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### **Campaign Address in Portland, Oregon on Public Utilities and Development of Hydro-Electric Power**

September 21, 1932

My friends, I have journeyed many times to this beautiful Pacific Coast, but I want to assure you that I have never comprehended, as I have this time, the warmth of your hospitality, the greatness of your resources and opportunities and, I want to add with all earnestness, the great importance of the problem that I am discussing tonight.

I have come, not primarily to speak but, rather, to hear; not to teach, but to learn. I want to hear of your problems, to understand them and to consider them as they bear on the larger scene of national interest.

I have strengthened the belief that I have had for a long time and that I have constantly set forth in my speeches and papers in my work as Governor of the State of New York, that the question of power, of electrical development and distribution, is primarily a national problem.

Speaking in the language of the Navy, with which I was associated for many eventful years, I want at the outset of this discussion to take my bearings, to know my destination, to chart my course. In discussing electrical power, the speaker, like a ship sailing in dangerous waters, must avoid not only unseen shoals and rocky reefs, he must also be on his guard against false lights on the shore. His only protection against all of these dangers is to set squarely and fairly before him the course that he must steer. Let me do that in a few sentences.

As I see it, the object of Government is the welfare of the people. The liberty of people to carry on their business should not be abridged unless the larger interests of the many are concerned. When the interests of the many are concerned, the interests of the few must yield. It is the purpose of the Government to see not only that the legitimate interests of the few are protected but that the welfare and rights of the many are conserved. These are the principles which we must remember in any consideration of this question. This, I take it, is sound Government — not politics. Those are the essential basic conditions under which Government can be of service.

It is scarcely necessary to tell you this out here on the Pacific Coast. In no other section of the country have there been a greater interest in Government and a more intelligent application of the principles of sound Government in its legislation in the action of the administrative authorities, and nowhere, may I add, are the people less bound by mere political factionalism than here.

When questions like these are under consideration, we are not Democrats, we are not Republicans; we are a people united in a common patriotism. This is the spirit of my entire campaign. If the spirit and the method that I am applying to public questions are in line with that of progressive citizens of parties other than my own, I invite them to join me now, as I have invited them many times before. In the face of present national emergencies we must distinguish between parties and their leaders.

When the great possessions that belong to all of us — that belong to the Nation — are at stake, we are not partisans, we are Americans.

It is, therefore, fitting that I should choose this great State of the Coast to set forth my ideas respecting the question of electrical power and to discuss it not only with you here in Portland and in Oregon, but with all of the people in all of the States to whom this subject is a concern affecting their individual lives. This subject has been discussed so much in complex language, in terms which only a lawyer can understand, or in figures which only accountants can understand, that there is need for bringing it back into the realm of simple, honest terms understood by millions of our citizens.

This is particularly true because there has not only been lack of information — and information difficult to understand — but there has been in the past few years, as the Federal Trade Commission has shown, a systematic, subtle, deliberate and unprincipled campaign of misinformation, of propaganda, and, if I may use the words, of lies and falsehoods. The spreading of this information has been bought and paid for by certain great private utility corporations. It has permeated the schools, the editorial columns of newspapers, the activities of political parties, the universities and the printed literature in our book stores. A false public policy has been spread throughout the land, through the use of every means, from the innocent school teacher down to a certainly less innocent former chairman of the Republican National Committee itself.

Let us go back to the beginning of this subject. What is a public utility? Let me take you back three hundred years to old King James of England. The reign of this king is remembered for many great events — two of them in particular. He gave us a great translation of the Bible, and, through his Lord Chancellor, a great statement of public policy. It was in the days when Shakespeare was writing Hamlet and when the English were settling Jamestown, that a public outcry rose' in England from travelers who sought to cross the deeper streams and rivers by means of ferry-boats. Obviously these ferries, which were needed to connect the highway on one side with the highway on the other, were limited to

specific points. They were, therefore, as you and I can understand, monopolistic in their nature. The ferry-boat operators, because of the privileged position which they held, had the chance to charge whatever the traffic would bear, and bad service and high rates had the effect of forcing much trade and travel into long detours or to the dangers of attempting to ford the streams.

The greed and avarice of some of these ferry-boat owners were made known by an outraged people to the King himself, and he invited his great judge, Lord Hale, to advise him.

The old law Lord replied that the ferrymen's business was quite different from other businesses, that the ferry business was, in fact, vested with a public character, that to charge excessive rates was to set up obstacles to public use, and that the rendering of good service was a necessary and public responsibility. "Every ferry," said Lord Hale, "ought to be under a public regulation, to-wit: that it give attendance at due time, keep a boat in due order, and take but reasonable toll."

