

**VESTED WRONGS, AN ADDRESS READ
AT THE THIRD ANNUAL CONVENTION
OF THE LEAGUE OF AMERICAN
MUNICIPALITIES, HELD AT SYRACUSE,
NEW YORK, SEPTEMBER 19-22, 1899**

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Vested Wrongs, an address read at the third annual convention of the League of American Municipalities, held at Syracuse, New York, September 19-22, 1899 by Robert P. Porter

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VESTED WRONGS*

By Robert P. Porter

IT is now nearly twenty-five years ago since I first took up the fiscal problems relating to our states, counties and municipalities, and twenty years since I was called upon by the United States Government to write a history of the debt of each state of the Union, and prepare a report on the wealth, debt and taxation of our cities and towns. The result of those inquiries may be found in Volume VII. of the Tenth Census [1880].† Soon after the war a craze set in for municipal improvements, similar to the present epidemic for owning and operating public utilities, and as a result local indebtedness and taxes had increased so rapidly that in many instances the burden upon the taxpayers became almost unbearable, and in some important cities repudiation was publicly advocated. The alarm occasioned by the increase of municipal indebtedness was emphasized in many of the western states by the large sums of public money voted to



* An address read at the Third Annual Convention of the League of American Municipalities, held at Syracuse, N. Y., Sept. 19-22, 1899.

† Report on Valuation, Taxation and Public Indebtedness in the United States, and returned at the Tenth Census (June 1, 1880), by Robert P. Porter, Special Agent.

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aid innumerable private railway schemes, a majority of which had not come up to the great expectations of the promoters and had left the unhappy communities responsible for millions of unpaid bonds. The history of this period of our state and local fiscal history should be familiar to advocates of municipal ownership in the United States. If not they will find much official data of value and interest in the volume referred to, which has a practical bearing on the question at issue. In seeking a remedy for the evil of municipal indebtedness which seriously threatened our cities and towns with bankruptcy during this period, the constitutional limitation of debt was hit upon, and thus the wisdom of the people put a break upon municipal madness. In some of the more flagrant instances, that of Michigan, for example, the people even went further and declared that the state must not be "a party to or interested in any work of internal improvement," so bitter had been these experiments in a theory of government foreign to the sound maxim, that the country is governed the best which is governed the least. This action on the part of the people of that state has saved Detroit from one of the wildest and probably one of the most disastrous experiments in municipal ownership yet recorded. The state constitutional limitation of debt which stopped the debt-creating mania during the seventies and early eighties, will again come in to hold in check these latter-day movements towards socialism and paternalism, until practical men in municipal affairs are

enabled to examine fully, not only the many complex questions involved in municipal ownership of all public utilities, but to realize the stupendous change which such an absorption of private enterprise would bring about in the fundamental principle of the government of the Republic. An effort is now on foot, in my opinion fraught with great danger to American municipalities, to remove all constitutional and legislative restrictions on municipal indebtedness when the municipalities wish to purchase these so-called revenue-producing properties. Communities, like individuals, soon forget past experiences, and those who see their wild schemes checked by the sober judgment expressed by the people during times of state and municipal bankruptcy, are apt to urge the removal of such constitutional barriers. Should this be done and full swing given to municipal ownership experiments, the American taxpayer will simply invite financial catastrophes far more sweeping and destructive than those referred to in the Michigan Supreme Court decision. Citizens who believe in sound government should vigorously oppose all attempts to remove the constitutional limitation on state and municipal indebtedness.*

*As the advocates of municipal ownership are so fond of quoting English examples they are referred to the statistics showing the increase in local rates in England and Wales from 1891-2 to 1896-7. In 1891-2 the local rates in England and Wales amounted, roughly, to 28 1/2 million pounds; in 1896-7 they amounted to 37 1/2 millions, an increase of about 31 per cent. This was, of course, accompanied by an increase in rateable value, and taking this into consideration, the rate in the pound, calculated on the Poor Rate valuation, rose from 3s. 7 1/4d. to 4s. 6d., an increase of about 23 per cent. The increase in

