

Chapter 1

Throwing Down the Gauntlet

In the midst of the economic crisis that would come to be called the Great Depression, a crowd of two thousand thronged to Portland's Union Station on September 21, 1932, to greet presidential candidate Franklin Roosevelt's campaign train. The American Legion's national-champion drum and bugle corps from nearby Salem stood by, ramrod straight, the morning sun glinting off their blue and gold uniforms. Police struggled to hold the crowd at bay as the train approached. The next morning's *Oregonian* would describe the clamorous welcome as merely "cordial." No fan of Roosevelt, the paper had recently editorialized in support of President Herbert Hoover: "As the result of Hoover's policy and leadership confidence is restored, industry is reviving, closed banks are reopening.... Let Hoover go on and complete his program."

Roosevelt and his swelling ranks of supporters saw the state of the nation, and Hoover's job performance, quite differently. The Hoover administration, Roosevelt had declared, had "attempted to minimize the crash and mislead the people as to its gravity, ... refused to recognize and correct the evils, ... delayed relief and forgot reform."

As station workers rushed to attach a gangplank to Roosevelt's car at the back of the train, the candidate emerged, leaning on the arm of his son James. The crowd roared as drums beat in vigorous welcome, with the frenetic clicking of photographers' cameras adding to the percussive fanfare. Roosevelt swung one and then the other of his iron-braced legs forward to "walk" down the gangplank, his famous broad smile betraying not the slightest notion of effort.

When National Democratic Chairman James Farley, waiting on the platform, introduced Roosevelt to a reporter from *The Oregonian*, the candidate exclaimed, "*The Oregonian*?! Should I talk to *The Oregonian* after all the things it has said about me?" He then extended his hand and laughed so cheerfully that the reporter and everyone within earshot joined in. "Come to the hotel," Roosevelt urged the reporter, "I want to have a chat." He modeled his relations with the press, like so much in his political career, after those of his late cousin Theodore Roosevelt, who was the first president to hold informal press conferences at the White House.

The candidate was ten days into his first western campaign trip since winning the Democratic presidential nomination. A speech to the Multnomah County Grange, a farmers' association, was the day's first event. The caravan headed east over the Willamette River, with majestic Mt. Hood towering over the horizon, to the Gresham fair grounds, where Roosevelt spoke from the back of his convertible to about six thousand people crowded into the grandstand and bleachers. The patrician candidate sought to identify with the struggling farmers by describing the difficulty of making ends meet on his "family farm" in upstate New York and his struggle to raise peaches and cotton near Warm Springs, Georgia. "Your problems are the same," he said, "for in my trip across the country I cannot find any farmer making money."

The main event of the stop would be a nationally broadcast radio address in the evening. Back in Portland, along the banks of the Columbia River, Roosevelt spoke about the greed and corruption of the electric power industry. The address, which *The Oregonian* labeled the next morning “an indictment against private power utilities,” became known as “the Portland speech.”

Americans had sharply divided opinions about the utility industry. Denounced by critics as the “Power Trust,” it was dominated by nine holding companies, the largest controlled by J. P. Morgan & Company. By the beginning of the decade those nine companies managed about three-quarters of the nation’s power resources. Holding companies were elaborately structured financial mechanisms adopted by utilities early in the century to provide desperately needed capital to the industry, which was perpetually starved for funds due to the high cost of equipment needed to boost production. Their supporters credited the holding companies with the explosive growth of the industry and the rapid electrification of much of the country. But they had also charged higher rates than their critics thought were justified and, rather than reinvesting the resulting profits, funneled the vast share to the owners of the holding companies that owned the utilities.

Whether motivated primarily by greed, a zeal for growth, or both, holding company owners had also borrowed recklessly to expand their empires during the Roaring Twenties. As long as the stock prices of the companies were rising, they could cover those debts. But in the stock market crash of 1929, many less wealthy investors, who had been encouraged to purchase utility stock with promises of safety and rapid growth, lost their life’s savings.

