



## CHAPTER VI

### THE SOURCE OF CORRUPTION

As we have seen, the American city is not all bad. Here and there a community has risen against the party, the boss, and the machine, and overthrown them. Such exhibits of municipal vitality tend to qualify the disheartening portrayals with which we are familiar. Moreover, whole departments of city life are administered on a relatively high plane of efficiency. In some cities the spoils system has been eliminated. Here and there sound business methods have come in, while reform movements have aroused the public to independent action in local elections. The schools, libraries, parks, and many other departments are responding to this change. Everywhere are many evidences of a higher civic sense, a more enlightened interest, a belief in the city and the possibilities of city life.

There yet remain many cities not touched by reform. Cincinnati, Philadelphia, St. Louis, and many others have failed to respond to the quickening uplift of other communities. At the same time, many departments of the city are in a state of arrested development. Councilmanic bodies

are almost uniformly bad. The police, health, and street departments are backward or indifferently well administered. Corruption breaks out in city after city, and indictments, disclosures, and reform movements only serve to localize the disease.

From the mass of testimony now available, some explanation of the cause of the evils should be obtainable. We should be able to discover some influence that would account for the relative efficiency of some cities and the deplorable condition of others. We should be able to explain why some departments are honestly conducted while others are characterized by corruption.

The people are not dishonest. At most they are indifferent. The spoils system will not account for all the evil, for civil service reform has become an accomplished fact in New York, Boston, and Chicago. Nor can the blame be laid upon the ignorant foreign voter, for Philadelphia is the most American of our cities—and the worst. There is some influence back of all these, some influence that is universal, and at the same time powerful enough to engage the rich and the influential, the press and the party, the boss and the machine.

An examination of the conditions in city after city discloses one sleepless influence that is common to them all. Underneath the surface phe-

nomena the activity of privilege appears, the privileges of the street railways, the gas, the water, the telephone, and electric-lighting companies. The connection of these industries with politics explains most of the corruption; it explains the power of the boss and the machine; it suggests the explanation of the indifference of the "best" citizen and his hostility to democratic reform. Moreover, it throws much light on the excellence of some departments of city life and the inefficiency of others, for the interest of the franchise corporations is centred in the council, in the executive departments, and in the tax-assessors. It does not extend to the schools, libraries, parks, and fire departments, departments which are free from the worst forms of corruption. But the city council awards franchises. It fixes the terms and the regulations under which the franchise corporations may use the streets. The executive enjoys the veto power. He controls permits, and exercises an influence upon the council and public opinion. The assessor determines the appraisal of property as well as the taxes to be paid. All these powers are of great importance, and their control of great value. The privilege of tax evasion may amount to hundreds of thousands of dollars a year. In the larger cities it is measured by millions. In 1903 the special franchises of the public service

corporations in Greater New York were appraised at \$235,184,325. This valuation is confessedly inadequate, and yet even it escaped taxation prior to the passage of the Ford Franchise Law, assessing the franchise as property.

The franchises themselves are even more valuable than the tax evasions. There is scarcely a city in America of over twenty-five thousand inhabitants in which their value does not exceed the amount of the municipal debt. Careful investigations have been made into this subject in a number of cities. The value in the market of the securities of the surface-railway, gas, and electric-lighting corporations in the Boroughs of Manhattan and the Bronx has been estimated at \$400,000,000. The value of the physical property, exclusive of the franchise, is probably well within \$125,000,000.<sup>1</sup> Prior to the consolidation of the City of New York in 1898, the public debt, less the sinking fund, was but \$141,916,520.

The cost of replacing the Third Avenue Metropolitan Railway system in New York has been estimated as within sixty million dollars, while the stocks and bonds issued on the property aggregate \$165,000,000. In 1902 these securities possessed a market value of \$221,000,000. The value of the franchise was therefore \$161,000,000, or

<sup>1</sup> *Municipal Affairs*, published by the Reform Club, New York; Vol. 5, No. 4, p. 886.

more than two and one-half times the amount of money actually in the system,<sup>1</sup> and twenty million dollars more than the city's net debt in 1898.

