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THE CHICAGO TRACTION QUESTION

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PUBLIC-OWNERSHIP sentiment has had a remarkable growth in the United States during the last ten years. This sentiment is one of the many manifestations of the deep conviction that the present division of wealth is at once unjust and absurd. All sorts of theories for the more equitable distribution of wealth have found ready advocates on the platform and in the press in every enlightened nation of the world. However various the plans and schemes of social change, it is beyond dispute that the tendency of all nations has been toward a wider and completer collective life. In every country in the world the people have been constantly enlarging the functions and duties of the state, and political organizations are more and more becoming industrial institutions.

In Europe, municipal and even national ownership of public utilities is no longer looked upon as radical or new, and the rapid growth of these ideas abroad has had much to do with sentiment in the United States.

The most casual student of social questions has likewise seen the enormous fortunes that have been built up by the private ownership of public utilities. The larger part of all the stocks and bonds issued by public-service corporations are based upon franchises and not on private property. By this means, the public is constantly and systematically taxed upon its own property, and this vast tax, in the shape of interest on bonds and dividends on stock, is taken by a handful of exploiters and stock-jobbers—who have thus contrived to build up private fortunes from public wealth.

No doubt, the strength of municipal ownership throughout the world has had much to do with the sentiment in Chicago. This city, too, has not been without able advocates of municipal ownership during the whole of the twenty years just passed. Chief among these may be mentioned John P. Altgeld, the once able and fearless Governor of Illinois, and Henry D. Lloyd, the scholar and author.

But after due credit is given to all the advocates of municipal ownership and the influence coming from social agitators at home and abroad, the fact remains that the street-car companies are chiefly responsible for the stern determination of the citizens of Chicago to take charge of this business for themselves.

The traction question in Chicago began to agitate our citizens in 1865, and at more or less regular intervals and in varying forms it has been a vital public question ever since. It was born not of public agitation or out of the theories of dreamers, but from a great public wrong; a wrong almost unanimously condemned by the people and the press of that day, and which in spite of all sorts of schemes and plans is as keenly felt at this time as it was forty years ago.

The first street-car line was built in Chicago in 1858. This was constructed under an ordinance passed by the City Council and granted to four men. The next year the legislature passed a special charter validating this ordinance and creating the Chicago City Railway Company with the rights, powers and franchises conferred on these four men; and giving the corporation a life of twenty-five years. This act was amended in 1865, and a second corporation formed, taking grants under the ordinance of 1858 and under a few others which were passed before 1865. Most of the important streets of that day were granted for a term of twenty-five years to the street-railway companies for the use of horse cars. Twenty-five years was the life-term of the horse-railway corporations created by the legislature. The streets so devoted to railway uses in 1860 are leading thoroughfares to-day.

In its early life, Chicago was ambitious, and, like other young and ambitious towns, was very ready to give all kinds of privileges. By the year 1865 the rights of all the more desirable streets were taken. The street railway business, meanwhile, grew with the city and with the country, and the owners were awake to its present, and still greater prospective, value.

In 1865 a bill, backed by the street-railway companies, was presented to the legislature of Illinois, and this bill provided that the charter of the companies should be extended for ninety-nine years from the time of their original grants or until 1958; and it

further provided, in language more or less ambiguous and uncertain, that certain contracts, rights, etc., should be extended with them. This act was passed, like many other acts of the legislature before and since, in the face of an almost unanimous, not to say ferocious, public opinion, and with the united opposition of the press and all the civic bodies of that day. It was promptly vetoed by Governor Ogelsby, the vigorous war governor of Illinois, and as promptly passed over his veto.

The street railways and a large portion of the public at that time, and ever since, have claimed that the law not only extended the charters of the companies to 1958, but also the rights and privileges of the companies in the public streets for the same period of time.

Not even the act of 1865 could claim the undivided attention of a growing city like Chicago in those early years, and so from time to time the street-car companies picked up one street after another as new avenues were opened and new thoroughfares were made. They picked them up with that avidity common to public-service corporations who always want everything in sight, and they were aided by that lazy complacency, at the best, which ever animates public bodies made up of men interested with their own affairs.

