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I have often been in downtown Chicago at night, and I am always struck by the beauty of all the lights against the black sky. Though I have been a student of American history for most of my life, I never knew who was responsible for this beautiful spectacle until my grandfather suggested that I do my honors thesis on a man named Samuel Insull. "Who's he, Gramp?" I asked. "He's someone who made a lot of folks mad at him; although if it wasn't for him, Chicago might have still been living by candlelight."

I am not the only student of American history who had never heard of Samuel Insull. Almost everyone who has asked me what I have been writing about has asked, "Samuel Insull? Who's he?" The more I read, the more I came to realize what a shame it is that so few people know who Insull was or what he did for our country. It is disappointing that he is mentioned in so few history books, and that when he is mentioned, he is usually referred to as a "robber baron," instead of as the man who was the commercial pioneer of electric power.

In this thesis I will highlight some of Insull's greatest business achievements, including innovations in the rate-making of utilities, the centralization of power supply through central station service, and the electrification of small towns and farms in thirty-two states in the Union. I will also discuss Insull's extraordinary and original public
relations campaigns and his exemplary employee policies. Finally, I will show that although he was falsely accused of creating a monopoly of the power supply of Chicago to satisfy his lust for power and money, Insull was genuinely concerned with the welfare of his community and with the success of his country. This can be seen through a look at his fair rate-making and superior service to the public, his many charitable works in Chicago, and his valuable, patriotic service during World War I.

After reading Forrest McDonald's book, many books on Chicago history, and countless speeches and comments by Samuel Insull, I conclude that Samuel Insull was a genuine, honest, hard-working genius who took the lead in the electricity business for forty years, and though he contributed so much to our society, has been repeatedly and unfairly vilified by the press and by many historians. The following pages will trace the footsteps of this important figure in the history of America.
THE EARLY YEARS

-London-

Samuel Insull was born in London in 1859. He had seven siblings, three of whom died before age ten. Insull's Presbyterian parents, Emma and Samuel Insull were crusaders for the temperance movement. According to Emmett Dedmon, there is some evidence that Insull was partly of Jewish origin. Some critics later attributed Insull's great success to this heritage. Insull is quoted as saying, "If I have some Jewish blood, I should not be ashamed. Some of England's greatest men were Jews."

Insull's mother Emma ran a temperance shelter, and while in London Samuel senior operated a small dairy. Because of financial difficulties the family moved to Reading, England in 1866, at which time Samuel senior acquired a paid position as a temperance secretary in the Oxfordshire district. This job, which lasted until 1874, enabled the Insulls to send young Samuel and his older brother Joe to a good private school which, as McDonald says, "opened the world to young Sam." While in school Insull learned many Victorian principles such as, "Idle hands are the devil's workshop; Time is money; One reveres one's family; and One places highest valuation upon a man's word and good name." Even as a young boy, Insull was
teaching himself that honesty, prudence, and hard work would eventually bring him respect and success.

In 1874 Samuel Senior lost his temperance job, and the family moved back to London. It was at this time that Samuel Senior decided that his fourteen year old son should become a minister. Sam Junior had decidedly different ideas. He rebelled against his father and announced to the family that he was not going to be a minister; he was going out to find a job. A heated argument followed his decision, but eventually he won. Individual, resolute initiative in the face of strong opposition was to become characteristic of this unusually energetic young man. For example, when he announced, early in his career in Chicago, to all the other electricity men in town, that their way of running things was inefficient, he was certainly going against the tide.

Insull's first job, at age fourteen, earned him $1.25 a week as an office boy in an auctioneering firm. An enterprising young clerk at the firm spotted Insull's talent, and quickly taught him shorthand. This new knowledge eventually enabled Insull, now aged sixteen, to take a night job as a stenographer for Thomas G. Bowles, the editor of Vanity Fair magazine. Insull worked tirelessly for Bowles for two years, sometimes working until midnight and rising at four o'clock the next morning to copy his notes from the night before. He still held his job at the auctioneering firm, and
consequently had little time for leisure activities. Even in his teenage years Samuel Insull had a passion for precise, hard work, and an insatiable hunger for learning. He taught himself things such as bookkeeping, political economy, history, and literature. Because he did all this in his spare time, he learned to absorb material quickly and efficiently, a talent that would later serve him quite well.

The way in which Insull's life came to be closely entangled with Thomas Edison's sounds like a great storyline for a book. As secretary of the literary society of which he was a member, Insull was asked to give a talk on the subject of self-help. In his speech, he discussed an article in *Scribner's Monthly*, that was written about a young inventor named Thomas Alva Edison. This article made Insull wonder what else there was to know about this tinkering genius. Insull was soon reading everything he could find about Edison. The more he read, the more impressed he became. At this point in Insull's life, I am quite sure he had no idea he would eventually become Edison's private secretary and good friend.

In 1879, by no fault of his own, Insull was fired from his job at the auctioneering firm. This seemingly unfortunate incident opened the first door to the success Insull would later achieve as an industrialist. Insull applied for a secretarial job he saw advertised in the newspaper, and he got
the job. His new employer turned out to be Thomas Edison's European representative, George Gouraud. This was a wonderful opportunity for a young, enterprising individual like Samuel Insull. Gouraud proceeded to teach Insull about corporate finance, and encouraged him to learn everything he could about Edison's affairs in Europe. Insull took Gouraud's advice to the extreme. Above and beyond his regular duties Insull spent time with the engineers, learning the technical aspects of the business, he read all of the literature on Edison and his experiments, and he even became the first telephone operator on the eastern side of the Atlantic.

When Insull spotted an opportunity for advancement, he jumped at the chance to offer his secretarial services (free of charge) to Edison's head engineer, Edward Johnson. Johnson soon recognized Insull's special organizational abilities, and recommended him to Edison as an employee with potential. Finally, in January 1881 Edison's private secretary resigned suddenly, and Johnson sent for Insull to come to New York. Insull's family thought it was a foolish idea, but as was characteristic of him, Samuel Insull was determined to have his wish. After promising his mother he would not drink, Insull took off to meet his destiny. Little did he know he was on his way to becoming the most powerful, innovative force in the shaping of the burgeoning electricity business, and in the management of public utilities as a whole.
When Insull arrived in New York, he only thought he was going to be personal secretary to Thomas Edison. Before his first night in America was through, he was well on his way to being Edison's financial advisor! Insull's job description was a bit vague, so he simply began assuming increasingly important responsibilities. Almost from the beginning, Edison gave him power of attorney. Insull was also in charge of keeping the office running well, organizing and taking charge of Edison's correspondence, and even buying Edison's clothes! Insull's starting salary was one hundred dollars a month. Within one year Insull's duties had expanded to include directing Edison's business affairs and keeping his bank account. Before Insull left New York, he would serve as secretary, vice president, and treasurer of many Edison companies.

Edison had just completed his electric light experiments when Insull arrived in 1881. There was plenty of work to do to organize, perfect, and market this new invention. Insull's job was to keep everything organized and eventually to market Edison's central station idea. Edison's dream, like Insull's later, was to increase vastly the volume of consumers by promoting central station rather than isolated plant electrical service. Edison's financial backers, however,
favored isolated plant service because it was more lucrative in the short-run. It is certainly true that isolated plants were selling just fine, whereas no one showed much interest in buying central stations. Though the bankers were breathing down Edison's neck about getting a return on their investment, he refused to promote isolated plants.17

Edison was determined to see the triumph of the central station system. In 1883 he set Insull to work as head of the newly-formed Thomas A. Edison Construction Department, whose job it was to sell and construct central stations.18 The competition between central stations and isolated plants is one that would later affect Insull's life in Chicago. In 1892 he would again stand up to the majority of the other electricity men, in favor of central station service. Although he had to compete with corrupt city councils and established gas companies in 1883, Insull had quite a bit of success selling central stations around the country.19 He was so successful that J. P. Morgan and the other anxious bankers supporting Edison's experiments were eventually forced to give in and allow Edison to again take control of the Edison Electric Light Company.20

With the developments of the first practical electrical streetcar system and the first practical alternating current system in 1886, the electricity industry, which had been in a slump since 1884, was again booming.21 These and other
innovations increased the efficiency of central stations and created a tremendous demand for them. Direct current, which Edison had been using, could only be efficiently transmitted for about one mile. With the help of a transformer, alternating current could transmit electricity over hundreds of miles at a significantly low cost. This made it possible for large central stations to have a wider area of distribution, thus spreading out the overhead costs and eventually lowering the cost of electricity to the consumer. These new technological developments made the Edison crew busy once again.