The franchises enjoyed by a single corporation exceeded the total indebtedness of the most heavily bonded city in the world. This indebtedness represents parks, water works, aqueducts, fire and police departments, streets, sewers, docks, bridges, lands, hospitals, correctional institutions, colleges, schools, public buildings, armories, courthouses, museums, and all of the many investments which the city has made. But this was but one of the many franchise corporations of the city. It did not include other street-railway systems, the gas companies, the electric-light and telephone companies, the value of whose franchises is hundreds of millions of dollars more. The total value of the franchises in Greater New York has been estimated at \$450,000,000. They are assessed for taxation at more than half this sum. At the present time, the total indebtedness of the city, exclusive of the sinking fund, is less than \$400,000,000. The franchises of the metropolis, in excess of the physical value of the property, exceed the amount of the city's net debt. They amount to more than one hundred dollars for every man, woman, and child within the city, and their quotation in the market

<sup>1</sup> *Municipal Affairs*, Vol. 6, No. 1, p. 68.

represents wealth in excess of the total appraisal for purposes of taxation of any city in America outside of New York, Philadelphia, Boston, and Chicago. For these grants, the city receives no return. They were obtained to some extent through the ignorance of public officials, but mainly through bribery, corruption, and a political alliance with the Democratic Party in the city and the Republican Party in the state.

This is but part of the price that the city is paying to privilege. It is the price that all our cities are paying to those who have requited this gift by overturning our institutions. It is a price which many insist we should continue to pay, because of the alleged greater efficiency of private enterprise, and the fear that democracy is not equal to the additional burdens involved in the assumption of new obligations.

It was a franchise of imperial proportions to the United Gas Improvement Company that finally aroused the City of Philadelphia to resume the elemental means of government through petition, protest, and the vigilance committee. But while public indignation exhausted itself on the Board of Aldermen, the real offenders were higher up. For it was the big business men of the city that awakened the cupidity of city officials and inspired the theft of the city's most valuable asset from those who were its trustees.

In 1900, the Cleveland City Railroad was endeavoring to secure an extension of its franchises from the City Council, and the Chamber of Commerce secured the appointment of an expert committee to examine into the value of its property. The committee estimated the cost of replacing the system at \$3,869,327. This was less than half the value of the stock and bonds of the company then outstanding. And this did not include the franchises of another street railway, of two gas companies, one telephone company, and one electric-lighting company, the divergence between whose investment and capitalization was probably many times more than that of the railway system. In 1904 the total bonded debt of the city of Cleveland, exclusive of money in the sinking fund, but including the indebtedness of the water works, was but \$18,877,000. The present market value of the franchises of the street railways of the city alone is probably about the same.

In the city of Toledo, Ohio, several railway systems have been consolidated through the issue of new stock. By this process \$11,000,000 in bonds and \$12,000,000 of stock have been placed upon the market. These issues have been marketed in the face of the fact that the franchises begin to expire in 1910, and that the plant could probably be duplicated for not to exceed \$5,000,000.

Similar investigations have been made in the

city of Chicago. The value of the physical property of the seven traction companies in that city has been appraised at \$44,922,011; while the market value of the securities issued by the corporations amounts to \$120,235,539.<sup>1</sup> The public debt of the city in 1900 was \$32,989,819, or \$42,323,709 less than the value of the franchises of the traction interests alone.

The Cincinnati Street Railway Company and the Cincinnati Traction Company have issued securities on a fifty-year franchise in excess of \$20,000,000, whereas the real investment made does not exceed one-half of this sum.