In those simple words, my friends, Lord Hale laid down a standard which, in theory at least, has been the definition of common law with respect to the authority of Government over public utilities from that day down to this.

With the advance of civilization, many other necessities of a monopolistic character have been added to the list of public utilities, such as railroads, street railways, pipelines and, more lately, the distribution of gas and electricity.

The principle was accepted, firmly established, and became a basic part of our theory of Government long before the Declaration of Independence itself. The next problem was how to be sure that the services of this kind should be satisfactory and cheap enough while at the same time making possible the safe investment of private capital.

For more than two centuries, the protection of the public was vested in legislative action, but with the growth of the use of public utilities of all kinds in these later days, a more convenient, direct and scientific method had to be adopted — a method which you and I now know as control and regulation by public service or public utility commissions.

Let me make it clear that I have no objection to the method of control through a public service commission. It is, in fact, a proper way for the people themselves to protect their interests. In practice, however, it has in many instances departed from its proper sphere of action, and, I may add, has departed from its theory of responsibility. It is an undoubted and undeniable fact that in our modern American practice the public service commissions of many States have often failed to live up to the very high purpose for which they were created. In many instances their selection has been obtained by the public utility corporations themselves. These corporations, to the prejudice of the public, have often influenced the actions of public service commissions. Moreover, some of the commissions have, either through deliberate intent or through sheer inertia, adopted a theory, a conception of their duties wholly at variance with the original object for which they were created.

Let me illustrate: When I became Governor, I found that the Public Service Commission of the State of New York had adopted the unwarranted and unsound view that its sole function was to act as an arbitrator or a court of some kind between the public on the one side and the utility corporations on the other. I thereupon laid down a principle which created horror and havoc among the Insulls and other magnates of that type.

I declared that the Public Service Commission is not a mere judicial body to act solely as umpire between complaining consumer or the complaining investor on the one hand, and the great public utility system on the other hand. I declared that, as the agent of the Legislature, the Public Service Commission had, and has, a definitely delegated authority and duty to act as the agent of the public themselves; that it is not a mere arbitrator as between the people and the public utilities, but was created for the purpose of seeing that the public utilities do two things:

first, give adequate service; second, charge reasonable rates; that, in performing this function, it must act as agent of the public, upon its own initiative as well as upon petition, to investigate the acts of public utilities relative to service and rates, and to enforce adequate service and reasonable rates.

The regulating commission, my friends, must be a Tribune of the people, putting its engineering, its accounting and its legal resources into the breach for the purpose of getting the facts and doing justice to both the consumers and investors in public utilities. This means, when that duty is properly exercised, positive and active protection of the people against private greed!

So much for the simple, clear and definite theory of regulation — a theory which today is observed more in the breach than in the observance.

Now, I come to another principle which, in spite of having been befogged and bedeviled by many utility companies — and, I am sorry to say, by many of our courts as well — is nevertheless clear and simple when you get down to the roots of it.

The ferryman of old, under King James, through regulation and control of the Government, was compelled to give fair service for a fair return on his labor and a fair return on his property. It is only in recent days that the direct descendants of the old English ferryman have in hundreds of cases found ways of paying to themselves inordinate and unreasonable profits and overcapitalizing their equipment, three, five yes, even ten times the money which they themselves have put into it.

I am not going to confuse the issue by setting forth a lot of figures, but I do ask you to remember a few simple facts which are so tremendously important in our economic life.

Our good friend, Senator Norris, of Nebraska, using the figures of the Federal Trade Commission, summarized this in a great speech in the Senate of the United States only two months ago. He pointed out the

overcapitalization of many companies by name, in definite figures, and summed up the discussion by setting forth in round numbers that these main companies had been found to be overcapitalized to the extent of \$520,000,000!

This means, my friends, that the people of the United States were called upon to supply profits upon this amount of watered stock. It means that someone was deriving profits from the capitalization into which he had put no substantial capital himself. It means that the people had to pay these unjust profits through higher rates.

As Senator Norris eloquently pointed it out, on the floor of the Senate, in these words: "Just try to comprehend what that means. With the investigation only partially finished, the Federal Trade Commission has disclosed 'write-ups' (and this means water) in round numbers to the amount of five hundred and twenty million dollars upon which the poor people, the common people, must pay a profit for all times — not for a day, not for a year, but unless some change is made in public authority, it must be paid forever." And Senator Norris added this: "As I showed yesterday in the beginning, all this investigation would have been stopped (meaning the investigation by the Federal Trade Commission) if President Hoover had his way. He is opposed to it all."