In 1886 Insull was made General Manager of Edison Machine Works in Schenectady, New York where he enjoyed tremendous success. In only two years he quadrupled sales and continually used the profits to expand the company. When he arrived in Schenectady in 1886, he brought two hundred employees with him. When he left in 1892 the company had six thousand employees. Because Edison's financial backers were so tight with their money, Insull was constantly running from bank to bank to secure short-term loans; partly to expand the means of production at Schenectady, and partly to support Edison's continuous experiments. McDonald states that it was because of this difficult financial juggling that Insull came to dislike J. P. Morgan and the rest of the New York bankers,
a conflict that would eventually become one of the causes of
Insull's downfall.24

Though magical money juggling was definitely one of
Insull's talents, he and Edison were starting to worry that
money might eventually become a problem. When Edison was
offered an advantageous consolidation deal by the financiers
Henry Villard and J. P. Morgan, he decided to accept. In 1889
all the scattered Edison companies were consolidated into the
Edison General Electric Company, with Villard as its
president.25 Insull and Edison were both appointed to the
board of directors. Insull's new position was second vice
president in charge of manufacturing and sales. He also
continued to be Edison's personal business manager.26

While in control of manufacturing and sales, Insull
started to put into practice many principles which would last
him throughout his long career. As he did in 1886 for Edison
Machine Works, he was always expanding production. He
tirelessly raised capital in any way possible, enabling him
to put more profits back into the business. As vice president
of the new company he also began a long-standing habit of
treating employees with respect and fairness, because he knew
that contented workers worked more efficiently than did
discontented ones.27 Insull's exemplary employee policies will
be thoroughly discussed in a later chapter. Insull also set
to practice his goal of selling products as cheaply as
possible. He knew that lowering costs would increase volume, which would then increase profits.28

Edison General Electric Company had two formidable competitors, Westinghouse and Thomson-Houston Electric Company.29 Because of Edison’s sluggishness in the development of alternating current, Edison G. E. fell behind in the fastest-moving technology in the industry. Villard and Insull were supporters of alternating current, but Edison stubbornly resisted change. To eliminate the competition in New York, Villard planned to consolidate all the electric companies into one, but Thomas-Houston was too big to allow him to make a profitable merger.30 He did make plans to consolidate with the smaller competitor, Westinghouse, who had kept up with alternating current technology. By using Edison’s inventions themselves, these competing companies threatened the lofty position of Edison General Electric, but in 1889 the company started to win cases against patent infringers. By 1891, Edison G.E. had the legal power to force its competitors out of the electric light business altogether.31

Villard decided that Edison G.E. was now strong enough to obtain a profitable merger with Thomson-Houston Electric Company. Through clever maneuvering, the president of Thomson-Houston was able to convince J. P. Morgan that Thomson-Houston was a more profitable company than was Edison G.E. Morgan, with all his vast financial power, made the
decision that Thomson-Houston would be in control of the newly consolidated company, thus overturning the purpose of Villard's merger. The Edison executives were extremely upset about this turn of events, and though Insull was offered the second vice presidency of the new company, he was not happy, and immediately began to search for a new job. He looked for a place where central station service was the least developed, and where the field for development was the greatest.
THE BEGINNING OF GREATNESS: CHICAGO

Insull had an eye for golden opportunities, and when one came his way in 1892, he was not about to let it pass him by. Members of the board of directors of Chicago Edison asked Insull to recommend an individual for the position of president of their company. Insull sent two letters, one to the Chicago banker Byron Smith, and one to broker Edward Brewster, recommending himself. Though it would mean cutting his salary by 70 percent, Insull saw the undeveloped field he had been looking for. He was already a well-respected member of the Edison team in New York and, not surprisingly, he was quickly accepted for the position. He agreed to take the job. Insull told the men in Chicago that he did not want to deal with the financing of the company, something he had had to do in New York. He also wanted Chicago Edison to begin constructing a new power generating plant to be financed by issuing $250,000 in stock, all to be sold to him. He borrowed this money from Marshall Field, a man he greatly respected.

When Insull arrived in Chicago on July 1, 1892, Chicago Edison was not the only electric company in town. In fact, it was not even the largest of more than thirty companies in the business. But before long, Insull's financial genius and
innovative ability would make it the only electric company in Chicago and the largest, most powerful one in the world.

Insull believed in continual expansion. To maintain an expansion program he developed a three-fold plan. This plan consisted of: building increasingly larger generating stations; buying out competitors; and lowering rates. Insull's new power generating plant, the Harrison Street Station, was first operated in 1894 with a capacity of 6400 kilowatt, and was the first supply of central station power for railways in Chicago. Before closing down in 1915 it would reach a maximum output of 16,200 kilowatts. At the time of its operation, this central station plant, the last direct current station built in the city of Chicago, was said to be the most economical plant in the country. Insull said this station was a milestone in his life because it marked his entry into generating kilowatt hours instead of manufacturing electrical apparatus.

Insull was busy innovating in other areas of the Chicago Edison Company as well. He had planned from the beginning that there would be no other electric company in Chicago but Edison's, and he had many creative methods of reaching his goals. As he had done in New York in 1891, Insull employed his most effective methods of eliminating competition, that was to gain control of all the major patent licenses for electrical equipment. Once he accomplished this, even if a
new company obtained a franchise from the city council, it would be unable to get generating equipment and light bulbs. Soon, the only companies left would be those with patents of their own. One of those companies was Chicago Arc Light and Power, Chicago's oldest electric light company. In 1893, Insull guided Chicago Edison into a merger with this company, and formed the core of what became the Commonwealth Edison System. This merger accomplished a critical legal step of securing a central station operating franchise, which enabled a company to construct the electric lines, tunnels, and conductors needed to provide electrical power over wide areas.

The distribution of electricity over ever-widening areas was a concept Insull was passionately devoted to. As we have already seen, he believed in constantly expanding the means of production, and consequently the number of customers served with electricity.

...there was one course of action that I laid down—to produce the greatest possible amount of energy at the lowest possible investment cost and to sell that energy at the lowest possible price...very early I discovered that the first essential, as in most other public-utility businesses, was that it should be operated as a monopoly.
Insull did not want a monopoly in order to charge increasingly higher prices. Quite the contrary; he wanted to eliminate competition in order to expand the amount of customers, and then be able to charge lower prices. Insull considered it to be extremely inefficient to divide areas of distribution among small, competing electrical companies. He also thought, unlike most of his contemporaries, that electricity was most economically manufactured if produced not as a luxury item, but as one to be shared by all. In a speech to students at Yale University in 1916, Insull said:

At the present time where any form of energy is required—I do not care whether by steam or electricity or how it may be obtained—it is an economic waste for the individual spending the money to try to produce that energy in a small way, and the true function of the large electric-light-and-power companies of this country is to produce all the energy that is required in the community.