In Baltimore all the street railways and the electric-lighting company have been consolidated through the issue of over \$65,000,000 in securities; whereas the public indebtedness of the city in 1900 was but \$31,772,975. Such instances as these might be indefinitely extended, for these exhibits are by no means exceptional. In Philadelphia, Pittsburg, and other Eastern cities where franchises are perpetual, for 999 or 99 years, the amount of securities issued has been determined by the will of the promoters; but however excessive the capitalization may have been, in almost every instance the growth of the city, the increased demand for the services offered, and the diminished cost of production have brought the

<sup>1</sup> *Municipal Affairs*, Vol. 5, No. 2, p. 448.



value of the stock up to par, and in many instances to far above par.

Here is a peculiar form of wealth. It scarcely existed fifty years ago. It is largely the result of the Dartmouth College Case, which decided that grants of this nature were contracts and could not be impaired by the state or the city. Reasonable legislation would have created a license, revocable at the will of the granting authority, but subject to compensation by the community for the actual investment made by the company. Such is the title enjoyed by other wealth; it is always subject to use by the public at its value in the market, which is its cost of replacement.

The value of these privileges or franchises runs into fabulous figures. Their existence is not dependent upon labor cost, but arises from a grant, a contract, a franchise from the community. In New York, Chicago, Philadelphia, and many other cities these anomalous values amount to tens of millions of dollars; while in hundreds of smaller cities their value amounts to hundreds of thousands. In every city of more than twenty-five thousand population they probably exceed in value the amount of the municipal debt.

It is these glittering prizes that lure men from the paths of ordinary industry, as do the gold fields of Alaska, South Africa, and the West. Here a lucky strike is like a bonanza mine. Year

by year it increases in value by the growth in population. It is the most valuable possession in the hands of the people, a possession fairly regal in its proportions, and, as we shall see, endowed with power for the greatest evil or the greatest good, according to the policy adopted by the community. Its capitalized value would adorn the city with schoolhouses, parks, and playgrounds; it would pave streets, build sewers, and beautify the city with works of art. On the other hand, were the earnings retained by the city they would reduce the taxes, or if the price of the service were reduced to cost, it would relieve the most onerous of the burdens which urban life entails.

It is the contest for the possession of these privileges that breeds corruption and lures the unfit into politics. In this process, the boss has become the representative of the interests which have reduced our politics to a System of government. They have syndicated the party, and converted the blind submission of the people to party regularity into a marketable asset, which is bought and sold by campaign contributions for private ends.

All this is possible by reason of the fact that the privilege of supplying transportation, gas, water, lighting, and telephone service is a natural monopoly. Competition may be secured for a time, but combination inevitably follows. It has become an

axiom of the business world that wherever combination is possible, competition is improbable. This has been demonstrated in hundreds of instances, and to-day there is scarcely a city in the United States where real competition in such service exists. Moreover, the charges of such companies are determined by the rule of monopoly, which is to collect what the traffic will bear. This rule must be qualified in so far as charges have been fixed by contract with the city. But most of these contracts were made many years ago, when these services were in their infancy and the cost of production was much higher than it is at present. Since the granting of these franchises watered securities have been added until it is impossible for the companies to lower rates, while the cities and states have been restrained in their efforts through the interference of the courts or the betrayal of the party to private influences. It is monopoly which gives these services their value. Competition cannot reach them, while their market is daily growing by the increase of population.

It is because these industries are monopolies, supplying a service of universal use, that securities may be issued, and sold, far in excess of the actual investment. This excess runs into the tens of millions of dollars, and it is this that represents the value of the franchise which is obtainable from the city. It is privileges such as these

that invite corruption, and for their preservation perpetuate it. When millions may be made by the stroke of the pen, men will appear willing to adopt such measures as may be necessary to accomplish it, even though the means employed involve the crime of bribery, which Governor Folk of Missouri has termed "treason." In no other way can wealth be obtained so easily. In fact, it is only through privileges of some sort that wealth can be secured at all without human labor. And it is to secure and retain such privileges, to prevent their regulation, the reduction of charges, just taxation, and the like, that the boss, the machine, and the System have become the virtual government of city and state all over the Union.