These were the deliberate spoken words of Senator Norris on the floor of the United States Senate July 14, 1932, a permanent record for the benefit of the American people — uncontroverted and uncontrovertible!

Let us consider for a moment the vast importance of the American utilities in our economic life; and in this, I am not including the railroads and other transportation companies, which I have already discussed. The utility industry in 1931 collected over four billion dollars in one year from the users of electricity, gas, telephone and telegraph. That means an average of \$133 from each and every family in the United States.

According to the figures of the industry itself, the American public has invested nearly twenty-three billions in public utilities, again excluding the railroads which account for about eleven billions more.

You will readily see that this "lusty younger child" of the United States needs to be kept very closely under the watchful eye of its parent, the people of the United States.

But these cold figures do not measure the human importance of the electric power in our present social order. Electricity is no longer a luxury. It is a definite necessity. It lights our homes, our places of work and our streets. It turns the wheels of most of our transportation and our factories. In our homes it serves not only for light, but it can become the willing servant of the family in countless ways. It can relieve the drudgery of the housewife and lift the great burden off the shoulders of the hardworking farmer.

I say "can become" because we are most certainly backward in the use of electricity in our American homes and on our farms. In Canada the average home uses twice as much electric power per family as we do in the United States.

What prevents our American people from taking full advantage of this great economic and human agency? The answer is simple. It is not because we lack undeveloped water power or unclaimed supplies of coal and oil.

The reason is that we cannot take advantage of our own possibilities. The reason is frankly and definitely that many selfish interests in control of light and power industries have not been sufficiently far-sighted to establish rates low enough to encourage widespread public use. I wish that every community in the United States could have rates as low as you have them here in Portland. The price you pay for your utility service is a determining factor in the amount you use of it.

Low prices to domestic consumers will result in their using far more electrical appliances than they do today. Again let me speak plainly. Through lack of vigilance in State capitals and in the national Government, we have allowed many utility companies to get around the common law, to capitalize themselves without regard to actual investment made in property, to pyramid capital through holding



companies and, without restraint of law, to sell billions of dollars of securities which the public have been falsely led into believing were properly supervised by the Government itself.

And now for a personal word. I am speaking to you as the Governor of the State of New York, who for four years has been attacked by the propaganda of certain utility companies as a dangerous man. I have been attacked for pointing out the same plain economic facts that I state here tonight.

My answer has been, as it is tonight, to point out these plain principles that seek to protect the welfare of the people against selfish greed. If that be treason, my friends, then make the most of it!

But, I have found new converts to my treason.

The President's Federal Trade Commission has just come out with a report which, if I am not mistaken, is a last-minute effort to fall in line with the plain implication of the present understanding — the present temper — of the public of this country. Some of its conclusions bear careful reading, in the light of what the President has said on many occasions in the past.

Back in 1925, the then Secretary of Commerce, now the President, said: "Nothing could be more hideous extension of centralization in Federal Government than to undermine State utility commissions and State responsibility." Somewhat later he said: "The argument is sometimes used that the power situation is parallel with the railroads where Federal regulation has been found absolutely necessary. This is an illusion. It differs in several profound respects. Power has no such interstate implication as transportation. Furthermore, there has been outrageous exaggeration of the probable extent of interstate power. For economic reasons these power districts will, in but few cases, reach across State lines."

Thus spoke the present President of the United States in opposition to Federal regulation and control of any power public utilities. His statement of facts then is now contradicted by his own Federal Power Commission.

That Commission states what I have long been saying, that power has grown into interstate business of vast proportions and requires the strict regulation and control of the Federal Government. The Commission says: "Analysis of information furnished by ninety-one holding companies shows that forty-eight major projects under public utilities are subject to control by ten top companies and these ten groups serve 12,478 communities with a population of more than forty-two million people."

Let me give you an illustration, not only to show the vast extent of operations of some of these great companies, but the unsound conditions created by the policies of the Federal non- interference which the President of the United States still so valiantly maintains.

The crash of the Insull empire has given excellent point to the truth of what I have been arguing for four long years.

The great "Insull monstrosity," made up of a group of holding and investing companies, and exercising control over hundreds of thousands of operating companies, had distributed securities among hundreds of thousands of investors, and had taken their money to an amount running over one and a half billions of dollars — not millions, but billions!

