harm to the general interest is slight in comparison.

Municipalities, purely artificial organizations of men, are formed to protect and encourage men in the peaceful exercise of their various talents, and have no further obvious duty. They should not assume any added function unless upon proof that it cannot be performed by individuals or voluntary associations of
individuals without harm to the general interest. The assumption by a municipality of any such added function that can be performed by individuals singly or in association is an interference with the natural order that demands a demonstration of public advantage for its justification. Therefore, the burden of proof is on the advocates of public ownership.

And efforts have been made to prove—the efforts, in some instances, being based upon elaborate studies of the effects of municipal ownership where so far adopted.

In 1906, the National Civic Federation created a commission for the study of these effects and of their influence upon the general welfare. After two years investigation of the operation of municipally owned and of privately owned gas plants, each of the several precommitted advocates of municipal ownership among the membership of the commission signed a report that did not contain a word of endorsement of municipal ownership, even as existing under the favoring conditions stated to obtain in Glasgow, Birmingham and Manchester, and no statement that it ever did, ever would or ever could result in good to the citizens of these or other towns.

This report, as a whole, bears evidence of an effort to warn the American people against municipal ownership, without using such terms as would prevent the precommitted, but at the time doubting, municipalizers from signing it. It deals with compliments to British municipalities; gives reasons why such a measure of success as has been claimed to have been attained in Great Britain may not be expected in the United States; warns of difficulties and dangers accompanying municipal ownership, and recommends governmental regulation of public service companies. It asserts that governmental, social and political conditions in Great Britain are favorable to the success of municipal ownership; it makes no record or claim of any measure of success and contains no statement that similarly favorable conditions, which it states do not exist here, would make for success in the United States.

That the theretofore advocates of municipal ownership on this committee came from investigating the municipal ownership of gas, electric light and street railway industries, by the well governed cities of Great Britain, willing to sign a report that does not state that municipal ownership of these industries anywhere has been in any degree beneficial to consumer, citizen, city or state, or anywhere offers a success to be emulated, or an example to be followed, appears a complete and negative answer to the question: "Does the experience in cities that have adopted municipal ownership of public utilities indicate that other cities might wisely follow their example?"

This question is also, and most effectively, discussed in the report of a Special Committee of the Merchants' Association of New York on Government Ownership and Operation of Public
Utilities. I have brought copies of this report to this meeting for distribution.

But, as I have written above, I propose to attempt a brief discussion of our subject from the philosophic viewpoint; to try to determine what we might expect from the introduction of municipal ownership to a community—basing our expectation upon our knowledge of human nature.

The problem we are considering does not involve questions of private gain or individual advancement. It does not involve a choice between government ownership and ownership by men uncontrolled in eagerness for self and thoughtlessness of the public. It does not necessitate a condemnation of our municipal governments or of their members. It is not to be determined by temporary local conditions in a particular town. Its decision will affect the welfare of ourselves and of our descendants. In a serious measure the health and happiness of our people, the welfare of our nation and the permanence of our democracy will be affected by the decision. It involves a great governmental principle and it should be determined upon principle. Its solution requires a comparison of character of government which our knowledge of human nature and of human governments teaches us will be likely to flow from a governing body that does not trade with the character of government that we are similarly taught may be expected from a governing body that does trade.

Democratic government is a man-made institution, set up by the majority in an effort to create and maintain such conditions of living as this majority approves and desires. It depends for existence on men and men-made laws. If it is to continue it must not offend the well meaning among the individuals governed.

It is axiomatic that for its own security government should touch the governed at the fewest possible points—that the opportunity for clashes between government and governed should be at the minimum.

The more frequent such clashes the larger the number of citizens who listen indulgently to suggestions of a change in government. Were the gas, electric lighting and street railway industries in the hands of city officials, who, at best, like other men, are fallible, every man, employee or customer with a grievance in regard to any one of these services, whether his grievance be real or imaginary, would come nearer in sympathy with those malcontents who are not satisfied with our present form of democratic government, and who seek to substitute one of the extremes—socialism or anarchy.

Another threat to the permanence of our democracy, perhaps more serious than that of the friction between government and governed, abides in the system of municipal ownership. It is the threat of the tyranny of government employees, whose interest is to raise their wages by legislation, and at the expense of other
workers, and whose ability to make good their demands by the ballot is out of all proportion to their numbers. The danger from this class interest has become so great in England that statesmen have seriously considered the advisability of disfranchising municipal employees. The disfranchisement of any class of citizens in this country is unthinkable. We could never have that measure of protection.