Rural Americans, most of whom were too poor to have invested in the companies, were angry for a different reason. While the industry had dramatically improved the lives of many citizens by bringing them the wonders of electric lighting and labor-saving appliances, rural residents had been left behind. Companies refused to run lines to sparsely populated areas or, if they did, charged impossibly high rates. In some cases, they built “snake lines” that twisted hither and yon through rural areas to pick off only the few clusters of profitable customers. The contrast between the often harsh way of life in the vast swaths of agricultural territory and the growing conveniences in the cities and burgeoning suburbs was glaring, and to farmers, galling.

By the time Roosevelt spoke to the Oregon farmers in 1932, about 70 percent of American homes were electrified. Chicago, where Thomas Edison’s protégé and longtime business manager, Samuel Insull, invented the modern electric utility in the 1890s, was the most electrified city in the world, with service to about 90 percent of homes. Electric lighting had lengthened the day by several hours. Electric streetcars coursed through most large cities by the beginning of the century, easing travel to central department stores and encouraging the growth of “streetcar suburbs.” A bevy of ingenious inventions were taking some of the drudgery out of housework. Small appliances that were initially luxuries had quickly become necessities. Electric fans, irons, and toasters were almost

immediate must-haves, while more expensive washing machines, vacuum cleaners, electric stoves, and refrigerators spread more slowly but were transformative.

The improvements were not only matters of convenience. Educational attainment was enhanced as lights brightened classrooms and allowed children to more easily do homework in the evenings. The electrification of factories allowed machinery to take over much of the back-breaking physical labor, as well as raising the quality of manufactured goods and making the workplace cleaner, brighter, and safer. Motors on individual machines eliminated the dangerous belts and pulleys that had brought power from a factory's centrally located steam engine, and traveling overhead cranes now did most of the heavy lifting. Electric motors also powered assembly-line mechanization, improving industrial productivity.

Leisure activities grew more varied and exciting. Radios had become almost universal in electrified homes, tying most of the nation together through national news broadcasts, as well as through music and comedy shows and real-time sports events. Chicago's WGN began broadcasting the first soap opera in 1930. Almost 60 percent of Americans attended a movie at least once a week, and some new theaters were air-conditioned. Thanks largely to electric trolleys, amusement parks flourished on the outskirts of many larger cities.

Farm families enjoyed none of this boon, and their lives were becoming increasingly difficult. Crop prices and farm income fell precipitously in the 1920s, well before the Depression crippled the rest of the economy. Most families struggled to pay the rent or their taxes and mortgage, and thousands lost their farms. Many lived in conditions little different from those their pioneering grandparents had endured.

With only kerosene lanterns for artificial light, the sun still governed their daily rhythms. The grueling work of pumping and hauling water was matched by the arduous cutting and toting of firewood for heat as well as cooking and washing. Wood-burning stoves required on average a staggering fifty pounds of wood a day. Subsistence farming was common, as many families struggled to grow most of their own food. A few chickens, a hog or two, and sometimes a cow supplemented cornmeal, wheat flour, and homegrown produce. Hunting, mostly of squirrels or rabbits, growing a few fruit trees, and bartering with neighbors might provide a little variety. Only a root cellar and perhaps an icebox kept food fresh.

Rugs had to be taken outdoors and beaten. The "washing machine" was a large iron pot, and clothes were cleaned with lye soap, a rub board, and women's muscle power. Ironing was an especially onerous chore, particularly in hot weather. Flatirons were heavy and could readily scorch clothing or fingers. In many homes, Saturday was often the one bath night, and even a large family might make do with only two or three tubsful of water heated at the wood-burning stove.

The primary leisure activity for adults was reading, which was often limited to the Bible, an old newspaper passed on by someone who had recently visited town, and the painfully tantalizing Sears, Roebuck catalogue with its drawings

and descriptions of electrical wonders. Imagining what life would be like with water pumps and heaters, lamps and irons, refrigerators, stoves and radios, if only the utilities would charge less to run lines to their farms, had discouraged rural residents. The divide between electricity haves and have-nots had become one of the most vexing national issues, and Roosevelt was well aware of farmers' discontent.