In addition to all this, the difficulties of financing such properties have been reduced to a minimum. Money can be borrowed upon a franchise just as upon real estate. As a matter of fact, a grant of this kind is real estate. It is appurtenant to the land. Bankers will advance money upon a franchise when a manufacturing business would not command it, for in any growing city the earnings of such a property may be relied upon to increase at from five to ten per cent. a year. And the amount of securities which may be issued is determined not by the investment made, but by the earning capacity of the plant, as well as the speculative increase of the future.

In the confusion of causes, we have sought to avoid corruption by keeping our cities out of these businesses. In so doing we have invited the corruption we sought to escape, while business men have accepted the invitation, and remained to govern the city as well. Such a result is both natural and inevitable. We may safeguard our communities by reform associations, by the adoption of improved charters, by the abolition of the spoils system and the like; we may develop civic morality to a high level, we still have the "twentieth man," the man who is not bound by our organizations, the man who will not accept the new standards of conduct, but who will secure control of the party, dictate its nominations, bribe a city council, and, if necessary, the state legislature as well, in order to secure a franchise.

Does this seem an overdrawn picture—too narrow an explanation of the evil of city administration? Then read the tale of municipal corruption portrayed by J. Lincoln Steffens in *The Shame of the Cities*. It is true, Mr. Steffens does not limit the indictment to the privileged corporations. He lays the offense at the door of "business." But it is business, plus franchises and privileges, that has overturned our cities and brought shame to their citizens. For wealth without privilege does not organize to control parties, primaries, or conventions. The retail

dealer, wholesale dealer, or manufacturer is not found in the council chamber. His offence is one of indifference. He probably cannot name the alderman from his ward. To him politics is a nuisance. He wants nothing from the city, for his business requires no favors. It depends upon his own energy, thrift, and enterprise. Chicago, "Half Free and Fighting On," as Mr. Steffens says, is not fighting business. Her Municipal Voters' League was not called into being as a vigilance committee to protect the city from ordinary wealth. During the past ten years, Chicago has been like a beleaguered camp, not for protection from without, but for protection from some of her own citizens. The contest within the city has been like that of the Guelphs and Ghibellines of Florence and the mediæval Italian cities. And to-day in Chicago, there is a powerful class who say: "Oh, damn reform; it hurts our business." It is the \$75,000,000 of franchises that is hurt by reform. "Anarchy," privilege calls it, or "socialism." But again, it was not business that was hurt, it was graft. It was graft born of railway and gas franchises that turned Chicago over to the "gray wolves" of the Council. It was such graft that made the office of alderman worth fifty thousand dollars a year.

In 1896, the Council granted away six franchises of great value, despite the protests of the public.

Some of these grants were made to a dummy who represented the Council combine. Some were used as "strikes" on the existing companies. The city got nothing from any of them. Ultimately, the Council was syndicated. The political machinery of the city was reduced to a System. But the System did not stop there. It could not, even if it would. It ran into the state. It organized both the Republican and the Democratic parties. It nominated and elected not only the members of the Council, the mayor, and the tax assessors, it entered state politics as well.

"In 1886 and 1887," says a report on the political condition of Chicago presented to the National Municipal League, "Mr. Yerkes, for himself and his associates, chief of whom were Messrs. Elkins and Widener, of Philadelphia, secured control of a majority of the stock of the street-railway companies operating in the north and west divisions of the city. Then began the most remarkable era of financing and of political manipulation that Chicago has ever known. Securities have been piled on top of securities in the most confusing manner. Politically, Mr. Yerkes became the most powerful factor in the community. He dominated conventions and made and unmade councils and mayors, all, of course, under cover as much as possible. During his later days he had nearly as much to say in naming Governors and in control-

