

# Once Hated Monopoly Is Now a Valued Public Servant

James L. Richards, of Boston, Has Transformed a "Soulless Corporation" by Shrewd and Kindly Methods and Has Made It Both Popular and Profitable.

By James B. Morrow.

MONOPOLY need not make a man of a corporation mean, greedy and insolent. James L. Richards, president of a company having the undivided privilege of selling gas in Boston, has proved that there is money, also tranquility, in treating the public fairly and like human beings.

The pie-eyed and paunchy monstrosity who represents monopoly in caricature and popular fancy would say, even against the visible facts, that Mr. Richards is a money grubber. Nevertheless, Mr. Richards has increased his dividends 2 per cent, has reduced the price of gas 20 cents and has made his employees—office boys, day laborers and all-partners in the profits of the corporation.

Moreover, Boston is satisfied. It ought to be, inasmuch as Richards's policies are saving it \$800,000 annually. The newspapers, ready vehicles of the complaints of the readers, watchful for the people's interests, are dumb, except when they praise, concerning the gas company. Speech has been taken out of the mouths of demagogues. Raiders, hoping to sell out, once they obtain a franchise, would be given a drum-head trial and marched to the city limits, were they to appear in the municipality. There is peace, perfect peace, in the traditionally contentious field of gas illumination. Even the meters are unchallenged.

And there had been tangles and abuses and savage denunciations in and of the gas business in Boston. Speculators, financiers, promoters and lawyers had tried their practiced wiles at the mismanagement of the various companies. Likewise sordid old monopolists, wanting \$1 for \$1, and that in advance at usurious interest, were fixtures within a notorious and chaotic situation. Only a genius, it seemed, could bring order out of such confusion. Still further, a miracle would be required to establish the gas business in the confidence of a weary, antagonistic and plundered populace. Somebody was inspired to think of Richards.

Now, James L. Richards knew absolutely nothing about gas, but he was believed to be a remarkable person. He is remarkable in that he understands human nature and has more than a money grubber's share of common sense. Simple things are best; so are simple methods. The Richards plan was to get the different companies together and then sell gas and keep out of politics. Monopoly nearly always says: "Buy of me, pay my price, or go without. The favor is yours, not mine." The attitude of the merchant having competitors is entirely different. Mr. Richards, first of all, is a merchant. Years ago he was a travelling salesman.

An epoch, and a monopolistic epoch at that, begins with James L. Richards. Before, it can also be said, a new type of corporations, observing his results, may imitate his system. Managers, noting his success, may try to be like him. His influence, even a clumsy prophet may predict, may humanize lighting companies, water companies, telephone companies, street railroad companies, and all other concerns and combinations that have exclusive privileges of selling things to the public.

All are merchants, primarily—giving corporations, which are impersonal, a personal meaning. Their business is to sell and not to bully and trick people, says Mr. Richards. And the sum of their sales, and nothing else, should fix the sum of their profits or dividends. Furthermore, a reluctant or hostile buyer never makes a liberal customer. More gas to the family is now being burned in Boston than ever before. Although it is cheaper, the receipts are larger. "At last," the consumer exclaims, "I am getting a square deal." Thus he lights two jets instead of one.

A word or two about Mr. Richards himself is necessary to a proper understanding of Mr. Richards and the modern monopolist. As a type he is worth the analysis that can be made if some of the facts are published. It is said that he can dictate a letter to a stenographer and add a column of figures at the same time; that he can write and answer questions simultaneously. As with Napoleon, his attention is divisible.

Also, he is like Napoleon in stature, and has reddish brown hair and blue eyes and a face tanned by automobile tours and horseback riding. In appearance and mo-

tions, he seems to be a young man, yet he is fifty-three years old. If he ever talked fluently, the habit has disappeared through disuse. Nor will he accept any credit for the work he has done, giving it all to his board of directors and the subordinates who have carried out his plans.

The son of a Massachusetts farmer, he has earned his own living ever since he was twelve years of age. He left school about that time and found employment in a bank. Coming to Boston when he was eighteen, he clerked in a tobacco store for a few dollars a week. At nineteen he was a salesman on the road.

"I travelled for several years," he told me, "and learned many things—human character among the rest." Three years thereafter he was taken into the firm. When he was twenty-four he began to manufacture tobacco in New York. Later, he managed and partly owned a large factory in Kentucky. At one time, while he was in the tobacco trade, he directed the movements and originated the policies of 150 salesmen.