That "Insull monstrosity" grew during the years of prosperity until it reached a position where it was an important factor in the lives of millions of our people. The name was magic. The investing public did not realize then, as it does now, that the methods used in building up these holding companies were wholly contrary to every sound public policy.

They did not realize that there had been arbitrary write-ups of assets and inflation of vast capital accounts. They did not realize that excessive prices had been paid for property acquired. They did not realize that the expense of financing had been capitalized. They did not realize that payments of dividends had been made out of capital. They did not realize that sound subsidiaries had been milked and milked to keep alive the weaker sisters in the great chain. They did not realize that there had been borrowings and lendings, an interchange of assets, of liabilities and of capital between the component parts of the whole. They did not realize that all these conditions necessitated terrific overcharges for services by these corporations.

The Insull failure has done more to open the eyes of the American public to the truth than anything that has happened. It shows us that the development of these financial monstrosities was such as to compel inevitable and ultimate ruin; that practices had been indulged in that suggest the old days of railroad wild-catting; that private manipulation had outsmarted the slow-moving power of Government.

As always, the public paid and paid dearly. As always, the public is beginning to understand the need for reform after the same public has been fleeced out of millions of dollars.

I have spoken on several occasions of a "new deal" for the American people. I believe that the "new deal," as you and I know it, can be applied to a whole lot of things. It can be applied very definitely to the relationship between the electric utilities on the one side, and the consumer and the investor on the other.

True regulation is for the equal benefit of the consumer and the investor. The only man who will suffer from true regulation is the speculator, or the unscrupulous promoter who levies tribute equally from the man who buys the service and from the man who invests his savings in this great industry.

I seek to protect both the consumer and the investor. To that end I now propose and advocate, as I have proposed and advocated heretofore, the following remedies on the part of the Government for the regulation and control of public utilities engaged in the power business, and companies and corporations relating thereto:

First: Full publicity as to all capital issues of stocks, bonds and other securities; liabilities and indebtedness; capital investment; and frequent information as to gross and net earnings. In other words, let us "turn on the light!"

Second: Publicity on stock ownership of stocks and bonds and other securities, including the stock and other interest of every officer and every director in every company.

Third: Publicity with respect to all intercompany contracts and services and interchange of power. Again, "let in the light!"

Fourth: Regulation and control of holding companies by Federal Power Commission, and the same publicity with regard to such holding companies as provided for the operating companies.

Fifth: Cooperation of Federal Power Commission with Public Utilities Commissions of the several States, obtaining information and data pertaining to the regulation and control of such public utilities. I speak with experience as to this, as Governor of a State!

Sixth: Regulation and control of the issue of stocks and bonds and other securities on the principle of prudent investment only.

Seventh: This is a technical matter, but it goes to the root of the subject. Abolishing by law the so-called reproduction cost theory for rate-making, and establishing in place of it the actual money prudent-investment principle as the basis for rate-making.

Eighth: Legislation making it a crime to publish or circulate false or deceptive matter relating to public utilities, or public utility commissions anywhere, and at any time.

I come now to the other great problem of the relationship of the Government to the development through Government itself of power resources and power manufacture.

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.

But the exceptions are of vital importance, local, State and national, and I believe that the overwhelming majority of the people in this country agree with me.

Again we must go back to first principles: A utility is in most cases a monopoly, and it is by no means possible, in every case, for Government to insure at all times by mere inspection, supervision and regulation that the public get a fair deal — in other words, to insure adequate service and reasonable rates.

I therefore lay down the following principle: That where a community — a city or county or a district is not satisfied with the service rendered or the rates charged by the private utility, it has the undeniable basic right, as one of its functions of Government, one of its functions of home rule, to set up, after a fair referendum to its voters has been had, its own governmentally owned and operated service.

That right has been recognized in a good many of the States of the Union. Its general recognition by every State will hasten the day of better service and lower rates. It is perfectly clear to me, and to every thinking citizen, that no community which is sure that it is now being served well, and at reasonable rates by a private utility company, will seek to build or operate its own plant. But on the other hand the very fact that a community can, by vote of the electorate, create a yardstick of its own,

will, in most cases, guarantee good service and low rates to its population. I might call the right of the people to own and operate their own utility something like this: a "birch rod" in the cupboard to be taken out and used only when the "child" gets beyond the point where a mere scolding does no good.

That is the principle which applies to communities and districts, and I would apply the same principles to the Federal and State Governments.

State owned or Federal owned power sites can and should and must properly be developed by Government itself. That has been my policy in the State of New York for four years. When so developed by Government, private capital should, I believe, be given the first opportunity to transmit and distribute the power on the basis of the best service and the lowest rates to give a reasonable profit only. The right of the Federal Government and State Governments to go further and to transmit and distribute where reasonable and good service is refused by private capital, gives to Government — in other words, the people — that very same essential "birch rod" in the cupboard.

