

at the grindstone. And Marcéline and Marcélette? Cutting and fashioning doll-rags in the corner of the gallery. As for Élodie, she was safe enough in Mamzelle Aurélie's arms; and she had screamed with delight at sight of the familiar blue cart which was bringing her mother back to her.

THE excitement was all over, and they were gone. How still it was when they were gone! Mamzelle Aurélie stood upon the gallery, looking and listening. She could no longer see the cart; the red sunset and the blue-gray twilight had together flung a purple mist across the fields and road that hid it from her view. She could no longer hear the wheezing and creak-

ing of its wheels. But she could still faintly hear the shrill, glad voices of the children.

She turned into the house. There was much work awaiting her, for the children had left a sad disorder behind them; but she did not at once set about the task of righting it. Mamzelle Aurélie seated herself beside the table. She gave one slow glance through the room, into which the evening shadows were creeping and deepening around her solitary figure. She let her head fall down upon her bended arm, and began to cry. Oh, but she cried! Not softly, as women often do. She cried like a man, with sobs that seemed to tear her very soul. She did not notice Ponto licking her hand.

Kate Chopin.

A CHAPTER OF MUNICIPAL FOLLY.

THE SQUANDERING OF NEW YORK'S PUBLIC FRANCHISES.



THE importance financially of a proper control and regulation of the valuable public franchises of a city cannot be overestimated. The comptroller of New York, in his report for the year 1892, stated:

Franchises which the city of New York has yet to offer are immensely valuable; and it is not too much to say that upon the due care-taking and growth of the revenues of the general fund depends the sound prosperity of New York's fiscal future.

In all the large European capitals municipal franchises have been granted under such conditions that they now pay a very large proportion of the total municipal outlay. Gas- and electric-light works, street railroads, and even the cab and omnibus systems, are operated either directly or indirectly by the city, and with a view of contributing largely to the city's revenues. The city of Berlin pays 18 per cent. of its municipal expenditures from revenues derived from such sources, while Paris pays more than 20 per cent. of its expenditures in that way. The net income of Berlin from its gas-works in the year 1892, over and above all the cost of street lighting and the lighting of public buildings, was in excess of \$1,250,000, and in the same year it received nearly \$300,000 from the street railroads. In the year 1890 the city of Paris obtained from the private gas companies a net revenue of \$3,700,000, of which it repaid \$1,360,000 for public lighting, so that, over and above all cost of public lighting, the net revenue of the city from this source alone was in excess of \$2,300,000. From licenses for omnibuses and cabs, and rentals from the street-car companies, more than

\$1,030,000 additional was secured for the city's treasury. Of the \$34,000,000 necessary to meet municipal expenditures, about \$7,500,000, or 22 per cent., was obtained from such sources.

In England the development in this direction for the last twenty years has been very considerable. Dr. Albert Shaw sums up the result in his recent work as follows:

I can only say that it is almost the universal testimony in Great Britain that municipal gas enterprises are a brilliant success. They have steadily reduced the selling price, and largely increased the consumption. Their management has been as efficient and economical as that of the private companies. They have been able, while selling gas at a low price, to pay expenses and interest, accumulate sinking funds, enlarge the plants, make good all current depreciations, and still pay net profits into the municipal treasuries. The price in each town is generally 50 to 75 cents per thousand feet.

In Great Britain public companies supply more than half the gas consumed outside of London. Almost exactly one third of the mileage of street railways in Great Britain has been constructed, and is owned, by the municipal authorities.

This statement is made in order that it may be clearly understood that the great European cities, and even the smaller ones, have already shown an appreciation of the importance and value of the control or ownership of the street-car companies. The form of control differs. Some of the cities own and operate these public functions; others own, but do not operate, leasing the rights to private companies for very substantial considerations. But none of them

have given away these privileges so as to place them irrevocably beyond their control. Yet New York City pays annually for public lighting more than \$800,000, and receives substantially nothing for the franchises it has granted.