"James B. Duke, president of the American Tobacco Company," he quietly remarked, "said he would hang my hide on the fence. The next year our company paid a 20 per cent dividend to its shareholders. Then the trust bought our factory and offered me a yearly bonus to stay out of the tobacco business."

In the meanwhile Mr. Richards retained his interest in the Boston house where he had begun as a clerk, only selling it a few years ago. He had also put some money into trolley lines and into street railroads at Lexington, Newton, Middlesex and other places. All told, he is interested in 150 miles of track.

"The companies had paid a little something at first," he said, "when the rails and cars were new and the only outlay was for power, labor and clerk hire. When the equipment and the rails began to wear out, however, the profits vanished, and in their stead were deficits.

"I got into the companies at that time. Auditors from the outside, whom I employed, went through the books. State appraisers put a value on the properties. The law of Massachusetts prohibits the watering of street railroad capital. Still, suspicion was prevalent, and I wanted the patrons of the road to know the truth. After I had the figures showing capital, actual value, earnings and expenses, I went into forty cities and villages and made the people acquainted with the situation, keeping nothing back and avoiding all mystery. My object was to show them that the fare for carrying a passenger had to be advanced from 5 cents to 6 cents if the companies were to remain out of bankruptcy.

"When the people understood the facts they paid the increase in fare without objection. The additional penny we collected from each passenger made the roads profitable instead of unprofitable. Tell the people the truth, work openly, and they will be just to the corporations which follow that policy. Experienced men said I couldn't raise the rate. They were ignorant, you see, of human nature. The people want good service. Secondly, they are opposed to subterranean methods. Thirdly, they are willing to pay more for a thing than it is worth. When dealt with candidly, the controlling majority in any American community will be reasonable."

Undoubtedly the sorely troubled gas magnates were attracted to Mr. Richards by the wonders he had worked in trolley and streetcar management. Their property was sick and required immediate and competent treatment. Moreover, their customers were carrying clubs and talking riotously. All of the gas companies were consolidated on June 15, 1905. Gas was then selling at \$1 per 1,000 feet. The Massachusetts Gas Company, a holding organization, was capitalized for \$25,000,000 of preferred stock, \$25,000,000 of common stock and about \$2,000,000 of bonds. Both kinds of stock now pay 4 per cent annually.

The holding corporation owns the Boston Consolidated Gas Company, the East Boston Consolidated Gas Company, the East Boston Gas Company and several smaller illuminating companies in the vicinity of Boston. The New England Gas and Coke Company, which manufactures gas for all the cities, and sells coke as a by-product; also the New England Coal and



JAMES L. RICHARDS.

Coal Company, which owns steam colliers and vessels and brings coal from the Southern seaboard and sells more of it, incidentally, than any concern east of New York; also the Federal Coal and Coke Company, which owns a mine in West Virginia, and also, finally the Boston Towboat Company, which operates tugs in the harbor and elsewhere.

Mr. Richards manages all of these corporations. A shareholder in the holding company has an interest, of course, in each of the rest. Within two weeks after taking office Mr. Richards began to startle the people of Boston.

"For many years," he said to me, "I was engaged in marketing merchandise. There is no reason why a streetcar company or a lighting company should not be as fully trusted and as much respected as a dry-goods store. Streetcar companies sell transportation; gas companies sell light. That is all there is to it."

The Legislature of Massachusetts had passed a law reducing the price of gas from \$1 to 90 cents, effective on July 1, 1906. Mr. Richards, however, cut the price to 85 cents on July 1, 1905—he had been

president of the company fifteen days—and to 90 cents on January 1, 1905. He beat the law to the reduction six months in one instance and a year in the other. "We began," he told me, "unhesitatingly to do all the things required of us and many other things that were not required. One of the most valuable assets that a public service corporation can have is the confidence of the people."

Surely there had been a revolution in methods. Here was a gas company violating all the canons of monopoly by refusing to take every penny from the public that was possible. But strange performances were to continue. Mr. Richards actually advertised in the newspapers for complaints.

"I told our customers in big type," he said, "that we wanted to please them, and that we were in business to sell gas and for no other purpose. I invited persons with complaints to call on me and promised them that written communications would receive immediate attention by myself or one of our executive officers."

"While I do not claim that we now please every gas user in Boston—we never have

and nobody could—complaints have almost ceased, and not one of the Boston newspapers, so far as I can remember, has found any fault with us during the last six years. We had two objects in asking for complaints. First, to prove our good faith to the public, and next to let our employees know that we meant to learn if our customers were properly treated.