ling the action of State Legislatures. But the very audacity of the man's plans finally proved his undoing, by furnishing to the people the shock necessary to stimulate them to effective action. Mr. Yerkes wanted more valuable grants than it was possible for the Council under law to vote him. He went to the Legislature of 1895 with bills, that were passed without much difficulty, but their final success was blocked by the veto of Governor Altgeld. Angered at this defeat of his project, Mr. Yerkes decided to name the next Governor of the state himself, and thus be sure of having there a man who would carry out his wishes, and in this he succeeded. But, in the meantime, the Legislature had become somewhat more sensitive to popular criticism, and in the face of public protest did not care to enact the bolder measures asked for by Mr. Yerkes, known as the Humphrey bills. The Legislature of 1897 did, however, pass, and the Governor approved, the Allen law, which made the position of the companies much stronger in many ways, and among other things authorized councils to make grants running for fifty-year periods."<sup>1</sup>

It was such business as this that was hurt by reform in Chicago. It was not that of the merchant or the manufacturer. It was the business

<sup>1</sup> "The Street Railway Situation in Chicago," by George C. Silkes, in *Report of Proceedings of Boston Conference for Good City Government*, p. 179.



of dealing in a betrayal of the city's interests. It was the business of securing franchises from councils, legislatures, and governors, worth millions, that was in jeopardy. It was this that was injured, not business.

And any one familiar with city politics knows that the class so hurt by reform is not an insignificant one, limited to those seeking the franchises alone. It includes the thousands of stockholders; the bankers and brokers who advance money upon and handle the securities; the lawyers who represent, and the press that is controlled by them. Such business interests ramify into clubs and churches. They involve the best classes of the community; a class that is organized, that understands itself, and is perfectly alive to its own interests. It penetrates into social, business, and professional intercourse. And Chicago has been fighting,—now down, now up again,—not for some great public improvement, not for the upbuilding of the city and the rendering of it a more comfortable and beautiful place in which to live. Chicago has been like a nation engaged in civil war. All matters of domestic and local concern had to be abandoned in the face of a hostile enemy. Thus for the past ten years all the unfettered talent of that great metropolis of the West has been fighting for the city's protection. It has spent time, energy, and money sadly needed for

positive good in the preservation of the city's interests. This contest has been not to prevent the honest barter of the city's streets, but to prevent these rights, whose value runs into the tens of millions of dollars, from being stolen from the community by modern business brigands.

Across the State of Illinois lies St. Louis. This city has been bound, gagged, and reduced to submission for so many years that the people hardly comprehend free government. They scarce remember the meaning of democracy. They are like castaways on a Pacific isle, who forget their mother tongue from disuse. So St. Louis had ceased to expect, ceased almost to believe in public honesty. And when Joseph W. Folk, as Circuit Attorney, began his indictments, the people stood dazed, unheeding, and without understanding the language which he used. The boodlers and the business men asked one another: "What does he want; what is his price?" They treated the city as a mastiff might his kennel. It was their domain, they had owned it for so long. So felt the English Stuarts towards Hampden. So the French Bourbons toward the Third Estate. Folk was an anachronism in Missouri. He is so still to a large portion of St. Louis. He excites the curiosity of the System as well as its anger and chagrin.

Here, as in Chicago, the fight has not been

against business wealth, against property as such. The fight that has taken the lid off the city has shown that it was the franchises for street railways, contracts for electric lighting and the like that led to the syndicating of Boss Butler, the millionaire blacksmith. Through him the System controlled the election machinery, reduced the police to a Hessian brigade, and organized the entire city administration for private graft. It was to secure a street railway franchise that \$125,000 was deposited in one of the trust companies of the city under an agreement that it was to be delivered to the Council combine when a franchise had been granted. It was another street-railway franchise, secured at a cost to the promoter of \$250,000 in bribes, that was afterwards sold to a New York syndicate for \$1,250,000. *In neither of these instances did the city receive anything.* It was franchise legislation that led the street railways to the state capital, where they organized the Legislature and paid \$250,000 to the representatives of the people, for privileges that the railways did not possess, and could not secure from the city. It was for a lighting contract with the city of St. Louis that \$47,500 was distributed by Boss Butler to the members of the Council combine, under the very eyes of indignant citizens, who sat in the Council gallery, ignorant of what was going on.

