CHAPTER XI.

OF PUBLIC UTILITIES.

There must be no private use of public power or public property. These are created by the common sacrifices of all and can be rightfully used only for the common good of all.

Henry D. Lloyd.

We have defined a public utility as an industrial enterprise which necessitates the special use of public land-forms, or the acquisition and use of private land-forms under the special power of eminent domain, in supplying some product or service generally desired by the people. Such enterprises, in normal conditions, are not open to full and free competition among individuals, but require some public grant of unusual authority or power to make them effective in private hands. Such a grant we have called a public utility franchise, or, more briefly, a franchise. In the established order some public utilities are socialized, or practically so, while others are not.

The business of carrying the mails is an industrial enterprise which is everywhere conceded to be a proper public function. As now conducted this enterprise is largely socialized, but in the United States it contains a curious admixture of individualism. The employes of the postal department are nearly all directly employed by the government, and in the larger cities the postoffice buildings are publicly owned. With the exception of these buildings

and the mail bags and locks nearly all of the property used in the service is privately owned; and in some cases the carrying of the mails, instead of being by government employes, is let by private contract to persons who furnish their own equipment and employ their own help. Nearly all the actual carrying of the mails is done by privately owned railroads under contracts with the government. The entire business of the railroads, under our definition, is a public utility since, in present conditions, it necessitates the acquisition and use of private property under the special power of eminent domain. All railroads are operated under public utility franchises granted by the several states and commonly called charters.

Street railways are public utilities, but they differ from ordinary railroads in this: They necessitate a special use of public land-forms rather than the acquisition and use of private land-forms through the special exercise of a public power. A street is a public land-form open to all persons alike in the use of ordinary conveyances, but ordinarily only one company can use a given street for street railway purposes. All street railways are operated under public utility franchises.

Telegraph and telephone lines constitute another form of public utilities. Usually they are constructed along and upon public highways, although they may require the condemnation of private property for their special use. They also require public utility franchises to make them effective in private hands.

Akin to railways and, to some extent, to telegraph and telephone systems is the industrial enterprise which now

seeks to transmit property and intelligence under and along the public streets by means of pneumatic tubes. This constitutes a public utility, and requires a franchise accordingly.

The other public utilities of importance consist of those industrial enterprises by virtue of which water and gas are conveyed to consumers, and electricity is conveyed and furnished for the purposes of heat, light and power. The transmission of hot water and steam for heating purposes under and along the public streets also constitutes public utilities.

We have already noted that all public utilities require the special use of land-forms. We may also note that they all involve the element of transportation, the transmission of intelligence by telegraph or telephone being deemed a form of transportation. In the case of railroads, street railways, telegraphs, telephones and pneumatic tubes, the element of transportation constitutes the entire service rendered; while in the case of all other public utilities enumerated there is the element of transportation plus a product or service furnished or rendered in or by the thing transported. In the case of railroad shipments the property transported is furnished by a private owner at the shipping point, and is received by him or by another owner at the point of destination. The only function of the railroad company is that of carrier. In the case of water works, on the other hand, the thing transported belongs to the transporter when it leaves the central source of supply, remains his property in transit, and changes ownership only as it is consumed.

In the United States the most of these public utilities are conducted as private enterprises under franchises granted by public authority. There is no uniformity of plan in vogue concerning them. In nearly all cities water is furnished by the municipality, and gas by private companies. Some cities own and operate their own electric light plants, but the most of those using electricity for lighting purposes do not. Telegraph and telephone systems are universally in private hands except as they may be used exclusively by fire and police departments. Substantially all straight transportation facilities are in private hands.

Neither is there any uniformity in plan concerning the charges made for these public utilities when considered as a whole. Water, gas, electric light, hot water, steam or electric heat, electric power and similar utilities are usually furnished at a flat rate throughout the municipality for the same amount of product supplied or service rendered. In matters of straight transportation a flat rate is usually maintained on street railways, and uniform mileage rates for passengers on steam railroads. Telegraph and express companies combine the flat rate and mileage plans and use a sort of zone system, making the zone limit instead of the mile the basis of the charge. In a city like Chicago a man, by using transfers, may ride one block or twenty miles for five cents. On a steam railroad he pays a fixed rate per mile, regardless of the distance, in ordinary circumstances.