In the mid-1890's there was much discussion suggesting the reform of utility franchises. Everyone's favorite magnate to hate was Charles T. Yerkes, the owner of the street railways in Chicago. Yerkes was trying to buy a fifty-year franchise in the traction industry from some corrupt politicians, members of the Chicago City Council, called the Gray Wolves. He was unsuccessful in obtaining the franchise,
and in the meantime, the self-righteous politicians managed to ruin his Chicago career. The Wolves' next target was Samuel Insull. They decided to try to intimidate Insull into paying them off by creating a paper company, the Commonwealth Electric Company. They said they were going to give this new, potential competitor a fifty-year franchise in the city if Insull did not pay up. Insull stubbornly held out however, and refused to play their underhanded games. He could refuse these powerful opponents because he knew something they did not, but were soon to find out. In 1898, after the politicians had turned the paper company into a real competitor, they were informed that Insull had quietly obtained the exclusive rights to the electrical equipment of every American manufacturer. In effect, the new Commonwealth Electric Company posed no threat whatsoever to Samuel Insull. The corrupt politicians, foiled in their blackmailing attempt, sold Commonwealth Electric to Insull for fifty-thousand dollars. Chicago Edison was a direct current company, only able to serve up to one mile outside the loop; because direct current stations in Chicago were unable to distribute electricity all over Cook County, Insull made the new company an alternating current company with greater distribution ability. Though the two companies were unable to merge until 1907, the operations of the two were closely connected.
Because Insull was always trying to expand every aspect of his business, it is not surprising that in 1900 he undertook the financing and planning of the largest power generator ever built up to that time. Fisk Street Station, completed in 1903, was the first power generating station to be entirely dependent on steam turbines, and the first station built by an Edison company using alternating current as the basis of its transmission. Insull had a difficult time convincing General Electric to risk manufacturing the equipment he needed for the new station, but eventually Edison's engineers created a 5,000 kilowatt machine with huge potential. The station was such a success that for years after its installation, the company continued to expand it by adding new units.

The great expansion of units of production could only be economically sound by obtaining more and more diversified customers. Insull felt that one way to do this was through an aggressive public relations campaign. Insull learned many principles of public relations in his youth when he attended a lecture on publicity and promotion by Phineas T. Barnum, principles he now had the chance to put into action. Insull learned how not to treat the public from watching Charles T Yerkes, who made the mistake of ignoring the necessity of favorable public relations. Insull believed that the only
way to successfully operate a privately owned utility was to gain the favor of the public it served:

Unless you can so conduct your business as to get the good will of the community in which you are working, you might just as well shut up shop and move away.24

Take the public into your confidence, not as a favor to them, but as their right.25

In order to gain this good will, Insull planned to educate the public about his industry. He thought that the "vulnerability of utilities derived as much from lack of popular understanding as it did from the public character of the business."26 Starting in the early years of his career in Chicago, Insull made a concerted effort to educate the public about the nature of the public utility business.

Since 1897 and continuing until the end of his career, Insull practiced the important and successful strategy of making public appearances at his every opportunity. Insull's speeches were often patriotic and rather rousing. He often spoke to the public about public utilities' opportunity to serve the community. Insull had an air of greatness, and people enjoyed listening to him speak:

We can, if we will, improve our business to the highest point of efficiency, and then we are not only doing ourselves good and our security holders good, but we are doing something to help develop the country of which we
are citizens and to which we owe our support and allegiance.27

In 1901 Insull established an advertising department which was soon expanded into one of the first full-blown public relations departments in existence.28 This is one of Insull's greatest innovations, one which influenced many businesses when creating their own public relations departments, and one which I think could be of great assistance to companies even today. The new department's main goal was to create a means of educating the public. In 1902 the department published a magazine called, Electric City, which included information on the latest electrical developments, advertisements for electrical apparatus, ways to save money in the use of electricity, and information on the economics of the industry in general. Electric City was distributed free of charge. To convince storekeepers to distribute the magazine, Insull rented space in the shops and provided display racks, illuminated with free electricity. This ingenious idea led many stores to eventually turn from gas to electric lighting.29

Insull's public relations department also educated the public by distributing news bulletins to 900 Illinois newspapers, and mailing thousands of pamphlets to Illinois schools.30 Another strategy of the public relations department was to invite customers to become stockholders in Insull
companies. Insull reasoned that the best way to win friends for utilities was to get them to invest their money in them:

...it is up to us, the people who work for the institutions, to see to it that the detailed information gets to the customer, whom we want to turn from just a payer month by month for our service into an investor in our property, so that he may be...a recipient of earnings on the money invested with us.31

If every customer had a financial interest in the companies that served him, he would consider the company's interests to be synonymous with his own. Insull began this customer ownership program on a large scale in the 1920s. Perhaps the most successful tool for winning public favor was Insull's policy of cutting rates as much and as often as possible. This is a policy Insull remained devoted to for the duration of his impressive career.

The success of Insull's public relations campaign is undeniable when one looks at the tremendous success of his companies, and his ever-increasing popularity with the public. As McDonald says, "Keener still than his political ken, more profound than his organizational ability, was Insull's sense of public relations."32

As previously stated, Insull was attempting to gain more diversified customers; he needed patrons who would use power at different times of the day so that the expensive central
station equipment would rarely be left unused. The biggest
boost to central station service in Chicago came about the
same time as the Fisk Street Station. The business was
Chicago's transportation system. Insull thought that if he
could gain the transit companies as a long-term customers, he
would have plenty of new capital available to finance the
never-ending cycle of expansion and lower prices. With each
new traction customer, he could cut his rates for all other
kinds of service, with the ultimate goal of securing the
industrial power and commercial and residential lighting
market.33

Insull persuaded the street railway and the elevated
railroad companies that he could supply their power with his
central stations more cheaply than they could manufacture it
with their isolated plants.34 Soon huge demands were placed on
the Chicago Edison system when street cars and elevated trains
began drawing their power from Insull's central station
generators.35 When the Chicago, Aurora, and Elgin suburban
railroad went into bankruptcy, Insull took it over and
converted it to electrical power. Soon the company was
operating at a profit. He did the same thing for the Chicago
North Shore and Milwaukee Railway, and the Chicago South
Shore and South Bend Railroad.36 Insull was even given two
prized Coffin medals for operating the most efficient
electric lines in the United States.37 These are just a few
examples to illustrate Insull's growing involvement with Chicago's transportation systems.

Traction companies became very important when, around 1905, they and Insull had to battle the city of Chicago over the issue of municipal ownership. Since the middle 1880s there had been a growing movement for municipal ownership of utilities, supported mostly by electrical equipment salesmen and gas companies hoping to hinder the growth of their competitors—the electric lighting companies. Insull was aware that most electric utility men were afraid of municipal ownership so he proposed that state regulation was the only acceptable alternative. The National Electric Light Association, of which Insull was made President in 1898, established a committee on public policy and municipal ownership, whose job it was to educate the public on municipal ownership and state regulation, and to lobby for state regulatory commissions. Insull and the N.E.L.A. committee came up with a state regulation report which stated that it wanted the electric light industry to be supervised and regulated by state commissions, free from local and political influence, which would have power to control franchises, protect users against unreasonable rates, and to make public pertinent information about the companies. Though this report was accepted by the N.E.L.A. in 1907, the city and
Mayor Edward F. Dunne seemed bent on supporting municipal ownership of utilities.

Perhaps because of the legacy left by Charles T. Yerkes, the poorly run traction companies were the main targets of the municipal ownership movement, but the impact was felt by electric central station companies like Insull's as well. In fact, the rate of increase of municipally owned electric plants was greater than that of ones owned privately. In Chicago the great effort to put utility companies into municipal ownership came to a climax in 1905 when the state passed two new laws, the first of which authorized the city of Chicago to fix rates for all utility service. The second authorized the city to expand its small street-lighting plant into one big enough to compete with Insull's companies. Insull handled this dilemma quite well. He immediately cut his own rates, before any city commission could order him to do so. He also made secret negotiations with all but two of the city's traction companies, some of which had gone into friendly receivership to avoid municipal ownership, that he would supply all their future power needs. When the inspectors arrived at Chicago Edison, Insull's rates were already cut. He offered to reduce them even more if the city would give him official sanction to merge Chicago Edison and Commonwealth Electric, under Commonwealth Electric's fifty-year franchise.
The reform aldermen passed the measure, but Mayor Dunne, an adamant supporter of municipal ownership, vetoed the legislation. The rest of Chicago sighed, thinking that Insull would now not lower his rates as promised. Then Insull did something I think was truly ingenious: he cut the rates anyway! This of course immediately made Insull immensely popular with the people, and made Mayor Dunne look rather silly. In fact, Dunne tried to redeem himself by calling some accountants to check Insull's books, hoping to find that he should have cut the rates anyway. However, the accountants found that Insull's rates were already probably the lowest in the world.45 Insull finally achieved his goal of consolidating Commonwealth Electric and Chicago Edison in 1907, when Chicago's new mayor, Fred Busse, let the measure pass.46 At this time, largely because of the traction customers, Chicago Edison, along with Commonwealth Electric, was sixty times larger than it was when Insull took over in 1892.47 The new company was called the Commonwealth Edison Company, and Insull was made President. He now had achieved his goal of monopolizing the electric power supply of Chicago. His next adventure would be to control the gas power supply and the traction lines in Chicago, and to extend his influence into the suburbs as well.
EXPANDING PRODUCTION AND DISTRIBUTION OF ELECTRICITY