After 1865, the City Council generally fixed limits of twenty years for their privileges in the streets, but they continued to grant franchises as fast as requests were made for them.

In 1875 it became plain that the city of Chicago had outgrown its old charter, and a new one was adopted in its place. This charter contained a provision that the right to occupy the streets could not be granted to a street railroad for a longer term than twenty years.

After the first indignation over the act of 1865 had passed away, public feeling was quiescent until 1883. In this year many of the important grants by the City Council expired by limitation. The street-railway companies promptly asserted the claim that the act of 1865 had extended their franchises for ninety-nine years. The public were very angry at the time; they made dire threats against the companies; they even talked loudly for municipal own-

ership as a solution of the question. A long period of agitation for the extension of franchises was thus carried on in the City Council and by the public. In this contest, the street-railway companies had an enormous money interest at stake. The people had no interest that could be ascertained; and, as always happens, the people soon grew tired and clamored for a settlement—which meant surrender. The public, in a cowardly and slothful manner, granted an extension of twenty years; and the battle was put off for another generation to fight out. After that, the city continued to grant new franchises as fast as new streets were opened, and the street-car companies were alert to seize upon every thoroughfare leading to the heart of the city, and every bridge or tunnel which provided means of crossing the river. This condition continued until 1903, when the general franchises expired after the twenty-year extension.

Mr. Charles T. Yerkes obtained control, in 1883, of the street-car lines operating in the North and West divisions of the city of Chicago, and then he began a gigantic scheme of financial legerdemain, by which bonds and stock upon the properties of the West and North divisions were issued without limit. Mr. Yerkes entered the street-railroad business from the Stock Exchange in the city of Chicago, after having acquired full knowledge of the affairs of the companies and complete information as to the possible earnings and development of the systems. Soon after his entrance the North Chicago Railway Company, with a capital of $500,000, was merged in the North Chicago Street Railway Company, with a capital of $7,920,000, and the West Division Company, with a capital of $1,250,000, was merged in the West Chicago Street, which had a capital of $13,000,000. To this was added the West Chicago Tunnel Company, with $1,500,000 of capital, and the Chicago Passenger Railway Company, with a capital of $1,340,300, and later still these companies were leased to the Union Traction Company with $32,000,000 of stock, on top of the stock of the underlying companies. In the meantime, bonds had been issued on these companies to the extent of more than $25,000,000, all of which are now outstanding.

During this time a series of activities in the railroad business

was going on in the outlying streets. The Consolidated Traction Company was organized with a capital stock of $15,000,000 and bonds of $13,000,000 more, and later this system was added to the Chicago Union Traction Company. Even the city of Chicago, with all its enterprise and industry, could not stand under this load of stock and bonds, and gradually it became evident that enough nickels could not be collected to pay the interest upon the last issues of stock within any reasonable time and keep the property in physical condition to perform decent public service.

The South Side Company had not been engaged so much in issuing stocks and bonds as in operating its railway. This company, up to the present time, has $18,000,000 of stock without any underlying bonds. During a large part of the street-car life of Chicago, the South Side Company has been paying 15 per cent. dividends, together with many stock dividends and other prizes. Its stock has sold as high as 350. Under this dividend power, it was fairly worth about $250 per share, or $45,000,000, figuring on an income basis and assuming perpetual rights on the streets.

The North Chicago Company, with its 500,000 of stock, sold out to the North Chicago Street under a contract guaranteeing 35 per cent. dividends, thus making their stock worth at least $3,000,000, on the same assumption.

The Chicago West Division transferred its property to the West Chicago Street with a 30 per cent. dividend guaranteed, thus making its stock pay dividends on $6,000,000. The North Chicago Street, after taking the North Chicago Company, issued $8,000,000 of stock, which usually paid 12 per cent. before the worth $16,000,000 or more. The West Chicago Street issued $13,000,000 of stock, which has fluctuated above and below par, and has paid 6 per cent. and upwards until their recent difficulties, giving a value to the stock considerably over $13,000,000. The Chicago Passenger was capitalized at $1,250,000 and regularly paid 6 per cent.