Under bisocialism, all these public utilities will be owned, operated, and controlled by the people in their

governmental capacity. All railroads will belong to the national government, and all local enterprises to their respective municipalities. It is probable that what are now known as interurban electric lines will be owned and operated by the states in which they are located, except in so far as they involve interstate traffic. If in time electricity wholly supersedes steam as a railway motor power, these local electric lines will merge into a part of the general railway system.

It is necessary to socialize all these public utilities in order to carry out the mandate of the economic imperative. Experience is daily teaching us the necessity for this step, and is constantly preparing the public mind for definite action. In view of these facts the matter of a definite and uniform working plan for the socialization of these public utilities is worthy of careful consideration. In formulating such a plan it will be wise for us to keep constantly in mind those laws of the market which are as constant and inexorable as the law of gravitation, and quite as important within their spheres as is the law of gravitation in the physical world.

In the field of industry, men are constantly endeavoring to comprehend and to take advantage of all the laws of nature. Experience has taught them that the physical world is governed by immutable laws, and that by ascertaining these laws and acting in harmony therewith, man may now achieve results which would have been deemed miraculous in other days. In the field of Economics there are laws just as immutable and just as important, if we would but seek them out and put not only ourselves, but

also our institutions, into harmony therewith. For there is this difference between physical and economic laws: A single person may succeed in putting himself and his energies into right relations with physical laws, and thus perfect an invention capable of physical demonstration by him acting alone. All others may be incredulous, but he may succeed none the less; but in the realm of Economics the environment of man is institutional. One man may realize the defects of a given institution and may discover a remedy which would increase the happiness of the race a thousandfold. But singly he can not put his remedy into operation. He must convert a majority of his fellows to his manner of thinking before he can fully set in motion those economic forces whose results he has foreseen. These facts have tended to keep the economic progress of the race far behind its industrial achievements.

In the matter of the socialization of public utilities, an early attempt at which is now practically assured, a full understanding of the economic laws involved will make a whole step as easy to be taken as a half step; and in the absence of knowledge the half step may be taken in the wrong direction and, failing in its purpose, may ultimately prove to be a retrograde movement. In the consideration of the question of public utilities, the economic proposition of supreme importance is this: All the measurable benefits of the socialization of public utilities are and ever will be reflected in the values of the land-forms occupied by the community affected. This is true, regardless of the size of the territory involved. It is just as

true of the land-forms of a nation as of city or village, if the public utility socialized is national in its scope.

We have already shown that if a given city should furnish natural gas to its inhabitants at the actual cost of maintaining and operating the requisite plant so that the price of gas to consumers might be reduced from $1.25 to 25 cents per thousand feet, the ground rents and ground values in such city would rise until the cost of living would be as great as before. In the same way, if freight charges upon corn were reduced one cent per bushel from a given community to the Chicago market, ground rents in that community would increase 50 cents per acre, if 50 bushels per acre was the average yield of corn. The tenant would be no better off than before. And if street car fares in any city were reduced from five cents a ride to three cents, the working people would receive no permanent gain. The price of building lots and the ground rents in the residence districts would rise so as to swallow up the entire measurable gain. There is nothing capable of more certain demonstration, either from economic theory or from an appeal to actual facts, than that if all public utilities were socialized and the benefits thereof furnished to the people at the actual cost of maintenance and operation, and the present system of private land tenure were preserved, the cost of living to the people as a whole would not be lowered in the least. More land than at present could be held out of use for speculative purposes, and the economic margin might be still further depressed as a result of the added impetus to the rise in land values.

Let us assume, however, that contemporaneous with the

socialization of all public utilities and the beginning of their operation at cost, all ground values were likewise socialized by being appropriated for public purposes and collected into the public treasury by means of taxation. As before, all the measurable benefits of the socialization of the public utilities would be reflected in ground values; but these values would themselves be socialized and would be expended for the common benefit of all the people. This would relieve producers from all other forms of taxation and would put all land-forms upon the market at their current values for actual use. Such a system could have no special beneficiaries. All the measurable benefits of science, civilization and government would inure to the actual users of the soil, and not to persons whose ownership gave them control of land-forms which they did not use or occupy and which, perchance, they had never seen.