As Insull's companies grew, his desire to expand production and distribution grew at an even faster rate. In the first decade of the 20th century, Insull began spreading out into the suburbs to see what great things he could accomplish. In the outlying areas of Chicago he saw an opportunity to reduce inefficiency and waste by making an integrated power supply from which customers could draw at different times of the day, thereby making the same investment serve several customers at once. In 1911 Insull believed that by increasing diversity of demand and consolidating supply, he could cut down on wasted fuel and equipment, reducing the unit cost of electricity. In order to organize an electric power supply to serve every Illinois community within fifty to seventy-five miles of Chicago, Insull and his associates bought an assortment of public utilities including electric, gas, water, and interurban railway companies, in areas such as Lake County, Joliet, Cicero, Berwyn, Oak Park, and Kankakee.

In 1911 Insull formed a holding company called Public Service Company of Northern Illinois of which some thirty-nine small suburban utilities became a part. These small utility companies had served about 6700 customers in about fifty communities. In the first four years of the existence of PSCNI, service was expanded to one hundred new communities.
serving 65,000 new electric customers, and 56,000 new gas customers. This tremendous expansion of utility service outside Chicago greatly accelerated the growth of the suburbs. The Public Relations Department of PSCNI played on urban anxieties and encouraged people to move out to "the country" where their children could grow up safely and happily, but still have all the modern conveniences of the big city. Under Insull's leadership the company was able to cut rates nearly in half. This dramatic decrease in price caused an ever greater demand for power in the suburbs. In fact PSCNI had to research and develop new high-voltage transmission technology just to keep up with the ever-increasing suburban demands for power. Though the new firm was difficult to finance (Insull was the largest financial backer) it was a financial success from the start. In only five years the corporation went from being a $23 million corporation to a $50 million one.

As Insull expanded into many different suburban communities, he was forced to deal with as many city councils who were eager to meddle with the rates of his utilities. Insull wanted to make his operations as simple as possible, and for this reason, as previously mentioned, he advocated state regulation of utilities. In this system, though the state could regulate rates, he would still be able to influence operations. By 1914 the State Public Utility Commission went into operation. The cities were left only
with the right to grant or refuse franchises, not with the right to regulate rates. Perhaps because the PSCNI was such a success, Insull's vision grew until it would stop at nothing short of a complete monopoly of utility service in the suburbs. In 1913, when Insull acquired Northwestern Gas Light and Coke Company, he was the only major energy supplier in the suburbs of Chicago. By junking obsolete equipment, installing huge turbo-generators, and consolidating the supply of energy for an increasing area of distribution, Insull was able to eliminate the constraints on the supply of electrical energy, and finally achieve true economies of scale in central-station service. According to Harold Platt, Insull's extraordinary success in finance, marketing, technology, and politics serve as a testimony to the validity of Insull's gospel of consumption.

Insull was beginning to be thought of as the "grand old advisor" of the electric industry, and others in the business often sought his advice in an attempt to emulate his success. Because his superior management abilities were well known, utilities around the country often asked for his help to reorganize their companies. Insull often took payment for his help in the form of stock in the companies he was helping. This of course would only be profitable if he successfully reorganized the struggling companies. Eventually, through helping so many utilities, Insull became an officer, director,
or stock holder in utilities in Wisconsin, Indiana, Kentucky, Pennsylvania, Louisiana, and California. Though his main goal was always to control the power supply of Chicago, he was also quite involved in the business of other states.

In fact, in 1912, Insull formed and became president of another holding company called Middle West Utilities Company, whose task it was to acquire utility companies throughout the Midwest. The main objective of the new company was to extend the success of the electrification system Insull had achieved with the Public Service Company of Northern Illinois to small rural communities beyond Illinois. At the core of Middle West was a firm called Central Illinois Public Service Company, which had generating plants in Mattoon, Charleston, and the village of Kansas, with a total of 15,000 customers. Insull added plants in small communities, acquired and connected new utilities and eventually, Middle West Utilities was supplying electricity and gas to 5000 communities in thirty-two states. Once again, Insull was able to successfully consolidate equipment and capital to reduce the cost of electricity to the people in many small rural communities. The tremendous success of PSCNI was quickly duplicated by Middle West Utilities. In five years the company went from serving power to 15,000 people in the farming areas of Central and Southern Illinois to serving 40,000, and at rates nearly one-half those paid by electrical
lighting customers in small towns in other areas of the country.\textsuperscript{25}

Soon Middle West was expanding beyond Illinois and acquiring properties in Indiana, Missouri, New Hampshire, Maine, Vermont, New York, Oklahoma, Kentucky, Nebraska, and Michigan.\textsuperscript{26} Though Middle West owned and managed utilities in many states, Insull only allowed for much expansion in Illinois, Indiana, and Kentucky. He wanted to make sure he was able to supervise the increasingly-difficult management of this sprawling company.\textsuperscript{27}

Although Middle West Utilities successfully systemized and consolidated the supply of electricity and gas for many small communities in the country, it did have some financial problems. According to Milton B. Ignatius, a holding company is "one organized and existing for the special purpose of owning the shares of stock of, and by virtue thereof controlling, another corporation."\textsuperscript{28} Ignatius gives two reasons for the existence of these companies; one is in order to circumvent laws against consolidations and mergers. The other, which I am quite certain was the purpose for PSCNI and Middle West Utilities, is to unify under a common management the operations of companies whose consolidation is otherwise inexpedient.\textsuperscript{29}

Because his companies were in so many different states, consolidation was the only form that could meet Insull's
objective to integrate and organize small utilities into a system allowing for more efficient use of capital and equipment. According to Ignatius, a holding company finances its operations by marketing its own securities and using the proceeds for the purchase of shares in the subsidiaries it holds. If there has been no artificial inflation of securities and assets of the company, this method of financing is considered to be economically sound.30

According to McDonald, the financial "hocus-pocus" involved in holding companies caused corporate bookkeeping systems to get even more confusing than they already were.11 Imagine, in an age without computers, the immense task of accurately determining the assets of hundreds of utility companies in 32 different states. The possibilities for error seem endless. It is not surprising then that as McDonald says, "Middle West was better at building utilities than at making money,"12 and that this particular companies' financial methods were later called into question when Insull's empire was quickly collapsing.
A MONOPOLY OF SERVICE; ELECTRICITY, GAS, TRACTION, THE WAR

By establishing Middle West Utilities Insull was able to significantly impact the growth of public utilities in communities around the country. By creating the Public Service Corporation of Northern Illinois, he was able to gain control of the electric and gas services in the suburbs of Chicago. Since he had achieved a monopoly of the entire electric supply of Chicago in 1907, with the formation of Commonwealth Edison, it seems that the next step would be to obtain the same exclusive rights to the supply of gas in Chicago. Insull was well on his way to accomplishing this great feat in 1913 when he was voted chairman of the board of the failing People's Gas Light and Coke Company of Chicago.

