



knowledgeproblem.com

## **Power Play: News series examines Texas electric power industry restructuring**

Marty Schladen, a reporter for *The Daily News* out of Galveston, Texas, has a four-part series on the state's electric power restructuring. I've only just read the third article which offers a thumbnail sketch of the career of Samuel Insull (with unusual depth and context for a newspaper article):

Insull revolutionized the electricity industry, and in doing so, the country.

He assisted in the birth of the megacorporation and he was hailed as an enlightened employer. In a time when such things were almost unheard of, he initiated a 40-hour workweek, pension plans, profit-sharing, medical benefits and even education benefits for his growing army of employees.

But as his empire of electricity monopolies grew, some important critics questioned whether the prices charged by the Insull companies were as low as they could be.

Fearing extortion by corrupt city councils, Insull lobbied for a system of state regulation of electricity monopolies. Between 1907 and 1916, a majority of the states would go to such a system.

...

By the late 1920s, Insull had an even more powerful enemy. Franklin D. Roosevelt, the governor of New York, commissioned a study showing that publicly owned hydroelectric power in Ontario was far cheaper than private electricity generated in the United States by what Roosevelt called the "power trust."

"We have permitted private corporations to monopolize the electrical industry and sell electricity at the highest rates they could obtain," he said in 1930.

Insull and the industry group he started, the National Electric Light Association, fought back.

They did so partly on patriotic grounds, calling public ownership of power companies "the Bolshevik idea."

To reinforce the point, Insull encouraged widespread ownership of stocks and bonds in his companies.

Starting with employee stock clubs, Insull soon had those in even the lowliest jobs hawking Insull stocks to their families, friends and neighbors.

It created an army of small owners in his companies — and a lot of votes for politicians who said the government should stay out of the electricity business.

By 1926, that army was large indeed. Half a million people held bonds in Insull companies. Even more, 600,000, owned stock.

Such widespread ownership at first provided Insull with important political support — and with capital to keep expanding his electricity empire. But it would later aid in his downfall.

...

Certainly, Insull's collapse left an undeniable legacy.

State regulators passed strict accounting rules to better monitor the profits monopoly utilities were extracting from their customers. The result was the "cost plus" rate system that reigned everywhere until the advent of electricity "deregulation" in the past decade.

Within three years, Congress also passed the Public Utilities Holding Company Act, which barred a holding company from owning electric utilities that weren't interconnected.

The series of articles was written by Schladen as part of a six-month fellowship at Kiplinger Program in the John Glenn School at Ohio State University, which may explain the historical depth. I found the article's brief comparing of Insull to Al Capone to be objectionable -- unless Insull was having the competition murdered instead of just buying them out, these two Chicago men ought not be so breezily linked. I'd quibble with a few other things if pressed. Overall, though, this part of the series is pretty good for a newspaper story. I hope the other sections are as good.