APPENDIX A

The Public-Utilities Background of Wilson’s Backers

An exceedingly rich field in the most densely populated area of the country was controlled by this group of utilities lords before 1912. Included in this field were the Consolidated Gas Company of New York (Rockefeller), the constituent parts of what are now the Brooklyn Edison Company (Brady), the New York Edison Company (Brady), the Third Avenue Railway Company (Rockefeller-Ryan), the New York Railways Company (Ryan), the Brooklyn Rapid Transit Company (Brady), the Interborough Rapid Transit Company (Belmont-Morgan), the developing Brooklyn-Manhattan Transit Company (Brady-Rockefeller), and the Queens Electric Light and Power Company (Morgan-Baker). There were also scores of outlying, unconsolidated gas, electric, and traction companies controlled by the same group and later consolidated.

The same bloc controlled, either as individuals or collectively, the local public utilities in practically every other large city of the United States where there was not municipal ownership. And it was this bloc that surreptitiously fought public ownership through newspapers and political tools during the early years of the century. Individuals like Hearst, striving to gain a personal foothold in the same field, supported the public-ownership element and mobilized liberal and radical sentiment for it in order to bring the dominant interests to private terms.

The Metropolitan Securities Company, through which Ryan, Brady, and the Rockefellers manipulated traction companies, functioned in collaboration with Tammany Hall. As it was brought out by a grand jury in December, 1907, Ryan, P. A. B. Widener, William L. Elkins, of Philadelphia, and William C. Whitney bought from...
Anthony N. Brady for $250,000 the unused franchise of the Wall and Cortland Street Ferries Railroad Company. This franchise was then sold to the Metropolitan Securities Company for $965,607.19, yielding Ryan and his associates a profit of $692,292.82 and Metropolitan Securities a loss equal to the purchase price. Another operation by Ryan and his associates was the purchase for $1,600,000 of the franchises of the People's Traction Company, a paper enterprise, and the New York, Westchester and Connecticut Traction Company. Shortly before this transaction the franchise of the latter company had been sold in bankruptcy proceedings for $15,000.

In 1907 the Public Service Commission learned that $16,000,000 in cash had disappeared from the treasury of the Third Avenue Railway Company, controlled by the Metropolitan Securities Company, and that the books had been destroyed. Through tactics such as these, resorted to in connection with scores of franchises, the investing public lost more than $90,000,000 in the Metropolitan Street Railway Company.

Ryan and his cronies escaped prosecution for their misdeeds through the collaboration of the authorities. The foreman of the grand jury which heard the charges was, according to later revelations, a director in Ryan's Equitable Life Assurance Society. And according to the opinion rendered by Judge Otto Rosalsky in General Sessions on January 27, 1908, District Attorney William Travers Jerome had so examined Ryan before the Grand Jury as to invalidate the state's case. Ryan's attorney was Paul D. Cravath.

Jerome admitted before an investigating commission that he had improperly asked leading questions of Ryan and Brady. Yet removal proceedings instituted against Jerome were dismissed by Governor Charles Evans Hughes, Cravath's law partner.

The escape of Jerome, as well as of Ryan and his friends, was all the stranger in view of the fact that William N. Amory, former official of the Third Avenue Railway Company, charged that while he was a state's witness a former law partner of Jerome offered him $200,000 to drop the accusations against Brady and Ryan. It was also brought out that Samuel Untermyer, counsel to Hyde in the insurance scandal, was a contributor to Jerome's political campaign fund.

The Metropolitan Street Railway Company had extensive political
connections. State Senator Patrick H. McCarren of Brooklyn, real-
estate operator and race-track entrepreneur, acted in Albany for
Brady and Whitney, and was known to function as well for H. H.
Rogers, J. P. Morgan, August Belmont, and William K. Vanderbilt.
In 1910 it was brought out in an official inquiry that ten members
of the New York State Legislature were on the confidential pay
roll of Metropolitan Securities.

In New York City today virtually all the gas and electric companies
have been combined into the Consolidated Edison Corporation
(Morgan-Rockefeller). The traction companies, losing propositions
because of the indoctrination of the public mind with the politically
useful slogan of the five-cent fare, are now being offered to the city
at stiff prices.

Ever since the first franchises were issued to its own favorites by
Tammany Hall immediately after the Civil War the operation of the
New York public-utility companies has constituted an uninterrupt-
scandal. As to the gigantic Consolidated Gas Company and the New
York Edison Company, now constituent parts of the Consolidated
Edison Corporation, their history has been dispassionately summa-
rized by Judge Samuel Seabury in these words:

"Their record has been one of extortion. Their privileges were con-
ceived in fraud and political corruption and throughout their exis-
tence they have been a constant source of temptation to corrupt
officials. Both of these corporations exist in violation of the law and
both enjoy absolute monopolies in the necessaries of life. Both have
violated the law of the State, both have made false reports to avoid
the payment of their just taxes, and both have entered into a close
and friendly alliance with public officers whose duty required that
they should protect the public from extortion."