The People's Gas Light and Coke Company was in a horrible mess when Insull came to the rescue in 1913. According to McDonald, "...the political and financial affairs of Chicago's gas companies were chaotic."¹ Because of the cut-throat competition among gas companies in Chicago prior to 1903, there was much wasteful duplication of facilities, and rates were unnecessarily high.² Service was also miserably unsatisfactory; many customers complained of getting the wrong gas bills every month, and only a fraction of the bills were being collected.³ Just as the public and some reform aldermen
had pressed for municipal ownership of the electric industry, they attacked the gas company as well. Unlike the electric industry, the People's Gas Light and Coke Company had no one as talented as Insull to maneuver them through the nasty world of Chicago politics and the typically bad public relations experienced by utilities in general. For this reason, The People's Gas Company offered Insull $50,000 a year to become chairman of the board, a position which would not allow him to run the company, but would allow the firm to benefit from his vast political and economic know-how. Insull flatly refused this offer, and only decided to take the position when the gas company tricked him into thinking that his powerful position as the supplier of the most economical source of industrial power in Chicago was threatened. They did this by claiming falsely that they had invented a new motor which could operate more cheaply than the electric motors of the day. According to McDonald, Insull did not realize how inherently weak the People's Gas Company really was until he became chairman in 1913.

The financial situation of the gas company was looking better until the industry started to feel the effects of a national fuel shortage brought on by World War I. By 1918 the rising cost of petroleum and coal forced the company to beg the city council for an emergency rate increase. The new increase in rates and the continuously bad service was
beginning to annoy the public, and soon the municipal ownership movement was back in the political foreground. Since 1913 Insull held only the somewhat limited position of chairman of the board, but in 1918, to save the company from complete ruin, the board of directors elected Insull president.

Insull set to work modernizing this outdated company by applying the successful formula of matching technological innovation with aggressive marketing techniques. He applied his sliding scale of rates to the gas company, and by this method was able to convince many large industrial consumers to switch from self-contained heating systems to gas. It is ironic that in time of a national fuel shortage, Insull's system rewarded greater use of energy, however, his system seems to have worked. By 1920, People's Gas Light and Coke was operating with modern equipment and was making a profit once again. In a speech in 1922 to the employees of The People's Gas Light and Coke Company, Insull referred to an employee of his saying:

...pleasant things being said of the great success to which the People's Gas Light and Coke Company has been brought, and I told him I did not understand it. The work is not finished, and I will not think the work is anywhere near finished until we can supply this community with gas at a price as low as that in effect
before the era of high cost of labor and material started as a result of the Great World War.\textsuperscript{12}

Insull's rehabilitation of this company was one of his most spectacular business achievements.

Now that Insull had achieved total control of the electric and gas supply of Chicago and its suburbs, it is not surprising that he would soon influence the traction companies as well. Between 1911 and 1914 Insull followed in the steps of Charles T. Yerkes and emerged as Chicago's leading traction magnate. The traction companies in Chicago had often been poorly managed. Some reform-minded members of the city council suggested municipal ownership as the solution to the traction problem, but for the most part, the elevated railways had been able to avoid this. By 1910, people were starting to think that the only solution to the present helter-skelter system was to consolidate all elevated railways and surface lines.\textsuperscript{13} By this time the presidents of the various traction companies in Chicago agreed on a merger, and so joined all the lines into one system. The credit of the El companies was extremely limited however, and the traction men had difficulty finding an investor who trusted that the city would allow the merger to take place.\textsuperscript{14} Commonwealth Edison, a company with superb credit and a huge interest in the power business of the transportation companies, decided to underwrite a loan of $6,000,000, the amount needed to merge the traction companies

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of Chicago into one system. In 1911 the Chicago Elevated Railways Collateral Trust was organized. Insull guaranteed the money in exchange for stock in the traction trust. He would become owner of 4/5 of all common shares of the trust, in return for his pledge to put up the cash if, for any reason, after three years the merger failed.\textsuperscript{15}

Though it seemed that the city council would allow the merger, Chicago politics took a turn, and the proposed merger never happened. Commonwealth Edison now owned its biggest customer. Insull chose Britton I. Budd to be the operating head of the trust, and under his leadership the El companies reduced rates, kept stations clean, and employed courteous conductors; all characteristics which had hitherto been unheard of in relation to the transportation systems of Chicago.\textsuperscript{16} Soon Insull began acquiring and modernizing interurban transit systems connecting Chicago with its suburbs. Although the transportation system of Chicago was not completely changed, it was remarkably improved under Insull's leadership.

In 1917 Insull had the chance to serve his community in an even greater capacity than he had before. By this time the United States had officially entered World War I, and in 1917 Governor Frank O. Lowden appointed Insull to the position of chairman of the Illinois State Council of Defense. In order to be appointed to the council, one had to have specialized
knowledge of industry, labor, transportation, or development of natural resources.\textsuperscript{17} Insull was the obvious choice for chairman, having extensive knowledge of all four criteria.

Insull's job was to promote the war by stimulating and manufacturing enthusiasm among the general public. He successfully excited people by distributing material about the war and by giving many rousing speeches. Insull's performance during the war was unique. In 1917 the state gave him $50,000 with which to work. Insull spent none of it, and when the war was over, returned the state a profit of $300,000.\textsuperscript{18} Insull made this money in part by issuing war bonds and by selling patriotic cookbooks.\textsuperscript{19}

Besides acting as hairman of the Illinois State Council of Defense, Insull also added to the war effort through his many companies. He encouraged employees to enlist, promising them a secure job when they returned. Of the 4610 Commonwealth Edison employees in 1917, 1384 of them gave their services to their country during the war. Of these 23 died in service.\textsuperscript{20} Insull also contributed to the war effort by supplying Chicago with coal, during the shortage in the war years:

At one time we placed at the disposal of the Fuel Administration 100,000 tons of coal, and as the situation became more acute..., we opened up our coal storage yards to the small coal consumers of the city...it was agreed that the first duty that we had to perform was to
see that the people were kept warm and that that was more important than the continuity of electric service in the city of Chicago.21

Insull's support of the war effort was certainly formidable. As can be seen through his dedication and hard work during the war years, he was truly a patriotic American. In a speech in 1917 Insull spoke of his dedication to the war effort:

They [employees] have enabled me to devote my time to the service of the state, which in a time like this, and for a cause which I have so much at heart,...is the greatest privilege that I can have--the privilege to be of service to the state in which I live and to the country of which I am a citizen.22

By 1918, Insull had finally consolidated the electric light, gas and power supply of Chicago and its suburbs.23 He also controlled the traction lines in Chicago and the outlying areas of the city. It was fortunate for the city of Chicago that the man who could have turned out the lights and the heat in the city, was one who instead regulated the cost of operating utilities so successfully that rates were often lower than anywhere else in the world.24 Because there was now no competition for electricity, gas, or traction lines in the city, Insull had every opportunity to ruthlessly increase rates and fall behind in service, but as was characteristic of him, he instead continued to expand and develop technology and
service in order to maximize profits to the stock holders and minimize cost to the consumer.

Considering Insull's excellent public relations policies, including low rates; it is not surprising that he was very popular with consumers of electricity and gas. Perhaps less known, but equally impressive, was Insull's popularity with his employees. He was determined to create happy employees who he knew would then be efficient workers. Insull believed in "first cordial relations with the community and then cordial relations with the employees."23 He espoused this policy in the beginning of his career, but it was after World War I that Insull began enacting his beliefs on a grand scale. The "Insull Mrn," according to McDonald, was one who believed in the worthiness of the public service he was doing.26 Insull men were "fiercely proud and intensely loyal," and years after Insull's name was blackened, were men who still respected him and spoke his name with reverence.27

Insull had many characteristically ingenious methods of creating these "Insull Men." One of these methods was to give employees an abundance of material intended to increase their loyalty to the company, and their pride in their work. For example, Insull and other company officials often made speeches to employees, encouraging them to work diligently and honestly for a worthy industry. In a speech to employees of the Peoples Gas Light and Coke Company in 1923, Insull said:
All of us, from the highest to the lowest, from the president down to the humblest worker... have reason to congratulate ourselves that we are associated with a business such as ours, which has overcome its troubles... and is satisfactory not only to those who work in the business but to those who own the business and to the whole community as well.  