Who were the beneficiaries of these privileges; who have since defended Butler and the indicted public officials? It was the rich and influential citizens of St. Louis. It was they whom Butler represented. It was they who had organized the Democratic party, and through Butler dictated its nominations even for the Bench, and controlled the administration of justice for the protection of their friends and representatives. It was these men who opposed Folk. It was these men who trampled under foot the election laws, filled the booths with repeaters, and openly counted out the properly elected representatives of the people who were hostile to their designs.

In Cincinnati a former saloon keeper has become a millionaire banker. He gained this eminence, not through those traditional virtues that are inculcated in youth; not even through the gross levying of blackmail upon saloons, gambling houses, and dives. It came to him not through the barter and sale of public office. All these he used. To-day, Boss Cox rules the servile city of Cincinnati as a mediæval baron did his serfs. He rose to this eminence by binding together and to himself the rich and powerful members of the community, for whom he secured and protects the franchises of the street-railway, gas, and electric-lighting companies. They, in turn, became his friends and protectors, and through him, and for

him, controlled the press and organized public opinion. Through his control of the local political machine, Boss Cox is able to dominate his party in the city as well as in the state; to nominate at will governors as well as members of the legislature, exactly as did Yerkes in Chicago and Butler in St. Louis. By means of this control, he is able to exempt millions of property from its proper burdens of taxation; he has aided in fastening upon the people of his city a fifty-year franchise; he has overthrown the school system of the commonwealth as well as the form of government of the cities; he has finally acquired rights of immense value in the canals of the state.

By means of this powerful combination, the city of Cincinnati has been terrorized into submission. Men speak in whispers of their disgrace, but none rise to overthrow it. Organized resistance has been destroyed, while the rich and privileged classes, the beneficiaries of the System, speak with approval of the government which Boss Cox "gives them."

At the other end of the state, in the city of Cleveland, the issues are the same, but the outcome different. Here for ten years the municipal contest has centred about street-railway, gas, and electric-lighting franchises. Recurring elections, both state and local, have turned on these issues. The Republican party has become as a pack of

cards played by unseen hands in this great game. It has been used to secure and protect franchises of the local street-railway corporations, and relieve their property from taxation.

In former years these companies boldly entered politics the better to advance their interests. Their employees were the accredited bosses of the party machine. For years the City Council was dominated by these influences. Its personnel was made up prior to the primaries through a control of the party. After election, its committees were designated, its officers selected, and its policy controlled by the representatives of the corporations who made the Council Chamber the scene of their operations. Time and again the public has been organized like a *posse comitatus* for protection against the disposition of the city's streets without provision for the city's protection. Protests have been issued by the Chamber of Commerce and the Municipal Association. Immense campaign funds have been raised by the companies, and used without discrimination, now for the election of a Republican administration, now for the election of a Democratic one. For the business man in politics cares not at all for party. His allegiance is one of interest, not of principle.

Such were the conditions up to a short time ago. The present officials of the street-railway company

have discountenanced such practices. In 1901 Tom L. Johnson was elected Mayor on the platform of lower fares, municipal ownership, and equitable taxation. Competing capital offered to construct and operate street-railway lines on a three-cent fare basis. A franchise was granted for the use of the streets and the work of construction commenced. Injunction after injunction suit was filed, preventing the city from using its open highways for this purpose. These resources failing, the charter of the city was overthrown by the courts for the purpose of tying the hands of a hostile administration.