"Following the advertisement," Mr. Richards continued, "we sent forty agents over the city to talk with men and women who were burning gas. We called them our missionaries. They were instructed to examine meters and see if they were accurate, to inspect connections, to regulate burners and to give such instructions as were necessary for the efficient and economical use of gas. If any customer wanted a gas range, stove or drop light, the 'missionary' took his order, but that was only an incident of his visit.

"Then we gave notice that we should lay service pipes from street mains to houses, the ordinary fee for which had been about \$10, and would make the connections to gas stoves, which had cost \$5, free of charge. In all, counting in the re-

ductions we conceded in the price of gas, the people of Boston and Brookline were saved \$265,000 the first year.

"The company really needed the revenue it surrendered, but it also needed more customers and a larger use of gas by those it already had. In the meantime we had planned improvements for the property that eventually, we felt, would justify our change of policy. The improvement to October 1 last year cost \$3,782,000. Our sale of gas during the last nine years has increased 64 per cent.

"In the old days," Mr. Richards went on to say, "we had lobbyists to represent us before the Legislature—to defeat, if possible, measures harmful to our business, and to help such as we thought were beneficial. There was no concealment of our purposes and there was no bribery. Naturally the people were suspicious. They thought we were doing more than appeared on the surface.

## Disdains Lobbying and Is Strong for Co-operation and Publicity—Saves the Citizens \$800,000 Annually—Price of Gas Repeatedly Cut, Yet Dividends Increase.

"We deemed it advisable to stop transacting business in that way. We began going before the committees of the Legislature ourselves, stating publicly in the presence of newspaper reporters what we thought we ought to have, and pointing out any proposed disadvantage. The change was good and the effects were noticeable at once. When public service corporations are mysterious, silent and secretive the people become distrustful and exaggerated notions and estimates get abroad concerning activity and profits.

"I believe, as I have said, that the public is willing that capital invested in street railroad, lighting and other utilities should receive a reasonable return, but the trouble is that it does not, as a rule, understand the facts. And an advocate of publicity. The more the public knows about the corporations serving them the better it will be for both interests. I want to say right here that the people are welcome to and I shall be glad to give them any information they may desire about the several public service corporations with which I am connected."

"The price of gas in Boston," I said, "and the dividends of your company are controlled by law?"

"Yes; by an act establishing a sliding scale, as it is called. The idea was borrowed from England. A standard price for gas is fixed, above which we cannot go. Gas had been selling at \$1. The law reduced the price to 90 cents and allowed us a yearly dividend of 7 per cent, provided we earned it. Whenever we lowered the price five cents a thousand, we were permitted to increase our annual dividend 1 per cent.

"As it happens, we are now selling gas at 85 cents and therefore have raised our dividend rate to 9 per cent. The act also provides for a reserve fund, with which to meet emergencies, equal to 1 per cent of the capital stock of the Boston Consolidated Gas Company, whose stock amounts to about \$15,000,000. Whenever the emergency fund equals 5 per cent of the total capital stock, the excess, if there be any, must be paid back to the cities and towns in proportion to the mileage of the gas mains in each.

"Our first reduction in price, five cents a thousand feet, amounted to \$150,000. The second reduction, four cents a thousand feet, amounted to \$100,000. The third reduction, three cents a thousand feet, amounted to \$75,000. The fourth reduction, two cents a thousand feet, amounted to \$50,000. The total reduction in price, therefore, amounted to \$475,000 a year. The second reduction in price had, in the meanwhile, permitted us to increase the dividend another 1 per cent, or \$150,000. So while the shareholders made the aggregate \$625,000, the gas users saved \$440,000. Lowering the price enlarged the consumption, but the net profits, of course, were smaller.

"The book value of the property of the Boston Consolidated Gas Company is nearly \$25,000,000. The capital, as I have stated, is \$15,000,000. Thus the present dividend of 9 per cent is the equivalent of only 8 1/2 per cent on the money that is actually in the property. But we cannot make any further increase in the dividend rate unless we again cut the price of gas five cents. You will perceive that the law creates a part-

nership relation between gas sellers and gas buyers. So while the officials of the corporation are working for more profits and larger dividends, they must necessarily work at the same time for a greater saving to the people.

"The law required us to make the burdens of gas our partners, although we could have stuck to 90 cents and 7 per cent indefinitely, I guess, in which event our customers would not have profited any from the arrangement provided by law. But we voluntarily adopted a system of premiums by which we made it possible for our employees, including office boys at \$3 a week, to share in the prosperity of the company. The dividend rate to stockholders is the premium rate to our men. At present, if an employe, in wages or salary, earns \$50 a year, the amount of his premium would be 3 per cent of that sum, or \$15."