Besides giving many inspiring speeches, Insull created excitement and dedication among employees by distributing regular company bulletins, a lively company magazine, and many informative pamphlets like, "The Thing That Will Count the Most When You Want To Be Promoted," which contained helpful information such as how to be serviceable in unexpected ways and how to gain favor by working over and above one's job description. The pamphlet also encouraged employees to be organized, neat and able to care for their own affairs, "A man who can handle his own affairs well can usually direct others." All these devices constantly reminded Insull employees that they were in the service of the public, in the best public service organization in the world.

Inundating employees with positive information about their company was one way to create proud and loyal employees. Insull was also able to create dedicated "Insull Men" by showering them with fringe benefits. Some programs which existed before the war, and remained into the future, were
employee pensions, disability compensation, medical care, and education. After the war Insull added many new programs including a huge cafeteria for employees of Edison, Public Service, and Middle West, free life insurance policies, and an optional group plan for additional insurance. In 1922, People's Gas Light and Coke, Commonwealth Edison Company and the Public Service Company of Northern Illinois collaborated to purchase a large resort area on Lake Delavan, Wisconsin, where employees could vacation at a nominal cost. At the resort, employees of these Insull companies could camp out, stay in the hotel or in cottages, and could enjoy activities such as swimming, boating and fishing. In a speech to employees of People's Gas Light and Coke in 1922, Insull described the purpose for the resort:

We want you to feel that it is your place. We have no axe to grind in purchasing it except to add to your pleasure and comfort and to help you build up your health resources. We want the place not only to add to your enjoyment but to be a help in building up the acquaintanceship, friendship, and fellowship of our institutions.

Such fringe benefits were understandably popular with Insull's employees. It is not surprising that Insull, being the keen observer that he was, knew exactly how to keep everyone happily and efficiently working for him.
Insull also encouraged group activities among his employees in an attempt to facilitate a sort of family atmosphere in the workplace, "We want to get as near a family affair as we possibly can." He did this by sponsoring company recreational activities. Edison sports teams, as they were called, participated in many amateur competitive sports. He also created many employee organizations such as savings and loan associations and mutual benefit associations, institutions which provided a means by which large numbers of employees became stockholders in Insull companies. Employees were always encouraged to become stockholders, both individually and through group installment purchases. By the mid 1920's the overwhelming majority of Insull employees owned stock in the companies. There were also social and educational organizations for employees such as the Edison Club and the Electra Club for female employees. There was even an Edison Choral Club, and Edison Players Club, and an Edison Symphony Orchestra! There were also solely educational organizations like the Chicago Central Station Institute, founded in 1912, and created for the purpose of "organizing and conducting special educational courses for present and prospective employees of the supporting companies." The courses followed the work of Edison men, and contained practical as well as theoretical instruction, free of charge to the students. Insull was very patriotic, and it
is not surprising that Commonwealth Edison sponsored a post of the American Legion, which was one of the largest and most active posts in the state of Illinois. The club consisted of 500 employees who served in World War I.\textsuperscript{39}

Employees of Insull companies also had excellent representation plans. Commonwealth Edison's representation plan was created in 1921. The plan enabled employees to have a voice in their relations with the company and included an Industrial Relations department devoted to employment, health, safety, education, employee-management relations, and even included a Dean of Women, whose task it was to "promote the well being" of the company's women employees.\textsuperscript{40}

Insull was also able to create high-quality employees by demanding that they perform to the best of their ability, at the workplace and in the community. All employees, from the president to the night janitor, were surrounded with demands that they take up, on their own time, some form of community service activity. According to McDonald, Insull set the example, and no "top-ranking official was safe unless he was actively engaged in some sort of charitable work."\textsuperscript{41} Insull's philosophy was this: "You represent your company and your community. Be a credit to both."\textsuperscript{42} According to McDonald, Insull's example was a hard one to follow. In the late 1920s, at the height of his career, Insull gave away more than he earned, partly by financing unconventional projects like the
In 1922, Insull and his attorney and close friend Daniel Schuyler rounded up some of their friends and associates and founded a community center for black children in Chicago. In 1923 this same group of investors formed the South Side Boys' Club, also for black children. Both of these facilities provided much-needed recreation, job training, and wholesome environments to play in.

Although Insull spent much time and money supporting charitable activities and training others to do so, some have chosen to ignore his good works completely. As described by Lee Mortimer: "Insull rose to the top of Chicago society though he cared nothing for it." It is hard to believe that this has been said about a man who believed in charity as a way of life. Insull's actions, however, are proof enough that he believed what he said about community service:

When you get through with that [taking care of your family] you want to do your duty as a citizen; you want to support, to some extent, be it ever so small, a good many of the institutions of the community to which you owe protection and in which you obtain your livelihood.

Insull considered his employees to be part of his family. He was always willing to hear complaints from them, and was able to convey that he cared about the individual.
example, in 1923 Commonwealth Edison launched an "Americanization program" which conducted classes to aid foreign born employees in learning the language and customs of America and to pressure them to become citizens. Normally, those who did not apply for U.S. citizenship were denied some company benefits; however, when Insull found out that there were nine foreign employees, none of whom were eligible for citizenship, he called a special meeting and gave these employees full benefits. Furthermore, when the market crashed in 1929, Insull quickly went to the rescue of those of his employees who needed help, by supplying, from his personal portfolio, whatever additional collateral they needed.

The overall success of Insull's companies in the 1920's is a testimony to the success of his post-war employee programs. Insull's companies tended to create dedicated employees who were content enough to serve the system and the community for a lifetime. For example, as reported in the 1923 Commonwealth Edison Yearbook:

The majority of those who take employment with the Commonwealth Edison Company do so with an idea of making it a lifetime work. This is strikingly indicated by the fact that at the close of 1922, ...there were 949 [employees] who had been employed five years; 629, ten years; 317, fifteen years; 151, twenty years; 77,
twenty-five years; 31, thirty years; and 11, thirty-five years.

Insull's employee program was so successful in fact, that in the 1920s many utilities, and companies in other industries, fashioned their own programs after it, oftentimes with great success. According to McDonald, because of the extremely generous and personal nature of Insull's employee plan, it was generally unpopular among the "moneyed." It seems that Insull's overall philosophy for his employees was characterized by the Golden Rule: "Do unto others as you would have them do unto you," which as we have seen is effective as well as generous and kind:

You will find that your progress will be very much easier if you will give "a leg up" to the fellow under you. I am not sure but that that quality has as important a bearing upon successful achievement as any.
Insull's power, influence and fortune were rising dramatically in the 1920's. Though there had been a financial crisis in the years following the first World War, Insull was able to come up with creative new ways of raising capital, successful enough to pull his companies safely out of the economic slump. The first financial idea began as a public relations device. Around 1914, one of Insull's district managers, Fred Scheel, said he needed money for improvements on equipment in his district. Insull told the man he would have to wait because the improvements would cost too much; but he did give Scheel permission to attempt to raise the money on his own. Scheel started what was to become an incredibly popular campaign of selling preferred stock to the customers in his district. Insull recalled this financial success during the post-war money drought, and soon established a security-selling department in each of his major companies. Scheel trained a force of salesmen, who in turn trained employees to sell stocks to friends, neighbors, and customers. The program was a tremendous success. For example, at the war's end, Middle West and its subsidiaries had only 6,000 security holders. By 1928, the company was owned by 250,000 people. This success was shared by all of Insull's companies; and by 1930, one million people owned stock in Insull.
companies. The system was so successful, in fact, that soon Insull no longer had to sell securities. Customers fought for the privilege of owning stock in an Insull company. These statistics are not surprising, considering the enviable record held by Insull's companies. The 1924 Commonwealth Edison Yearbook stated:

Edison shares have a remarkable record. Dividends have been paid by the company and its principal predecessor, the Chicago Edison Company since 1889—35 years without interruption....The stock has not sold below par—$100 a share—since 1909, and has been quoted in the investment market as high as $155 a share."