Similar proceedings were begun in Toledo, where Samuel M. Jones had been elected Mayor on an Independent ticket, and had frustrated the railways in an attempted franchise. All of the municipal charters of the state were equally invalid; but their legality was only questioned in those cities where the public had awakened, and having overthrown the boss, declared themselves independent of his dictation. By the decision of the Supreme Court, the charter of the city of Cleveland was declared unconstitutional. With it, the charter of every other city in the state fell.

The city of Cleveland had a nearly model charter. It had been drafted by the Chamber of Commerce, and for ten years its constitutionality had been unquestioned. On the convening of a special

session of the Legislature to enact a new municipal code for the cities of the state, the reform organizations presented what was known as the Cleveland plan of centralized responsibility. This plan bore the endorsement of the State Bar Association. It was approved by the National Municipal League. But this plan gave the Mayor too great powers and responsibilities. It enabled the people to concentrate their fight on one man. In the cities of Cleveland, Columbus, and Toledo, strong men, hostile to the designs of the privileged interests, had been chosen as Mayors. Instead of such a charter, the Legislature, at the command of Boss Cox, adopted a reactionary code, which distributed executive responsibility among the Mayor, and five or seven other officials, all elected by the people. Administrative power was divided, as was responsibility. Through this distribution, it was thought the ability of the people to protect themselves would be destroyed. By this measure, the well-being of nearly two million people, resident in the cities, was sacrificed to the private designs of privileged interests; municipal reform was set back a decade, and unnecessary pecuniary burdens were imposed upon the people. It is doubtful if organized greed has ever gone further than this in the promotion of its privileges.

For years, a similar contest has been carried on



in Toledo. The street-railway franchises of the city are about to expire, and the companies are seeking their renewal. Local political contests have turned upon this issue and on more than one occasion the public turned out as a "Petition in Boots," and went to the Council Chamber determined to prevent by force, if necessary, the granting of a twenty-five-year franchise. Thus far they have been successful.

In Pennsylvania, the situation is even worse. In Pittsburg the traction and public service corporations were owned or controlled by Magee and Flynn, the city's joint bosses. They formed an alliance with Senator Quay. Through the City Council, which they controlled, and the State Legislature, which was dominated by Senator Quay, they awarded to themselves "perpetual," "999," and "99" year franchises for the use of the city's streets. Magee and Flynn controlled both parties, and used the employees of their many corporations as part of the city machine. These great interests, with the railroads entering the city, formed the centre about which was grouped a general brokerage business in contracts, saloon and vice privilege, as well as all sorts of municipal jobbery, probably unsurpassed in the history of America.<sup>1</sup> In Philadelphia, the story is the same. "Corrupt and contented," this city has been re-

<sup>1</sup> See *The Shame of the Cities*, by Lincoln Steffens.

duced to a state of subjection, through the System, which involves the railways, the traction and gas companies, and other privileges. From these as a base, corruption has gradually grown until it became perfected to all purposes.

Here, as in Ohio, the local and state machines have been merged into a System of government, which makes use of the overwhelming Republican majority, to trade in all kinds of franchises, grants, and immunities. And here the System has completely overthrown democratic government in state, city, county, and township. Legal forms and procedure still remain, but so overwhelming is the Republican majority, and so intimately is its control related to that of privileged wealth, that a return of the state to simple democratic ideals and purposes seems well-nigh impossible.

Everywhere the cause is the same. It is privilege, not wealth; franchises, not business; the few, not the many, that have overthrown our cities within the past few years. There is scarcely a large city of the country in which the public service corporations do not control or constantly seek to control the government. In many instances the Council is theirs, prior even to election. Through an alliance with the party, the corporations dictate aldermanic nominations. They supply candidates with funds, and place the machin-

ery of the party at their disposal. Once elected, the alderman is controlled by friendship, favor, bribery, or the party caucus. The latter is used on the honest official, who would hotly resent direct bribery. In fact, as employed in city, state, and national affairs, the caucus is used quite as often to compel obedience to some corrupt proposition as for any other purpose. If this proves ineffectual, the official is ostracized from the party councils, is charged with a betrayal of party principles, and is treated as a pariah. In this way he is excluded from nomination on the party ticket.