This Nation, through its Federal Government, has sovereignty over vast water-power resources in many parts of the United States. A very few of these are in process of development. A few more are in the blueprint stage, and many others have not even been surveyed.

We have undertaken the development of the Boulder Dam on the Colorado River. The power will be sold by the United States Government at a cost that will return the Government investment with 4 percent interest in fifty years.

Long before that, we undertook the development at Muscle Shoals, and all that we have got out of it has been a series of Presidential vetoes. We have spent millions on this project.

In contrast, let me repeat the position which I took when I was first inaugurated Governor of New York in January, 1929, and which I have maintained ever since. I said then, and I say now: "The water power of

the State should belong to all the people. The title to this power must rest forever in the people. No commission — not the Legislature itself — has any right to give, for any consideration whatever, a single potential kilowatt in virtual perpetuity to any person or corporation whatever. It is the duty of our representative bodies to see that this power is transferred into usable electrical energy and distributed at the lowest possible cost. It is our power — and no inordinate profits must be allowed to those who act as the people's agent in bringing this power to their homes and workshops."

We have, as all of you in this section of the country know, the vast possibilities of power development on the Columbia River. And I state, in definite and certain terms, that the next great hydro-electric development to be undertaken by the Federal Government must be that on the Columbia River.

This vast water power can be of incalculable value to this whole section of the country. It means cheap manufacturing production, economy and comfort on the farm and in the household. Your problem with regard to this great power is similar to our problem in the State of New York with regard to the power development of the St. Lawrence River.

Here you have the clear picture of four great Government power developments in the United States — the St. Lawrence River in the Northeast, Muscle Shoals in the Southeast, the Boulder Dam project in the Southwest, and finally, but by no means the least of them, the Columbia River in the Northwest. Each one of these, in each of the four quarters of the United States, will be forever a national yardstick to prevent extortion against the public and to encourage the wider use of that servant of the people — electric power.

Although the President, in his acceptance speech, recommends the Federal regulation of interstate power, he has in the past, and as Secretary of Commerce in the Harding and Coolidge Cabinets, opposed Federal regulation of interstate holding and transmission companies. He has been silent on the non-enforcement of the Federal Water Power Act.

He has been evasive on valuation methods and high rates and is apparently satisfied with the present type of forty-eight different varieties of State regulation.

Since 1928 the distinguished gentleman who is running against me has done nothing to enforce the regulatory sections of the Federal Water Power Act. He has done nothing to block the financial operations incident to the great post-war power development as planned by its promoters. The history of the Federal Power Commission, prior to the creation of a full-time commission under the Couzens bill after a Congressional investigation, the character of the appointments made when this Commission took office, the Muscle Shoals veto, and the closing of the White House doors to the public interest in the St. Lawrence project — all demonstrate that the policy of the present Republican leadership is dominated by private rather than public interest.

In 1925 Secretary Hoover said that while there was a considerable amount of speculation going on, especially in the stocks of holding companies, he wished to make it clear that with an intelligent State regulation neither watered capital nor speculation could affect the rates paid by consumers and that there was no need for Federal control.

While President Hoover now urges Federal control, no administration bill has been introduced in Congress in the past four years.

My distinguished opponent is against giving the Federal Government in any case the right to operate its own power business. I favor giving the people this right where and when it is essential to protect them against inefficient service or exorbitant charges.

As an important part of this policy the natural hydro-electric power resources belonging to the people of the United States, or the several States, shall remain forever in their possession. To the people of this country I have but one answer on this subject. Judge me by the enemies I



have made. Judge me by the selfish purposes of these utility leaders who have talked of radicalism while they were selling watered stock to the people and using our schools to deceive the coming generation.

My friends, my policy is as radical as American liberty. My policy is as radical as the Constitution of the United States.

I promise you this: Never shall the Federal Government part with its sovereignty or with its control over its power resources, while I am President of the United States.

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*APP Note: In the Public Papers and Addresses of Franklin D. Roosevelt, this document is sub-titled, "A National Yardstick to Prevent Extortion against the Public and to Encourage the Wider Use of That Servant of the People—Electric Power."*

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Franklin D. Roosevelt, Campaign Address in Portland, Oregon on Public Utilities and Development of Hydro-Electric Power Online by Gerhard Peters and John T. Woolley, The American Presidency Project  
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