The second financial device was large-scale retailing of corporate bonds. This successful plan was mainly organized by Harold L. Stuart, of Halsey, Stuart and Company. Stuart, who like Insull believed in the future of rural utility systems, started to build a market for their bonds, and in so doing discovered something few others had; the hidden power of mass marketing. If a company was owned by four or five large investors, it would necessarily have to obey the orders of those four or five. If, however, a company was owned by one thousand investors, it would have a freer hand in its operations. In the 1920's, Insull started using Stuart for large-scale financing as well as for the financing of the small rural utilities. This really annoyed the New York
bankers who saw themselves being excluded from a very lucrative business. Insull had always tried to avoid financing through New York banks, preferring to go through Chicago, and sometimes London. According to McDonald, these two financial devices temporarily broke the stronghold New York bankers had on the economy. They also brought about, as McDonald says, "huge corporations owned by everybody, and therefore owned by nobody." This in turn created a new hired managerial class, which replaced the old owner-management system. In the 1920's, Insull's new customer-ownership program spread quickly through the country, and had lasting effects on American capitalism.

During the 1920's Insull continued to uphold his doctrine of expansion. In 1923 he created another holding company, Midland Utilities Company, to handle the overflow from the increasingly large Middle West Utilities. This company managed utilities serving 700 communities in Indiana. Insull became president and made his son, Samuel Jr., his assistant.

By 1929 Insull had reached the height of his career. His empire now consisted of properties equalling a total worth of $3,000,000,000. The five major companies under his leadership were Commonwealth Edison, a $400,000,000 company only serving electricity in Chicago; People's Gas Light and Coke Company, a $175,000,000 corporation serving gas only in Chicago; Middle West Utilities Company, representing an
investment of $1,200,000,000, and managing utilities in 32 states; The Public Service Company of Northern Illinois, a $200,000,000 company serving gas and electricity around Chicago; and Midland Utilities, the new holding company formed in 1923, and serving gas and electricity to communities in Indiana. The three minor elements in Insull’s empire were the elevated railways in Chicago, the three interurban electric railways connecting the suburbs to Chicago, and the North American Light and Power Company, formed to connect Insull’s properties with properties around St. Louis.

Altogether Insull’s companies served more than 4,000,000 customers and produced about one-eighth of the electricity and gas consumed in the United States.

By the late 1920s Insull was enjoying tremendous success both in the public utility business and in the community. Since his early days in London, Insull enjoyed a few diversions from work such as the theatre and the opera, and in 1925 his wife Gladys gave him an opportunity to support theatre in Chicago. When Insull met his future wife she was an actress in a company from New York, performing in Chicago. Insull was smitten with her and succeeded in convincing her to give up her acting career in New York to become his wife. They were married in 1899, and one year later their only child, Samuel Junior, was born. Gladys did give up acting for marriage, and for twenty-five years she spent her time running
the Insull household and raising her son. But after Samuel Jr. was grown, she started to miss her old theatre life and asked Insull to support her in a return to the stage. Insull consented, and in 1925 Gladys starred as Lady Teazle in *School For Scandal*, in a series of performances at the Illinois Theatre.18 The play, which ran for two weeks, made $140,000, all of which was donated to St. Luke's Hospital in Chicago.19

The play was so successful that Gladys was inspired to start her own theatre company, which she did with Insull's support. Insull leased the Studebaker Theatre where Gladys presided as director and producer for five years, at which time the company closed down. Although the company was short-lived, Insull managed to make a profit on the venture.20

Greater than Insull's support of the theatre in Chicago, was his patronage of the opera. Before Insull took over, Harold McCormick and Edith Rockefeller had been backing the opera, which was then called the Chicago Grand Opera. Their last season had been in 1921/22, with the famous soprano Mary Garden acting as general director. Although she created a spectacular season, she also created a spectacular deficit, one which exceeded one million dollars.21 In 1922 the opera was reorganized into a new company called the Chicago Civic Opera, with Samuel Insull as president.22 Insull knew that opera on a truly grand scale was expensive, and huge, uncontrollable deficits often resulted from poor management.
For this reason, and because Insull was first a financier, he decided to take financial control away from the artists and run the opera as a business. According to one of the vice presidents of Commonwealth Edison, Insull had three objectives in mind when he took over the opera in 1922:

One was to popularize opera and attract more people to performances; another, to educate the average businessman to the realization that opera would help round out the cultural life of the city; and third, to place the whole opera project under more businesslike management with practical men running its business side rather than being under the overall direction of the artists.21

Insull planned to finance the opera through guarantors, each to subscribe $500,000 before each season, for a five year period. He first called for 2000 guarantors, but before long the number of subscribers reached 3200.24 The musical director was Giorgio Polacco, and some of the new artists in the Chicago Civic Opera Company were Claudia Muzio and Cesare Formichi.25 Insull's business-like approach to opera in Chicago annoyed many music lovers who felt that the new strict budget system hampered the artistic resources of the opera.26 Despite this attitude, the general public seemed to be enjoying opera in the twenties. One critic described a spectacular performance of Boris Godunov in 1922-23:
What a combination it was! It was color, pageantry, drama, music, and a singing actor in the principle role who started a thrill with every tone and even gesture....It may be that one of these days or years the Civic Opera company will be able to bring out something more magnificent in picture and music. But last night's achievement so far surpassed anything that has been done before that the company has set a difficult record to equal.27

In 1925 Insull proposed to move the opera from the Auditorium Theatre to a new opera house which would be part of a new million-dollar skyscraper. The opera would be on the ground floor with the top floors leased as office space. The rent from these offices would cover the debt of the opera, and enable the contributors to make a profit.28 To finance this great project, Insull obtained $10,000,000 through the subscription of individual music lovers. He also borrowed $10,000,000 from Metropolitan Life Insurance. The new building, located at 20 North Wacker Drive on the Chicago river, was started in 1928 and completed in 1929. Built by Graham, Anderson, Probst and White of Chicago, the new opera house, complete with a large ground floor, two balconies, and thirty-one boxes, seated 3500 people, all with an unobstructed view.29 The large stage had a progressive lighting and power system making quick scenery changes possible.30 The acoustics
were also superb, (not surprising since Insull's architects studied the design of famous opera houses around the world)." The radical construction of the new theatre attracted worldwide attention, and according to Ronald L. Davis, the new opera house was one of the best-equipped houses in the world at the time it was built.12

Insull also created a non-profit corporation called the Chicago Music Foundation whose job it was "to train and educate men and women for the production of opera, and thereby make Chicago a music center worthy of its place in the world's affairs."13 The foundation also operated the new opera house.

Despite the grandeur of the new home of the Chicago Civic Opera, some people still complained. Because Insull believed that opera, like electricity, should be enjoyed by all the people, the new opera house did not have any prominent boxes. According to McDonald this annoyed some high-society people who would now be unable to display their costly jewels and furs.14 Relocating the opera to this new democratic building, and doing things such as staging German and Italian operas rather than French ones, angered and disgusted many people, such as Mary Garden, who thought that Insull was "vulgarizing" Chicago opera.15

Insull had no patience for these nay-sayers, and felt that if they knew what they were talking about, they might
have tried to support Chicago opera, and done so more
successfully than he:

When the critics of the new opera house talk to me I
listen and generally shut them up with a simple
question..., 'And what would you do to change it?...It
seems to me that there are developing in this town a
group of persons who feel their sole function in life is
to criticize everything that anyone else does...They do
nothing themselves, but think they can do everything
better than the other man.'

Despite the criticism of the "mental belly-a-pers," as Insull
called them, the new opera house opened with a performance of
Aida, sung by Rosa Raisa, on November 4, 1929, only ten days
after the stock market crash. Despite the financial crisis,
Insull was feeling secure enough to go on with the opening of
the Opera, and the 1929/30 season was quite a success.