The bonds of the companies were $25,700,000, thus bringing the total of the stocks and bonds, upon a 6 per cent. basis, to over $111,000,000. To this was added the $32,000,000 stock of the Union Traction Company and the $27,500,000 stock and bonds

of the Consolidated Traction, which have sold at varying prices from 7 up to par, and were worth at least enough to make the grand total $150,000,000, upon the basis of dividends.

This sum is about the fair amount of the total street-railroad stock and bonds, upon which the citizens of Chicago have been expected to contribute, and have already contributed enough nickels to pay 6 per cent. interest. The total value of tangible property of these companies would now fall a long ways short of $35,000,000 and could be replaced new for $50,000,000.

While these schemes of stock-jobbing were in progress another plan was carried on to strengthen the position of the companies. After a memorable struggle, the legislature passed an act, in 1895, meant to cure many of the legal difficulties and defects of title arising through the consolidation of the street-railway companies, and which arbitrarily extended their franchises for fifty years. This was passed in the face of the most hostile public opinion and against the protest of practically every newspaper in the state. John P. Altgeld was then governor of Illinois, and in a notable state paper he vetoed this bill. Every effort was made to pass the law over his veto, but without avail.

In 1896 Altgeld was defeated for governor and John R. Tanner elected in his place. Promptly upon the assembling of the legislature the street-car interests were present with a new bill. This law was meant to cure many of the defects above referred to, and also provided that the City Council should have the right to extend franchises for fifty years. The bill was passed against the same protest that was raised two years before. However, it met a different fate at the governor's hands and became a law. The fight was then transferred to the Chicago City Council. The street-railway companies were confident of success, but the citizens were so thoroughly aroused that even the friendly aldermen did not dare to face the unanimous protest, and the City Council finally refused to extend their grants. From that time to the present, the city of Chicago has been constantly beset to give new franchises of various kinds to the street-car companies.

The general franchises again expired in 1903. For two or three years before this date the street-railway question had been a

subject of constant contention and of political action. No council and mayor were ready to take the responsibility of granting extension; but temporary permits were given from time to time subsequent to 1903, which kept the franchises alive and gave the companies some legal standing in the streets.

The legislature had passed in the meantime a public-policy act. This act provided that upon a petition of 25 per cent. of the voters of the city any question of public policy could be submitted to the voters to ascertain their views. Three times a petition was circulated and signed, calling for an expression of opinion on the extension of the franchise and the municipal ownership of the street-railway lines, and three times these questions were presented to the voters at a regular election. In each instance the people of Chicago, by an overwhelming majority, declared against extending franchises and in favor of municipal ownership.

In the legislature of 1903 the people took a hand in the settlement of this question. The public opinion of the state crystallized on what is known as the Mueller law, which authorized the city of Chicago to own and operate its street-railway lines. The machinery of the legislature was organized to prevent the passage of this bill, but the people and the press were almost unanimous in its support. The organization depended on the speaker of the house, who by the use of the gavel was to put aside the Mueller law and in its place substitute a bill which was bitterly opposed by the people of the state. This precipitated a riot in the house, and the speaker was driven from his chair and the Mueller bill was passed. Under this law the city of Chicago was given the power to own and operate its street-car lines.

Just before the vote was taken on the Mueller bill, the legislature was startled by the report that the Union Traction Company had passed into the hands of friendly receivers in the federal courts. Since that time these receivers have been operating the system and various orders and injunctions have been issued to prevent the interference of the city with its more important lines.

In the campaign of last April, Judge Edward F. Dunne was the Democratic candidate upon a platform which expressly provided that no franchise-extension should be granted and that Chi-

cago should at once take the necessary steps to get the municipal ownership of street-car lines. Upon this issue Judge Dunne received a majority of over 25,000 and his administration is pledged to carry out the plan.