Let us now assume that under the socialization of public utilities and their administration in the interests of the people at actual cost, as last above described, the railroads were conducted, as at present, at a given rate per mile for the carrying of passengers, and a given rate per hundred pounds, according to distance, for the carrying of freight. This plan would discriminate, as at present, against those living at a distance from the centers of trade. Under a system which socialized all ground rents there would be no economic reason why a man living ten miles from Chicago should be able to reach that city by rail at a cost of ten cents, while a man living one thousand miles away must spend ten dollars for railroad fare, if the rate be one cent per mile. The benefit to the man

living near the city would be reflected in the ground value of his land-form, and at the end of the year this benefit would be covered into the public treasury in the form of taxes. The same would be true of any advantages he might enjoy as to freight rates. This would ultimately place them upon an equal footing as individuals, and their net values would depend not upon the relative desirability of their respective land-forms, but upon their respective exertions. Such a plan would give them substantial equality of opportunity and at the same time furnish the State a natural source of revenue. But in itself this plan would not tend to raise the more remote producer above the then existing normal margin, nor would it tend to raise the margin itself after it had been once normally established.

Let us now assume that with the socialization of all ground values, public utilities were also socialized in such manner as to secure for all transportation in the United States a flat rate both for passengers and for freight traffic, after the manner of street car fares in cities where but one fare is charged regardless of the distance traveled. This would tend not only to equalize, but to eliminate the element of distance in all the industrial and commercial affairs of the United States. It would tend to put the land-form upon the Pacific Coast within comparatively few miles of Chicago. It would be a species of coöperative effort by means of which the people as a whole might overcome the disutility of space to a degree wholly impossible to the individual man, or to society under private ownership of public utilities.

Let us now further assume that instead of a flat rate

made to cover actual cost of maintenance and operation, all forms of transportation by means of public utilities in the United States were made absolutely free to the individual, ground values as before to be turned into the public treasury. In such case the increased benefits of free transportation would be reflected in ground values, and would annually be absorbed into the public treasury to an extent sufficient to maintain and operate all public transportation facilities. As a mere business proposition it has the advantage of much greater simplicity and cheapness over the plan for a flat rate. The collection of transportation charges of all kinds as a part of the annual tax upon ground values would simplify the operation of transportation facilities to the last degree, and economically all the purposes of socialization would be most fully subserved.

Free transportation in conjunction with the socialization of all ground values would greatly raise the economic margin.

We have seen that the utility of a land-form depends upon two things; its adaptability for use, and its location with reference to the centers of population and trade. If transportation were free, the disutility of distance would be eliminated except in so far as it conjointly involved the element of time. Even if transportation were free, the man who could reach a given market in one hour's journey would have an advantage over one who was compelled to journey for a day. There would be a corresponding advantage in the matter of shipments by freight. These advantages, however, would be reflected in the

ground value of the nearer land-form, and by its socialization the two men would be put on a parity with reference to their opportunities regarding the disutility of time. But the parity would be based upon the status of one more remote. With reference to the disutility of space they would not only be put upon a parity, but the status of the one nearer the market would be made the basis of their equality. The advantages of the one more remote would be raised to an equality with the other as to the element of mere distance. If the more remote land-form were upon the economic margin, the status of the marginal producer would be raised, barring only the disutility of time, to the level of the producer who has his market just at hand. There is not within the range of economic thought so good an illustration of the vast importance of conforming the institutions of society to the laws of the economic world.

Obedience to the laws of the physical world has made man the master of his physical environment. Invention after invention, process after process, and skill upon skill have added prodigiously to the results of the exertion of labor-power. But despite all these, there remains an army of those who are compelled to toil below the normal margin. To these victims of institutional wrongs the victories of man over the physical world bring no relief. There is still a realm of degradation and despair where women work harnessed with the ox, and in field, factory and mine little children toil their joyless lives away. And so it must remain until society shall understand and obey the laws of the economic world, and so arrange the institution

of property that physical laws and economic laws shall work in harmony, so that both nation and individual may conform to the laws of life. When this is done the dreadful doctrine of Malthusianism may be laughed to scorn, and the dread specters of want and the fear of want will disappear from every normal and industrious life forever.