Before those who are responsible for the administration of these great trusts commit themselves to the expenditure of millions, nay hundreds of millions, of the people's money, in these daring experiments, it behooves them to acquaint themselves with all the facts. They must study with the utmost care and impartiality the results of municipal ownership in England. The official reports in relation to the operation of gas works show no special advantage in favor of municipally owned plants. These figures are accessible and in convenient form. They must do precisely the same in relation

rateable value had taken place entirely in urban districts. There had, indeed, been a fall in the rateable value of rural districts. The total rates for the Metropolitan area had risen within the period under consideration from 5s. to 5s. 9d. in the pound; in Municipal county boroughs from 1s. 3d. to 1s. 8d.; in county boroughs (urban sanitary), from 2s. 6d. to 2s. 11d.; and in rural District Councils from 1s. 7d. to 3s. Purely urban rates were responsible for 62 per cent of the increase. Those outside London contributed the largest proportion of the increase, but it must be remembered that the number of urban districts had increased.

In an editorial on this subject a London newspaper says:—

"Local indebtedness is mounting up' is a phrase that is often used in connection with proposals in the domain of municipal enterprise. Figures compiled by Mr. Beckett, who read a paper on the subject at the Health Congress at Blackpool, give us a clear idea of what this growing indebtedness amounts to, both for the individual ratepayer and in the bulk. In 1875 the local debt per head was only £3 17s. 2d., in 1894 it had risen to £7 9s. 2d. per head, or 93 per cent. over 1875; and, of course, it is more now. This indebtedness per head has grown much more rapidly than rateable value. In 1875 this was £4 19s. 1d. per head; in 1895 only £3 7s. 2d., which is less than in 1884. The disproportion between the increase of local indebtedness and rateable value may well cause, as Burdett says, an 'uneasy feeling.' The aggregate amount of local indebtedness looks more serious. In 1874-75 it was £92,820,100, in 1895-96 £242,209,862. More than one-half of the debts, said Mr. Beckett, is due to the aggressiveness of the local administrator as trader. Whether we are paying too much for our 'municipal whistles' or not is a question local ratepayers must decide for themselves."

to British tramways. On this side of the problem perhaps I can speak with some degree of authority, as I have made a careful study of the facts both at home and abroad.* A brief reference will be made hereafter to the results of these inquiries in relation to the municipalization of street railways in England, where we must go for the sum total of experience up to date. For the moment we may profitably examine some recent statements of those who are in the front rank of this movement toward the municipalization of public utilities. Here, for example, is the venerable and venerated Dr. Lyman Abbott declaring that "the sooner our cities own the lines of railroads, the better both for the convenience of the people and the purity of our municipal governments." Similar assertions have been made by advocates of municipal ownership, but assiduous search for the statistics, the facts, if there be any, upon which these assertions are supposed to be based, have failed to materialize. As I shall hereafter show, Dr. Abbott, when asked to come and give reasons and facts for his assertions before the New York State Committee on Street Railways, failed to appear. Without facts to sustain these assumptions, the position of such gentlemen as Dr. Abbott is peculiarly illogical and unbusinesslike. The administrators of our municipalities have been too incompetent and too corrupt to

* "Municipal Ownership and Operation of Street Railways in England," by Robert P. Porter. Report of the special committee to investigate the relation between cities and towns and street railway companies, Boston, Feb., 1888.

"Municipal Ownership at Home and Abroad," by Robert P. Porter, 100 Broadway, New York.

make fair and just bargains with private enterprise to carry on works of public utility. What is the proposed remedy? That having sold or leased these rights to do quasi-public business at a public loss, the same incompetent and corrupt officials or their successors shall now buy them back again—at an excessive valuation, as in the case of Detroit—and manage such trusts for the convenience of the public and in the interests of municipal purity. And this in the face of Professor Bemis's declaration that a large portion of the force employed on the Philadelphia municipal gas plant was made up of ward-healers, faithful only in their allegiance to a political boss. He frankly tells us :—

"The works under public operation would have shown better results than were obtained had it not been for the spoils system, general inefficiency and unprogressiveness."

The position of these eloquent phrasemakers must strike practical administrators as grotesque. The practical man knows that cities, like individuals, have made both good and bad bargains with private corporations. That where one of these bargains has been corrupt, a score, nay fifty or a hundred, have been square and honest. They know that oftener than not the cities in the first instance have been as glad to secure the improvement, whether a new water-works, additional and improved gas plants or electrical street railways, as the capitalist has been to invest his money. They know full well that in many cases capital has been coaxed into the enterprises. Indeed, I know personally of the case of a bankrupt street rail-