"Are premiums paid to all of your employes?" I asked.

"Out of the 800 persons on our payroll last year, 700 were profit-sharers. We require that a man must be in our service twelve months before he is eligible to go on what we call our honor roll. Besides, he must be temperate, energetic, honest and capable, and receive the recommendation of his foreman or some one else in authority. We hold that when an employe becomes a partner in the profits of the business and the economies that are introduced, if he saves for the company he saves for himself. With us, every time the price of gas is cut five cents 1 per cent is added yearly to the premium or dividend of the profit sharer."

"Is the money paid the men in hand?"

"No. It is invested in the preferred stock of the Massachusetts Gas Company, the holding corporation, at the current market price. In consequence an employe not only receives a yearly premium for his services, but dividends also on the stock he has owned. Moreover, he can deposit his savings with the company and get 4 per cent for the money. The same interest is paid on any balance he may have on our books. The shares of stock that he buys are his property absolutely. If he desires to sell them, however, we require that he give us notice in writing. In case he needs to sell, no objection is made.

"During the four years that the profit-sharing plan has been in operation the sum of \$600,000 has been paid out in premiums, which is an average of \$23 to each employe. I have told our men that if business continues to improve an employe who has served the company continuously and capably will have a shareholder's interest in five or six years equal to about one-half of his annual earnings. A representative of the profit sharers is a member of the board of directors. Logically, he should be. The same policy has been followed in London with gratifying results. The Boston Consolidated Gas Company is as near a copartnership of the investor, the employe, and the public as it seems possible to attain."

"What do you tell a man when you hire him?"

"To be courteous at all times, never to lose his temper, to avoid any show of officious importance, under no circumstances to make promises the company can't fulfil and to walk smartly and not to slouch along the street or elsewhere."

"Do you compel the use of gas to put up a deposit before meters are placed in their homes?"

"No; we make no charge. We require no deposit. The only condition we mention is that a customer shall consume at least 50 cents' worth of gas a month."

### GOOD ADVICE FOR JOHN.

Mrs. Crex, the wife of a certain clergyman in an English village, was a most excellent and prudent helpmeet. Her husband would never have come to any harm if her advice had always been followed. On one occasion, as he was starting off to attend a funeral, she was particularly careful in cautioning him against any sort of exposure.

"Now, John," she concluded, "above all things, stand with your bare head on the damp ground or you'll catch cold!" And John promised he would not.—Yours's Companion.

# Now Loud Bells Summon Twenty Million American Youths Back to Halls of Study

## It Costs Uncle Sam Something Like \$450,000,000 Annually to Run the Public Schools.

By William A. Du Fay.

TOMORROW many of the school bells that awake that 20,000,000 drowsing youngster of the nation from the inaction of the vacation season will be set clanging the call back to recitations. To this din will be added yet other bells on the Mondays that immediately follow and with the passing of the month there will be muffled such an army in answer to that 9 o'clock bell as responds to no other call known to civilization.

For the school bell is to ring one of the mornings in the sylvan woods of Maine, where the lumberman's child learns its A B C's in the mining camps of New Mexico, where the sons of the Latin are acquiring the education of the people who speak a tongue less limpid in the great East Side of seething New York, where the alchemist of destinies has set up his melting pot in the long cabin schoolhouse of the mountains of Tennessee, beneath which the razor-back hog is prone to strop himself in the consolidated rural schools of the prairie regions, where farmer boys are taught to be farmers, and through the classic halls of institutions of higher education from Stanford by the Golden Gate to Harvard at the very rim of "the hub of the universe."

All of which goes to show that the school system of the United States is a mighty big thing and that it affects directly almost everybody who lives under the Stars and Stripes. Last year there were in the schools of the nation, public and private, primary and post-graduate, 13,326,124 pupils and students. With the increase of numbers that come with the passing years it is reasonable to suppose that the number will reach 20,000,000 this year. If the children were evenly distributed this would allow one member of school age for each family attending school. With the slight irregularities of distribution there are some families that are not directly affected by the opening of the school term, but these are in the very great minority. So the beginning of the fall session directly affects almost everybody and these days are full of a universal preparation for it.

men schools. From the high schools and other institutions of that class there is a still further selection, and the colleges and universities, normal and other schools for special education of the nation find a remnant of but about 300,000 out of the 20,000,000 that ever reach them. These are the few that circumstances and selection allow the privilege of higher education.