In America no city has yet ventured upon the ownership of street railways. Only five cities of first importance are proprietors of gas-works — Philadelphia, Richmond, Danville, Wheeling, and Alexandria (Virginia). New York City has undertaken neither the business of gas-supply nor that of street-car traffic. So far as these public rights have been given away of course nothing can be done, though it may be that future generations will regret that even now, at the present greatly inflated values, the city should fail to buy out the companies in control of these privileges.

In order that the importance and value of the public franchises already granted in New York City may be understood, a few statistics are presented.

The gross earnings of the gas companies can only be estimated, because they are not obliged to, and do not, make any full returns. The earnings of the street railroads, the elevated roads, and the electric-light companies are reported.

The business of the gas companies for the year 1893 shows the following results:

	Capital Stock.	Gross Earnings.	Dividends.
Consolidated	\$39,078,000	\$7,350,000	\$3,126,240
Equitable	4,000,000	1,580,000	480,000
Mutual	3,500,000	1,050,000	250,000

The dividends paid by these companies aggregate nearly \$4,000,000,— the Consolidated Gas Company paying 8 per cent. on all its capital stock, the Equitable Gas Company 12 per cent., and the Mutual Gas Company 7 per cent., and these dividends are but a part of the net earnings.

It is too well known to be repeated here that to a very great extent these capitalizations represent little, if any, original investment; or when they do, they show plainly enormous returns: as for example the 12 per cent. dividend of the Equitable Gas Company. In a report of the State Senate Committee of the year 1885 concerning the Consolidated Gas Company it was stated:

It appears that during the last ten years, in addition to the cost of gas and 10 per cent. on the shares, there has been paid by the consumers of the city of New York about \$9,000,000. If these 10 per cent. annual dividends should be calculated upon the capital actually paid in by the stockholders, it would appear that the gas-consumers in ten years have not only contributed such dividend, but a further amount sufficient, in

fact, to nearly duplicate the present system of gas-supply.

Notwithstanding this revelation, and in spite of the fact that it is well understood that at the present price paid for gas in New York City the operating cost is less than 30 per cent. of the charge to the public, additional franchises have been given since that time. In fact, as late as the year 1892 a most valuable franchise was given to the East River Gas Company, which obligates it to pay only 3 per cent. of its gross receipts annually into the treasury of the city.

Such legislative folly, or corruption,— which ever it may be,— should be made to cease, and no franchises for the supply of gas should be granted in the future except upon terms which will yield to the city treasury a very large part of the surplus earnings over and above a fair interest on the capital invested.

There was a time when the introduction of gas into New York was a matter of experiment, and capital that was willing to enter into such an enterprise deserved encouragement: it was entitled then to receive more than such fair interest rate. In the diary of Philip Hone mention is made of the introduction of gas into New York in the early part of this century, and the diarist remarks: "Gas is a handsome light in a room like Mr. Russell's on an occasion of this kind, but liable (I should think) at all times to give the company the slip, and illy calculated for the ordinary uses of a family." Those were days when there were great doubts as to the financial results, but for the last thirty or forty years it has been evident to everybody that it is necessary only to obtain a franchise to supply gas in order to secure profits far in excess of those to be realized from purely private enterprises.

When this fact is established beyond doubt, then the city can fairly demand, and undoubtedly secure, the largest share of the extraordinary profit derived from the quasi-public privileges conferred.

The street railroads of New York show exactly the same results. The gross earnings of the leading street-railroad systems of New York for the year 1893 were over \$12,000,000; the net earnings were in excess of \$5,000,000.

The street-car companies paid for their franchises and for personal tax, in the year 1893, less than \$400,000, the franchise tax being only \$232,912.60, and the personal tax being only \$160,302.66. The Manhattan Elevated Road, with a bonded debt of \$36,000,000, and a capital stock of \$30,000,000, had gross earnings in excess of \$11,000,000, and net earnings in excess of \$4,800,000, and yet it paid into the city treasury, aside from its real-

estate tax, only \$187,000. The \$30,000,000 capital, on which it is paying annual dividends of \$1,800,000, represents little if any cash investment. This charge on the citizens of \$1,800,000 annually for dividends, and the market value of the stock which is in excess of \$30,000,000, are losses traceable directly to reckless waste in administering the city's franchises. The Edison Illuminating Company, with a capital stock amounting to \$7,738,000, and a bonded debt of \$4,312,000, had gross earnings in excess of \$1,400,000, and net earnings in excess of \$789,000.

