

Tom Johnson's Great Fight

In view of recent events at Cleveland, Ohio, the Denver News gives a brief history of that city's long struggle for freedom from corporate rule. The News says:

"Of this fight Mayor Tom Johnson has been the heart and soul. It has been a fight conducted against the heaviest of odds. The laws of Ohio do not permit a city to own its street car system, so Johnson's hands were tied in this matter from the first. All the strength of grafting officials and hoodling corporations was thrown against reform, as a matter of course. And in spite of all Johnson and Cleveland have won out.

"In his first campaign for mayor, 1901, Mr. Johnson made three-cent fares the issue, and from the beginning of his first administration he has steadily endeavored, against great pressure from the companies and great opposition from the local republican 'machine,' to secure this result. Sometimes the city council was against him, often it was equally divided, and but seldom during the worst of the fight did he have a reliable majority; while the courts were prolific of injunctions, and the legislature and the state government stood like a stone wall against him, and even went so far aggressively as to revolutionize the city government in order to baffle him.

"To promote his three-cent fare policy, he secured the organization of a new traction company, the Forest City, for which he obtained three-cent fare franchises with a view to their being turned over to the city as soon as a municipal ownership law could be obtained. This company began work, but was soon stopped by injunctions, the last of which has but recently been removed. After a long and baffling fight, Mayor Johnson proposed to the monopoly company a year ago the settlement of the whole question by means of the organization of a 'holding' company. It was his idea that the 'holding' company should take over the entire street railway interests of the city as lessee at a fair rental; that it should be absolutely controlled by five of the most reliable and competent citizens of Cleveland, on salaries, and not for profit; that it should manage the property in the interest of the city and virtually as a self-perpetuating city bureau; and as security to the present private interests, that a 20-year franchise should be granted which would revert to them if the 'holding' company did not perform its obligations under the lease. But the monopoly company would not agree to the financial terms which Mayor Johnson proposed—namely, a valuation of 85 per cent of the par value of their stock. This amount would have given them about three times as much for their plants and unexpired franchises as it would have cost to rebuild the system in first class condition; but they refused, and thereupon Mayor Johnson turned to the plan which is now about complete and in actual operation.

"He organized a 'holding' company—the Municipal Railway company. The organization was completed on the second by the installation of A. B. Du Pont as president and director; Charles W. Stage, Frederick C. Howe, Edward Wiebenson, and William Greif as the other directors; and W. B. Colver as secretary. The directors are a self-perpetuating body, who are paid salaries, and neither they nor their company are to profit otherwise; and their books are to be always open to the public and they are to make all their transactions public. The 'holding' company is to own no property whatever; it has become the lessee of the Forest City company—the three-cent fare line—and is by virtue of its lease to

operate all franchises that have been or hereafter may be granted to the Forest City company. The capital for construction is raised by the Forest City company by the sale of its stock at 90 cents on the dollar, and deposited in trust for the use in construction of the 'holding' company. The 'holding' company agrees to construct and operate, to pay 6 per cent on the capital, to pay off the capital at 10 per cent above par, and to devote the entire surplus to extensions and improvements.

The stock of the Forest City company was offered for sale in Cleveland. The big financial interests held off in the hope of embarrassing the fighting mayor. They merely wasted their opportunity for a good investment. One of the Cleveland papers not merely recommended the stock but guaranteed it, and the small investor took all there was offered.

Mayor Johnson makes the following formal statement regarding the enterprise:

"Inasmuch as I am associated, in the public mind, with the enterprises herein set forth, I deem it fitting that I make a full statement of my position. I am not now and never have been financially interested in the Forest City Railway company. I have, however, in the discharge of my pledges to the people of Cleveland, aided in every way in my power the efforts to construct and operate a system of low fare railroads in this city. I have in the past a number of times when requested become liable as surety on bonds and guaranteed the payment of obligations of the Forest City Railway company, but the net result is that while I have in the past stood to lose if the enterprise failed, I never have and never will reap any financial benefit from its success.

"I believe that it will succeed and that the people who ride on street cars will benefit from reduced fares and that those who invest money in the low fare road will reap fair dividends and profits from the venture. To my mind this is not a philanthropic enterprise, but rather a plain and sound business proposition. I believe that publicity and the high personal integrity of the directors of the Municipal Traction company will guarantee the carrying out of the plans set forth in absolute fairness to the public and to the stockholders of the Forest City Railway company. "Secrecy and overcapitalization are two cardinal vices of the modern public service corporation. Neither of these can have anyplace in this plan.

"With the utmost regard for all the rights of existing companies, I shall do all in my power to further the success of the Forest City Railway company and the Municipal Traction company, but my interest shall not be of a pecuniary nature. In lending such aid and encouragement I feel that I shall be doing no more than I have promised the people of Cleveland.

"For five years a struggle has been waged in Cleveland to secure reasonable fares. In all that time I have, as mayor and as a citizen, waged no unfair war on any private interest. This enterprise shall have my hearty support and I confidentially invite the support of the public, both as citizens and as investors. The grants to the Forest City Railway company will establish street railroad facilities where they are very much needed, and will, on a capitalization of \$50,000 a mile, in my judgment, produce a net revenue of more than 14 per cent on the actual capital invested. The Cleveland Electric is earning about \$150,000 a mile. This would mean, if capitalized at actual cost, between 20 per cent and 24 per cent, so that the estimate of 14 per

cent net earnings is conservative.

"The city of Cleveland has made the greatest growth in its history in the last six or eight years, and during all that time the building of street railroad tracks has been almost at a standstill. Extensions equaling one-third of the present system are now greatly needed. The lowering of the fare will greatly stimulate traffic, and make more tracks and equipment necessary. When asking for grants for extensions, both in new territory and for grants on streets where franchises have or will expire, the Forest City Railway company is likely to receive at the hands of the city favorable consideration not only because the fare is lower, but because all earnings above the fixed payment to the investors are to accrue indirectly to the benefit of the city.

"The city should provide in all grants to that company proper safeguards, but can afford to be much more liberal in making grants under these circumstances than where there is no limitation of future profits. This plan really secures to the people of Cleveland better service and lower fare and the benefit of all future growth in franchise values and economies in the operation of street railways."

CASE OF MISTAKEN IDENTITY

Oliver Herford once entered a doubtful looking restaurant in a small New York town and ordered a lamb chop. After a long delay the waiter returned, bearing a plate on which reposed a dab of mashed potatoes and a much overdone chop of microscopic proportions, with a remarkably long and slender rib attached. This the waiter set down before him and then hurried away.

"See here," called Herford, "I ordered a chop."

"Yessir," replied the man, "there it is."

"Ah, so it is," replied Herford, peering at it closely. "I thought it was a crack in the plate."—Human Life.

OVERDONE

Visitor—You seem to have a hat cleaning establishment in every block in this town. What's the use of that?


Resident—No use at all. Frequently you can walk two blocks before you need to have your hat cleaned again.—Chicago Tribune.

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