In New York City are about 100,000 city employees. If there were added to this great force the men necessary to operate the street railway, gas and electric lighting services of the city the number would be increased to about 150,000. If, as is often asserted, each voter who has a personal interest at stake can control, at least, one vote beside his own, a measure apparently antagonistic to the immediate interest of the city employees would meet the interested opposition of some 300,000 voters, while a measure in their special interest would be supported by an equal number. Those acquainted with the political history of our cities will concede that this is no mere theorizing. Against this force, organized in the interest of a class, the other voters would have little chance. They would find themselves beneath the tyranny of a democracy, which is no less galling to the individual oppressed, and no less detrimental to the welfare of the state, than are other tyrannies.

It is asserted by municipalizers that adding trading to government functions will increase the public interest in municipal government and attract abler and better men to governing positions.

Since the beginning of history, able and good men have sought to exercise the function of government. The determination and maintenance of justice, and the making and interpretation of law, are universally recognized as being worthy of the ability of the most able men, and the effect on the character of the individual member of the governing body is recognized as elevating. It is admitted that even inferior men elected to governing positions and having only honor and reputation to gain by the proper performance of their duties, generally rise to the dignity of their position, and perform their duties with zeal and integrity.

How the function of government stands in the minds of people is shown by the relative position it occupies in countries in which caste is recognized, as in Great Britain. The governing body is universally the highest class; then comes, ordinarily, the military, the ecclesiastical and finally, the trading body. This is truly significant of the effect of adding trading to the duties of a governing position.

Statesmanship is necessary to success in our governing bodies; ability to trade is necessary to success in trading operations. Rarely are the two qualities found highly developed in one person. We must have statesmanship in our rulers—the ability to govern and protect the community, the ability to
recognize justice, and the courage and wisdom to do justice. These qualities are essential to the protection of our highest interests. If we are handicapped in our efforts after these qualities by the necessity of finding them combined with an ability to successfully manufacture and trade, or to direct manufacturing and trading, the possible character of our men in public office is certain to deteriorate.

Certain it is that, above all things else, the people desire wisdom and purity in their governors. To insure these qualities in their governors they must not only elect the best men possible to governing positions, but they must limit the number of their responsibilities, and reduce, as far as possible, the opportunity and the temptation to such men, when elected, to better their financial, political or social condition at the expense of their own honor and of the welfare of their fellowmen. To give these men the continuous command of the employment of many men and the making of many contracts is to subject them to continuous temptations in two directions:

First, through the opportunity to build a political machine, with the city employees as a basis, to perpetuate themselves or their friends or their policies. This evil now exists to a degree in American municipalities, with the present and necessary employees as a basis. Much greater the opportunity and more disastrous the effect if the many gas, electrical and street railway employees were added to the number of present city employees.

Secondly, it gives these governing officials much greater opportunity than otherwise exists to favor contractors with the expectation of financial or political advantage to themselves. Under such circumstances baser men will offer themselves as candidates for position. Men of the first class, indisposed to compete for office where there are opportunities for corruption, and where they would be subject to villification and the suggestion of improper motives, will be reluctant to offer themselves as candidates. It is quite possible that men of high type will offer themselves for office under any system, when there are crying evils to correct, whether represented by so-called “grafting,” by wastefulness, or by injustice in administration. But such men will do it unwillingly, at a personal sacrifice, and determined that the sacrifice shall be terminated at the earliest moment. All this is human nature—we may not doubt it. And there is little hope that such men, unacquainted with the intricacies of generating, advertising, selling and distributing commodities, will be able to detect and correct wasteful methods, or to prevent the “grafting” that may be represented by the employment of unnecessary or incompetent men, or the use of unnecessary or inferior material.

A good governor, whom the community would desire to continue in office, would not use the voting power of the municipal employees to perpetuate himself. A corrupt governor, whom the good citizens would desire to be rid of, would
use this power for his own perpetuation, and no civil service system so far in practice could protect the community against this baleful influence.