His interest in agriculture and his advocacy for rural electrification were largely responsible for his winning the governorship of New York in 1928, pulling many traditional Republican rural voters his way. Diving deeply into study of the electrical industry, he had learned that private utilities in New York State were charging much higher rates than Canada's publicly owned Ontario Hydro, that ratemaking methods used by state commissions usually favored utilities, and that dividends alone gave the owners at the top of holding company pyramids rates of return ranging from 19 to 55 percent.

In the Portland Public Auditorium, Roosevelt threw down the gauntlet to the industry. "The question of power, of electrical development and distribution, is primarily a national problem," he asserted, proceeding to pillory the industry's "systematic, subtle, deliberate and unprincipled campaign of misinformation," which had flooded newspapers and even schools with unattributed columns and lesson plans justifying higher rates and associating government-owned utilities with socialism. He attacked the giant holding companies for charging exorbitant rates due to their "selfish purposes." He excoriated them for denying farmers the rightful benefits of electrification, and he referred with pride to his fights against the industry in New York as, his voice rising to a stirring crescendo, he intoned, "My friends, judge me by the enemies I have made." The crowd roared its approval.

The centerpiece of the speech was a bold proposal. The waters of the nation belong to the people, he argued, and therefore the government, not the private sector, should harness the enormous power to be generated on the country's many large rivers. He called for "four great Government power developments"—on the St. Lawrence River, the Tennessee River, the Colorado River, and the Columbia River. "Each one of these," he said, "in each of the four quarters of the United States, will be forever a national yardstick to prevent extortion against the public."

Roosevelt proposed to wage battle with the industry on three fronts—the unraveling of the holding companies; the construction of massive government dams; and a great push for rural electrification. But he was a reformer, not a revolutionary. Anticipating the charge that he was promoting socialism, he added, "I do not hold with those who advocate Government ownership or Government operation of all utilities. I state to you categorically that as a broad general rule the development of utilities should remain, with certain exceptions, a function for private initiative and private capital."

Two days later, in a fiery San Francisco speech, he set his sights on Samuel Insull, the most notorious, if far from the most guilty of the industry's

leaders. Insull had been the architect of the expanded electric utility industry in its second and third decades, rising with astonishing speed from a position as a mere clerk to Thomas Edison in the 1880s to become by far the most influential, and one of the wealthiest, of its captains. His business innovations not only supercharged the industry's growth but helped shape the entire landscape of American business, pioneering, for example, the concept of mass production to lower costs and prices, as well as advancing the practice of public relations—newspaper columns, speakers for schools and service clubs, paid advertising, selling utility stock to small buyers—at which he excelled.

Insull had been the public face of the industry for two decades, but after winning recognition as an innovator, he had become better known for financial legerdemain. He expanded too rapidly in the 1920s, relying too heavily on borrowed money, and his badly bloated empire was one of those that collapsed in the wake of the 1929 Crash, eviscerating the savings of tens of thousands of small investors. In the San Francisco speech Roosevelt deplored the depredations of “the lone wolf, the unethical competitor, the reckless promoter, the Ishmael or Insull whose hand is against every man's,” signaling that in his crusade against bad actors in the electric utility industry he would hit hard and low.

The story of the electrification of the United States in the first quarter of the twentieth century is one of triumph, of brilliant inventors, public-spirited entrepreneurs, and financial innovators who unleashed unprecedented economic growth and in many ways invented modern America. But it is also one of greed, abuse of power, and betrayal. Roosevelt singled out Insull, but a larger cast of characters had brought the country to this juncture.

The cash-flush and well-organized forces of private enterprise had waged war for decades against a public role in the electric utility industry. The very technological and financial innovations that had transformed the daily life of so many Americans, though, had produced an industry laced with corruption that, many felt, had callously turned its back on millions of hard-pressed families. Through its concentration of power, it had also come to pose serious threats to cornerstone principles of American democracy. Franklin Roosevelt was now fighting back, not only against the excesses of an industry, but in support of a new vision of private and public partnership that was to lay the foundation for unprecedented prosperity for many decades to come.