For the maintenance of the public schools of the nation has enlisted the services of 1,000,000 teachers. Thus it is shown that the teaching force of the United States is about seven times as large as its fighting force. Of these, however, only 21 per cent are men, leaving a body of 400,000 women who are bearing the brunt of the education of the young American. Incidentally, it is noticed that the percentage of men who are engaged in school teaching is now only about half what it was when our fathers went to school, forty years ago.

The amount of money that is spent annually on public schools is also so large as to be appalling. Last year it amounted to something near \$50,000,000. This amount expended for this one purpose is nearly equal to half the money necessary to maintain the entire machinery of the federal government for one year. It may also be measured by the standard of such a monstrous undertaking as the digging of the Panama Canal, for it would be about sufficient to accomplish such an enterprise. The taxes from which funds are raised for the maintenance of schools are almost altogether local taxes, and their rate is governed by the local demand for money for the purpose in hand.

This vast expenditure of money for public education is on a much more liberal basis now than it has been at any time in the past. The average amount of money which the government now spends on each pupil in its schools is twice as great as it was forty years ago. The tendency throughout the country is to still further increase this rate of expenditure. The newer types of education demand much more money to each student than did the older types, and the question is being raised in many localities concerning the possibility of acquiring sufficient funds for the adequate support of public educational institutions on a still more liberal basis.



POSTMASTER GENERAL HITCHCOCK IS A PLAYGROUNDS ENTHUSIAST.



LEARNING TO PLOUGH CORRECTLY AT A RURAL HIGH SCHOOL.

the nation's industries. Every girl should be taught the things that will lead her to a successful motherhood.

The tendency of education in the United States during the last decade has been in the direction of industrial training. There are 1,400 cities in the United States having over four thousand population. In more than half of these cities the public schools have manual training in several years of the course, and generally in the elementary grades. Frequently this manual training is found in every year of the course, from kindergarten to high school.

In the drift toward this new education the most striking example of progress is to be found in that most successful of the schools that have developed in the present generation, the consolidated rural school. This school is formed by bringing together a number of the small district schools which have for generations furnished the only educational opportunities afforded in country districts. Five schools of twenty pupils each, for instance, may be combined into one school of a hundred pupils. This central big school may be well built, well equipped and well graded. It may be supplied with three teachers of special training with the same money that was required to employ the five inferior teachers. The old system with one teacher in a one room schoolhouse, with thirty recitations to hear every day, is superseded by a graded school, where the teacher has but a third as many classes.

Another of the strong tendencies in the public schools throughout the land is the drift toward a more thorough supervision of those conditions that have to do with the health of children. In this connection, also, enters the subject of instruction in hygiene, which is intended to bring home to every child an understanding of the necessity of knowing just how to keep his body healthy and efficient.

## Recent and Pending Changes in Nation's Educational System Are Here Set Forth.

bright, healthy and growing youngsters. Lunchrooms are being provided in many cities where for a price almost nominal a child may get a lunch of soup and cereal or some such nourishing combination.

Another of the big ideas of the past decade is the public playground for the children of cities. Many of these are run in connection with the schools and are a part of the general educational and hygienic tendency of the times. Ten years ago such a thing as a playground for children as it has come to be understood today was practically unknown. Boston alone had taken any steps toward developing them.

Yet to-day there are 226 cities in the United States of a population over eight thousand that have playgrounds. There is not a city in the nation of more than thirty thousand persons that is without them. The enthusiasm over their development may be sensed from the fact that Denver is just now contemplating the raising of \$1,000,000 by a bond issue for the sole purpose of providing playgrounds. Seattle, a smaller city, is raising \$2,500,000 for the same purpose. The benefit of an opportunity to play and get wholesome exercise is so engaging the people that the thinking men of the cities are near a realization of the fact that the greatest of the needs of the city dweller to-day is an opportunity to keep himself healthy and wholesome through keeping his muscles awake and alive.

When the school bells ring this fall there will be about five thousand pupils in the nation who will be unable to scamper to their classes as they usually do. The great mass of their eyes are blind because of the fact that they are blind. Yet for the benefit of these blind boys and girls there are maintained in this country forty-eight excellent schools.

There are many more deaf and dumb children in the United States than there are blind. In the 130 schools for the deaf and dumb of the country there are about 12,000 pupils who never hear the peal of the bells. Fifty-seven of these schools are state institutions, fifty-three are day schools and twenty are private schools. In these schools the deaf and dumb are taught useful trades in which they can make a living, are taught to read and write and even to speak.

So the children of the nation, when the school bells ring this fall, will return to a system of schools that is taking vastly more thought and care of their well-being than has ever been taken in the past.—(Copyright, 1911, by W. A. Du Fay.)