I do not overlook the fact that under the present American system of individualism there are, at intervals, franchise renewals and lighting contracts that may afford temptation and opportunity for blackmail and corruption. These are not continuous. They are exceptional and being infrequent they attract attention. The press discusses them. There are comparisons of prices and terms, conditions in other cities are quoted, public interest is awakened, and betrayal of trust is difficult and dangerous. In comparison with the opportunities offered by the continuous operation of a public utility these franchise and public lighting contracts are insignificant.

A man who has been in business long enough to accumulate the competence he must accumulate before he can afford to give liberally of his time to municipal affairs (as aldermen in Great Britain are said to give to the management of municipalized industries) is too old to learn a new business. The complicated and highly technical electrical, physical and chemical processes of the lighting and transportation industries, with their competitive conditions and commercial problems, requiring specially trained men for their efficient and beneficial operation, are beyond the skill and understanding of a man otherwise trained, and any attempt on his part to interfere in the conduct of such industries is certain to end in confusion. It is not possible that men of middle age, grown up in trade, or in the so-called learned professions, should be enabled by the mere grace of good intentions and election to office, wisely to advise in the conduct of such intricate industries as we are considering. Sit as members of a committee and hear reports they cannot intelligently criticise—yes; assent to the very simple and infrequent financing of a municipal loan—yes; but be of value in the actual conduct of such industries—no; find occupation in them for days in a week—no; unless in dogging the manager, embarrassing the administration and generally confusing counsels. There is nothing in all this to attract able and successful men. A man of the first class will not knowingly put himself in such a position. He can find scope for his activities in a field with which he is familiar, in which he can exercise his faculties without risk of disaster to his fellow citizens' interest, and his pride will not permit him to enter another.

There is evidence enough in the governing of American cities—and, indeed, in the governing of British cities—that the governing body is not performing with maximum efficiency the duties we all agree belong to it, and can be performed under our present system by it only. There is scope and trouble enough for the best in the policing and sanitation and other governmental problems of our cities.
From this I reason that we may expect better government from our governors if we do not complicate their duties with industrial and commercial obligations.

These statements are entirely consistent with what Professor Goodnow writes in his essay, "The British Municipality," with reference to the character of the committees which manage the various branches of the municipal industrial undertakings. There is, as Professor Goodnow points out, a lure to such work in England that does not obtain in America. Membership in the municipal councils is one of the very few roads by which a man who has been prosperous in a commercial enterprise, can lift himself from a lower to a higher class socially; this possibility offers a temptation to his ambition; and many men will, under this temptation and urged thereto by socially ambitious members of their families, consent to undertake the management of a municipal trading operation—the responsibility for the conduct of a business entirely foreign to their experience.

Even when men of good class can be tempted by ambitions—which, fortunately, do not exist in this country—to undertake work with which they are not familiar, the result must be deplorable.

So I think that whether in our inquiry we reason from the principles that we know govern men in their actions to what results can be expected from adding to the inevitable duties of councilmen the oversight of municipally owned industries—or whether we, as did the National Civic Federation Commission, reason from individual and specific experience to a generalization, the result is the same—municipal ownership stands condemned.

But municipal ownership with all its shortcomings will come unless public utility corporations are permitted to charge for their wares enough to return their operating expenses and taxes and so much for profit as will insure their ability to attract new capital to the enterprise as needed for improvement and extensions of service. The people need the service now given by the public utility companies. As towns grow and populations increase and processes change, capital must be had for extensions and improvements of plant, or all the citizens must have poor service and some of the citizens must have no service. This would not long be endured. In the hope of bettering conditions municipalization would follow; and municipalization would bring its customary train of misfortunes to the people. Thus in reality, the choice is between so arranging that the utility companies may earn such reasonable profits as are necessary to attract investment, and submitting to municipal ownership with all its amply proven ills.

This brings us to the threshold of the Utility Commissions, upon whom the States of the American Union generally have laid the burden of requiring from public utility corporations such conditions of service and price as will insure the continuance of
service and the maintenance of justice between supplier and supplied.

Upon this particular point I am speaking of public utility corporations in general. There may be public utility corporations—meeting a public necessity—so unfortunately circumstanced as to be unable, at any price for service, to earn enough profit to continue to attract investment. Such a case would be exceptional and require exceptional treatment. Even in such exceptional case, if any arise, a way could be found, and should be found, to maintain the public service with justice and without bringing upon the industry the paralyzing effect of government operation.

I conclude my fragmentary writing as the individualists on the National Civic Federation Commission concluded their very elaborate discussion of this question.