Through such powerful influences the official comes to look upon the electors who place him in office as a sort of second constituency. The real constituency, the constituency to which he must account, is the boss who controls the caucus, disburses funds, and determines the party's policy. The disapproval of the boss is more feared than that of the community. For the average community is not yet sufficiently organized to be able to protect itself. An inspection of the treasurer's books of a campaign committee will show that almost all the money raised is supplied by these interests. The amount of their subscriptions, which in many instances are indiscriminately made to both parties, depends upon the exigencies of the occasion. Between elections, the party

committee is made up. It is usually a Hessian brigade, interested only in party spoils.

On a larger scale, party machinery is used for similar purposes in the state. Party control is usually concentrated in one, or at most, in two hands. This control is gradually being centred in the United States Senate. It is no longer necessary to see the organization, but only the party boss. And through this "fence," men are nominated for the Bench and for the higher state offices with a knowledge approaching certainty as to what they will do under a given set of circumstances. Many, possibly most of them, are free from corruption through direct bribery or dishonesty, but through previous contact, pecuniary or political obligations, their attitude can be forecast with precision.

It is true, franchises and tax evasions do not explain all of the corruption of our cities. But it explains the organized, systematized corruption. The rest is unorganized, miscellaneous, occasional. Franchise interests form the keystone of the arch that supports the petty grafting. And were they removed, the System that has grown up about these interests would crumble before public opinion, because there is no other interest powerful enough to support it. The franchise interests are to the misgovernment of our cities what the regular army is to warfare. All other graft is

guerilla-like in its methods, as well as its effectiveness. With a profit in sight of from \$75,000,000 to \$150,000,000 from a fifty-year grant in the Chicago streets, men will appear who are willing to spend such sums as may be necessary to control the machinery of the State of Illinois. In the City of New York, the opportunity to secure franchises, whose value runs into the hundreds of millions, and whose acquisition depends upon a control of the party, will warrant the expenditure of such time and money as the control of the party demands.

Further than this, there are no other interests in the community so dependent upon the public as are these. Other business enjoys no privileges. The vital principle of the franchise corporation is its grant. It exists through, its great value depends upon, its corrupting influences spring from this fact. And no other business is so readily organized to control the government. It possesses great wealth; it is schooled in political methods by daily contact with administrative agencies.

It is from these sources that the campaign contributions of state and city come. These contributions are neither solicited nor made with any pretence of patriotism. They are the price of protection from disturbance, or an earnest for some new privilege. And by common understanding the chairman of the city, state, or national

committee is authorized to speak for the party in the barter for place or sale of legislation.

Such are the conditions prevailing in nearly every large city in the land. By insidiously undermining the party organization; by gradually gathering together an army of political hirelings maintained by their own campaign contributions; by the election of known men to positions of trust; by controlling platform declarations, party committees, and patronage; by all these means, backed by a class interest which involves a large portion of the community, a few great corporate interests have converted local government into a private agency responding to their will. Such a System as this is free from the noisome scandal that characterized earlier corruption. By virtue of this fact, its dangerous character is increased rather than diminished. There is less menace to the nation from miscellaneous corruption than there is from an organized System which wears the trappings of democracy, but which is in reality a well-organized and thoroughly false make-believe of popular government. For a despotism, monarchy, or republic, is not a matter of name. It is a matter of control. Liberty is not a thing of bills of rights, constitutions, or forms; it is a matter of practice.

How the forms of liberty and the agencies of free government have been taken over, how they



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have been adapted to private ends, how they are now identified with the great privileged industries of nation, state, and city, it will be the purpose of the following chapter to show.