Taken together, these figures show that the gross earnings of corporations supplying gas and electricity and having street-car privileges in New York City exceed \$35,000,000 per annum. Their net earnings are in excess of \$14,000,000. The amounts paid by them into the treasury of the city are only nominal. The earnings increase from year to year because of the growth of the city. Competition among them is impossible, because street railroads cannot be paralleled; and it would be unwise and impracticable to attempt to charter new gas companies continually. The streets would be constantly torn open, and the health of the citizens endangered; and then no sooner would they be closed up than the two competing companies would enter into an alliance, either for maintenance of rates or for consolidation. This has been the experience of New York, and, in fact, of all great cities.

Private competition being impossible, some kind of public control seems desirable that would either keep the charges down, so that the returns would be reasonable, or that would secure to the treasury of the city the profits beyond fair interest on the capital. The figures given above show the overwhelming importance of control by the city of its valuable franchises.

Therefore the charter granted as late as 1892 to the East River Gas Company, securing to the city only 3 per cent. of the gross receipts, cannot be defended. Neither can the act, passed only two years ago, which gave away practically all the street-car privileges for the annexed district to the favored railroad called the Union Railway Company, but familiarly known as the "Huckleberry Road." This act requires that the Union Railway Company shall pay to the city 1 per cent. of its gross earnings if they exceed \$1700 on an average per day, and an additional 1 per cent. on every additional \$1700 of gross earnings daily.

This franchise is already so valuable that the company has been able to earn about 3 per cent. on its capital stock of \$2,000,000, which represents absolutely no investment. Already within two years the city has lost from this one

grant \$2,000,000, and of course as this section of the city grows and develops, the earnings will increase, and the loss to the city will constantly become greater.

The time has come to call a halt upon the granting of public franchises in this way. If New York City cannot itself undertake to operate its street railroads, and if it is not practicable, or if it is deemed unwise, that it should supply gas and electricity, certainly it cannot be urged that it should give away these valuable franchises without adequate return; and adequate return can be secured only by granting these privileges to private companies for a limited time, and requiring that at the end of a stated period—not exceeding, say, twenty-one years—there shall be a revision of the compensation to be paid to the city.

The net earnings of any street-railroad or gas company, or even now of any electric-light company, are so well assured that there is no doubt capital would enter into them even under severe restrictions. This is also true of the telephone business.

This is not a new principle, but only the application to these privileges of the practice that has always prevailed in regard to the city's docks, piers, markets, and ferries. The city of New York has wisely retained the ultimate control of its own water-front, and by a readjustment every year of rentals for its docks and piers, and at longer intervals of its ferry privileges, it is deriving the benefit of municipal growth and expansion from these sources. The result is gratifying, even though millions may have been lost by official negligence or corruption. The utmost advantage can at any time be obtained by the city by greater economy and watchfulness on the part of its public officials.

These figures of increased revenue will carry conviction of the value of public franchises in New York City. The Dock Department was organized in 1870, and since then its gross annual revenues have shown an increase from \$315,524 in 1871 to \$1,839,658 for the year 1894, and its net yearly revenues, which in 1871 amounted to \$143,000, had increased twenty-three years later to \$1,500,000. The ferry rents, which in the year 1879 were only \$64,441, have been increased to \$354,280.

We need only record the earnings of the Brooklyn Bridge to realize what has been gained to present and future generations by retaining in public hands the control and ownership of this great highway. The gross earnings have steadily increased from \$622,680.31 in 1885 to \$1,326,598.85 in 1894.

The profits from public enterprise are so well assured that the public should be continually on guard. Only a few years ago practically an exclusive contract for underground subways

was authorized by the legislature, without substantial consideration to the city, which will make it almost impossible ever to interfere with the monopoly of the Metropolitan Telephone, the Western Union, and the Edison Illuminating companies, the virtual owners of this new corporation controlling the subways.