Finally, we who stand in opposition to municipal ownership, speaking, we believe, for all individualists, arraign the arrogance of many municipalizers in assuming that they exclusively occupy the field of reform in dealing with the problems concerned, and that they are the sole promoters of measures of economic improvement in municipal affairs. We assert that the opponents of municipal ownership and operation are firm and consistent supporters of justice, and are the class seeking the public welfare intelligently and in accordance with American principles. On this point we do not yield to any body of men. We seek, as a first principle, to insure to every man his own. In doing so, and in endeavoring to protect the public against oppression and error, we find it our duty to demonstrate the errors in the schemes of municipalizers and socialists and to warn against the oppression that they threaten. We are resisting efforts to put burdens on the backs of the American people. We cannot remain silent while the attempt is made to thrust costly and impracticable projects upon customers of public service corporations and upon the public at large. We know the truth will out. We are confident that ultimately the American people must appreciate at their value the unsoundness of the arguments of the municipal socialists.

We individualists are not seeking to lead the people in strange paths; our aim is to keep them in the paths they have heretofore trod; paths well known, along which the American people have marched to heights of prosperity and civic development not known heretofore to the civilized world. Along these paths have been stumbling blocks. Our opponents are endeavoring to persuade us the sole responsibility for these stumbling blocks rests upon our public service system, to be remedied only by a change of system. This we deny.

We are patiently studying the ways of justice. Municipalizers advocate experimenting, at enormous cost, with public funds, with the principles of liberty and with the institutions of our country. In this we stoutly refuse to take part. We are
conservatives in believing that it is better to adhere to old and tried methods based on our accepted national principles; but radicals in the determination to discover, and sternly to rebuke and to rectify any injustice which may have been developed by the present system. We maintain, that, in this policy, which is not the policy of *laissez faire*, we are guided by the ripest wisdom of the present time, and of all time, and that we are conserving the causes of American development.

Our country has been developed upon the theory that the individual is the unit and that to permit to the individual the greatest possible freedom, providing coincidently against his abuse of this freedom, is to insure to the nation the greatest possible good. When the task was the conquest of prairie and forest, its accomplishment was within the power of individual effort. How well it was accomplished the wondering world knows. The result is not alone nor best seen in millions of comfortable homes, hundreds of millions annual value of exportable products of plow, pick, loom and furnace; the highest product of this individual and family effort, this successful struggle of man and woman with the forces of nature, is what is known, admired and feared as the American character of which the very essence is individualism—initiative and aggressive.

Following the conquest of prairie and forest came the necessity of moving vast quantities of grain and cattle to points of consumption and export. Coincidently came the invention of the steam railroad. The power of initiative and the spirit of adventure developed in the struggle of our predecessors against the wilderness, led them and their successors to undertake transportation tasks soon found to be beyond the power of single man. As they, in the first years of struggle for a home, had joined with their neighbors for the house raising or other occasional task beyond the physical resources of the individual, their successors joined in incorporated companies for the accomplishment of ends beyond the financial resources of the individual. Coincidently with a railroad development, unparalleled in countries where individualism has been less pronounced, came the wonderful growth of America's cities. With this growth has come the necessity of certain public service work—water supply, lighting and transportation; work done for a price, and, to the American mind, a proper field for individual effort. Again comes the company, a voluntary association of individuals, to accomplish what is beyond the power of one, as in the old house-raising days. As it has always been the function and duty of government to insure that individuals shall deal justly with their fellows, it is now the function and duty of government to protect the governed against injustice on the part of these associations of individuals working under the name of public service companies. Any government that is too feeble or too corrupt to control with justice the conduct of a public service company, has little prospect of being able itself to supply such public service
with efficiency and justice. Our duty is to elect to office men who have the intelligence and integrity to govern efficiently, honestly and justly; men who can and will curb the unjust aggressiveness of the individual, or of the voluntary association of individuals, and who can and will compel each to bear its share of the burdens of government, and give in price, service or otherwise, a proper consideration for special privileges enjoyed. Our nation is what she is industrially and commercially and in world politics because of the American character, developed by the most absolute individualism, and because of the American company, developed under a government that governed but did not trade. Our duty is to conserve the human agencies that have made our country what it is—the adventurous individual and voluntary association—but not to let them be our masters. This is the confession of faith of the anti-municipalizer—the anti-socialist.

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