The municipal control of the street railways of Chicago not only affects this city, but will be far-reaching in its consequences. Every great capitalist in America is interested in its result, and the obstacles thrown in the way of its accomplishment can be imagined much better than told.

It is fair to say that the interests which the street-railroad companies hope to save in Chicago would be worth not less than $150,000,000, and to be added to this is a yearly growth of franchise value of at least $5,000,000, compounded year by year. It is perfectly obvious that the street-car business, with all its vast opportunities for exploitation, will not be given up without a serious struggle. These companies are in the daily receipt of $50,000. Everybody familiar with legal affairs understands that a good many high-priced lawyers can be employed from such receipts. Everybody is also wise enough to understand that under the complex administration of law by our courts high-priced lawyers can make plenty of trouble upon almost any proposition.

Various proceedings, pro and con, are now pending in the state and federal courts of Chicago. First, the federal court claims a certain jurisdiction over the North and West Side lines on account of the receivership which is still in force. Under this an injunction has been issued forbidding the use of certain streets. A bill has likewise been filed by the city railway in the federal court asking for an injunction against the occupancy of any streets now covered by their lines. Cases in *quo warranto* have been commenced by the attorney-general of the state and states-attorney of the county of Cook in the state courts, which ask that these companies be ousted from the streets of Chicago. In the meantime plans and specifications have been prepared for the construction of a municipal line upon the streets where the franchises have clearly expired, and these plans have been submitted by the Mayor to the Council for their action.

In a multitude of statutes and ordinances passed at different

times and through conflicting influences, many doubtful questions of law must arise, and through the machinery of the courts considerable time must be taken in ascertaining and construing these conflicting rights. The street-railway companies claim that not only does the act of 1865 extend its protection of ninety-nine years over all franchises granted by the City Council prior to the passage of that act, but that likewise every franchise granted by the City Council up to the present date, whatever its terms and limitations, is under the protecting shelter of the old act of 1865, and does not expire until 1958.

It is as stoutly maintained by the city interests that this act of 1865, even if constitutional, did not extend the franchises existing at the time; secondly, if constitutional, the companies were only authorized to use horse-power upon their lines; and thirdly, in any event it extended only such right as had been granted previous to 1865. Under any one of these interpretations the franchise value of these companies will be very small and such an interpretation by the courts will overthrow an incubus that has held Chicago in its paralyzing grasp for almost half a century.

Out of the $150,000,000 that is to be made dividend-paying property by these street-railway companies, over $100,000,000, or two-thirds of the whole amount, consists in franchises in the public streets, that are the property of the citizens of Chicago. It is this vast sum that Chicago is asked to surrender to New York speculators for the sake of peace; it is for this that the people are contending, and are seeking to save for themselves and still more for their descendants.

Practical municipal ownership and operation is not a new venture in Chicago. The city already owns and operates its own water system, which has steadily grown to be one of the largest and best in the United States. Through this municipal water plant the citizens of Chicago have been furnished with water at about one-half the price ordinarily charged to consumers by private companies. The city has regularly met all its payments of interest on the water bonds, has provided for large extensions of its system and turned many millions of dollars into the public fund. In the last twenty-five years there have been occasional

scandals in the water department, but these have in no way compared with the scandals growing out of the relations of the street-car companies to the municipality. And probably if the question were submitted to the people to-day not one person out of one hundred would vote to turn the water plant over to a private corporation.

Chicago has also been gradually building up a municipal electric-lighting plant which has shown the best results and which would long since have furnished light and heat and power to the general public, except for the fact that the lighting companies have thus far been able to influence the legislature against the passage of a bill authorizing the city company to sell their product to the people.

Our people understand that the street-car companies will not yield without stubborn resistance. How long it will be protracted no one can say. A change in the policy of the United States in reference to public-service corporations cannot come without earnest protracted effort, and in a last analysis it is a question of public opinion and public endurance. It is for Chicago to show the United States whether they have the courage and staying powers to defend their rights or whether for the sake of peace they will supinely surrender and transfer their fight to another generation, as their ancestors did in 1883.