From time to time, as new uses of the streets and highways become possible through the developments of science, there will be demands for additional privileges; and of course while these enterprises are still new, and their commercial success uncertain, New York must be content to accept small compensation so as not to discourage capital in its efforts to introduce desired improvements. But even then the privilege need be granted only for a limited period, so that when success is assured the city can retain for itself a just proportion of the profits. The attempt to secure this result by requiring

that all franchises shall be granted only to the highest bidder at public auction, has not been satisfactory. The end is defeated by combination; and even where the bidding is fair, adequate compensation is not secured. The city's growth is so rapid that what may seem a reasonable payment now will prove wholly inadequate within ten or twenty years. This growth is the true wealth of New York. It enhances greatly the value of its land and its water-front, and adds to the revenues of its great public corporations. A fair proportion of this betterment should be secured for the city treasury. "The sound prosperity of New York's fiscal future" does most assuredly depend upon it; for taxation alone will not support the schools, the parks, the baths, and the many public undertakings demanded for the health, growth, and moral welfare of the population of the great metropolis.

A. C. Bernheim.

TOPICS OF THE TIME.

"The Public Safety is the Supreme Law."

THE recent decision of the New York State Court of Appeals sustaining the New York City Board of Health in the enforcement of sanitary laws is of vital importance to every American city, for it marks an era in the progress of sanitary reform.

The steps by which this point has been reached date back many years, and are not without interest. Just before the war there occurred in New York City an epidemic of typhus fever. At that time Dr. Stephen Smith, who for forty years has been connected with sanitary and other reforms, was in charge of the fever hospital on Blackwell's Island. At one period so many cases were received from a single house in East 17th street that he went there himself to find out what was the matter. Dr. Smith's recollection is that fifty cases came from this one house, and that about fifteen of them proved fatal.

The house was an ordinary brick structure, four stories in height, accommodating ten families, or about fifty persons. It was dilapidated, and littered with refuse. Some of the rooms were vacant, and even these had not been cleaned out after the tenants left, and were extremely filthy. The doctor learned that families were accustomed to move into such uncleaned rooms, and settle down in the filth, and after a few days a case of fever would develop, which would be sent to the hospital. Another case of fever would soon occur and be sent away, and then the family would become alarmed and move out, only to be followed by another family, which would repeat the same experience.

With much difficulty Dr. Smith found the agent, but he could not learn from him the name of the owner. He then visited Police Headquarters, and consulted with Commissioner Acton. An examination was made of the laws, but no authority could be found for closing the house, either by the police or by the city physician—

"the only semblance of a health official then known in this city." Mr. Hawley, the secretary of the Board of Police, advised the determined doctor to continue his quest for the owner by consulting the tax-books. In this way the owner was finally found to be a bank president, and a member and official of the Rev. Dr. Cheever's church. It is well to quote here Dr. Smith's exact language, in a recent letter written to us in answer to our request for some details concerning this singular experience. The doctor writes: "The case was stated to the owner in very strong terms, but he declined to do anything either toward vacating or repairing his house."

Here we come upon the one grimly pleasing episode in this tragedy of civilization. Dr. Smith, being a law-abiding citizen, did not apply the disinfecting torch to the tenement-house of the exemplary Christian landlord. He simply told the marvelous story to the poet Bryant, editor of "The Evening Post." "Get that man into court on any pretense," said Mr. Bryant, "and I will publish him." Secretary Hawley prepared charges which Dr. Smith confesses were of "doubtful propriety." The scene now shifts to the Jefferson Market Police Court, while the unsuspecting landlord is answering questions in the court-room. Suddenly his eye falls upon Mr. Bryant's young man quietly taking notes. "Who is this, and what is he doing?" queries the typhus landlord. "Oh, it is only a reporter of 'The Evening Post' taking notes, which are to be printed with comments by William Cullen Bryant." Pleadings and deprecations now take the place of stony-hearted refusals. "If this is what is to happen, I will do anything you wish." And he did. The sharp sword of the press was sheathed. Under Dr. Smith's directions all the tenants were removed, and the entire tenement-house was thoroughly renovated. The walls were scraped, the floors were relaid, the cellar was cleansed and cemented, the windows were reset and supplied with green blinds, and the exterior as well as the inte-