The people of Chicago certainly felt the devastating
effects of the great depression, and attendance at the opera
was declining beginning in the 1930-31 season. By the 1931-32
season the Chicago Civic Opera Company started a campaign to
raise more funds. The opera needed $500,000 a year for the
next five years in order to continue operating, but was unable
to raise all the money. On January 30, 1932 the opera gave
its farewell performance, marking the end of the Chicago Civic
Opera and the end of an epoch. The building at 20 North
Wacker drive remains as a monument to the greatness of the Chicago Civic Opera and to the talent and power of one of Chicago's greatest businessmen.

Insull could have spent his great wealth only on himself, but he chose also to use it to improve and enrich his city. He loved Chicago, and he worked diligently to produce its energy at an affordable price and through charitable works and through the patronage of the arts, to contribute to the general well-being and happiness of its residents. Few people have given our society so much, and been so cruelly misrepresented for it.

Unfortunately Insull was not allowed to enjoy his tremendous success for very long. If Insull's empire had only to cope with the stock market crash of 1929, he probably would have come through all right. But because people will be greedy and can be ruthless, by 1932, Samuel Insull, the man who had electrified Chicago and cities in 32 states in the Union, was a man without a job.
Around 1928 a group of "stock gamblers," headed by Cyrus Eaton of Cleveland Ohio, quietly started to buy large blocks of stock in Commonwealth Edison, Public Service Company of Northern Illinois, and People's Gas Company. Though Insull's companies had been the target of raiders before, none had seemed to be cause for much alarm. However, as Eaton acquired more and more shares of Insull's operating companies, Insull worried that he might lose control of his companies. In order to ensure his continued management, Insull, in 1928 and 1929, reorganized his companies into two investment trusts, Insull Utility Investments Inc., and Securities Company of Chicago, which were created to buy stock in Insull's utilities. Insull and his associates would have controlling shares of the trusts. Insull put $10,000,000 of his own holdings into the trusts and started a campaign encouraging ordinary people to buy, buy, buy! The campaign seemed to be working. Soon $143,000,000 of new stock was in the hands of many small investors in Illinois. In the Summer of 1929, the increase in value of Insull securities was incredible. According to McDonald, "In the fifty days ending August 23, Insull Securities appreciated at a round-the-clock rate of $7,000 a minute, for a total rise of more than half a billion dollars."
Though these figures were intoxicatingly attractive, Insull knew the securities were extremely inflated and too good to be true. He did his best to keep the market down.5

Despite the devastating stock market crash of Fall 1929, Insull securities remained high. He even continued to conduct "Business as Usual," as he described in a speech in December of 1929:

"Business as Usual" ought to be considered as a catch phrase, standing for adherence to the faith which has sustained us in the past, for calm assurance of the soundness of our policies of today, and for abiding confidence in the future... myself and my associates do believe that business will be about as usual in the forthcoming year... We are convinced that the credit situation of the country is good;... that money, in fact, is plentiful.6

Insull had the usual plans for expansion and was feeling rather secure, until mid-1930 when Eaton informed Insull that he was going to liquidate his Insull holdings. This was seen as a serious threat because although Eaton had not tried to depose Insull, other, more vicious raiders might try to do so in the future. Furthermore, if Eaton's large block of stocks was allowed to be dropped on the open market, the value of the stocks might plunge, causing the two new investment companies to collapse. Insull had been promised by the Continental
National Bank of Chicago that if he bought out Eaton, he would be covered, but as it turned out, Continental could not finance the entire purchase. Insull was forced to turn to the New York banks on short notice, to secure a short-term loan. He used the loan and loans from Chicago banks to buy Eaton's Insull holdings for $56,000,000. Insull, now overly extended, was in an extremely precarious position.

-New York Banks Gain Control-

In Fall 1931 there was another financial panic, and the market was falling too fast for Insull to do anything about it. By September, Insull Utility Investments, Corporation Securities, and Middle West Utilities lost $150,000,000 of their market value. Though not one of Insull's operating companies collapsed, his New York creditors kept insisting that Insull's entire empire was on the verge of complete failure. According to McDonald, in order to shake the stockholders' faith in Insull securities, the New York financiers, associated with the House of Morgan, stooped to telling lies about Insull. They spread rumors on Wall Street such as, "Insull has committed suicide;" "Insull has been seen leaving a New York bank in tears;" "Insull is ill and his mind has snapped;" "Insull and Eaton are locked in a battle to the death, and Eaton is winning." The New York banking power was
trying to drive the price of Insull stock so low, that Insull would be forced to put up as collateral Insull Utility Investments and Corporation Securities. Since these two trusts owned the Insull operating companies, control of them would mean control of the whole empire. As the market careened ever-downward, Insull was eventually forced to hand over the trusts to the New York banks. The situation was worsening as Insull's bank notes were coming due. The New York bankers were unwilling to roll over a $10,000,000 note, and in April 1932, Middle West Utilities went into receivership.

The bankers, who were trying to avoid looking like the villains who caused half a million small stockholders to lose their life savings, deliberately set out to make Insull into a scapegoat. Though Insull Utilities Incorporated, Corporation Securities and Middle West were already in receivership, Insull's three operating companies were in relatively fine financial condition. The companies had notes due in July, but they also had the capital-raising ability needed to pay off the debts. Despite Insull's ability to pay his creditors, the New York bankers saw their opportunity to make Insull look irresponsible and at fault. They would simply maintain that in the wake of the receiverships and scandal, the credit of Insull's operating companies would fail if Insull remained in charge. It is difficult to understand why the public believed
this lie. After forty years of tremendous success and innovation, how was it possible that these bankers could convince people that Insull was now incompetent? To oust Insull from power, they only had to convince Insull's other creditors in Chicago that he must go. Even though some of the Chicago bankers had wanted to help Insull, next to the great money power of New York, they were helpless.  

New York triumphed and was able to convince Chicago to desert their leader. On June 4, 1932 Insull was informed that his creditors were demanding his resignation from all his companies. Considering the tremendous popularity of Insull among the stockholders, employees, and the business community of Chicago in general, it is surprising that there was not a greater show of loyalty. For example, in 1930, this resolution was offered at a stockholders meeting and was unanimously adopted by the 2000 stockholders present:

RESOLVED: That we express our gratitude to our President for his efficient and faithful service for a continuous period of thirty-eight years, which has resulted in developing in and about Chicago the largest and most successful electric light and power system in the United States, of which the Commonwealth Edison Company is the center and the most important factor. The world recognizes Thomas A. Edison as its greatest inventor, and likewise Samuel Insull as the greatest
financier, organizer and developer in the electric industry.\textsuperscript{17}

Though many associates, friends and stockholders continued to support Insull, the Chicago banks, who could have helped, could not stand up against New York. On the morning of June 6 Insull resigned as the head of 60 corporations nationwide. He also turned all his assets and those of his family over to the bank directors. It is hard to imagine what heartbreak this must have been for a man who had dedicated a lifetime to building up an industry, only to have it stolen from him, and then have his name blackened in spite of all his good work.

Though no charges had been filed against Insull, he decided to go to Paris in an attempt to heal his frazzled nerves. While he was away, his good name and reputation were dragged through the mud by the press and many politicians. It was an election year, and as any seasoned politician knows, it is always helpful to find a public enemy to campaign against. The politicians had to find someone to blame for the great depression, and Insull was the obvious target.

Sam Insull is the greatest man I've ever known. No one has ever done more for Chicago, and I know he has never taken a dishonest dollar. But I've got to do it.\textsuperscript{18}

These words were spoken by John Swanson, friend and admirer of Insull's, and Republican state's attorney for Cook County who was worried about re-election. For a while, Swanson refused
his advisors' suggestion of capitalizing on Insull's demise to win the election, but eventually he gave in and launched a campaign against Insull that spread to political campaigns around the country. The Democratic presidential candidate, Franklin Roosevelt, was one of the foremost politicians to use Insull's fall as a rallying point. He made condemning speeches all over the country in an attempt to give the people what they wanted--a reason for the terrible losses they had endured in the depression years.

The outcry against Insull grew so loud that in October 1932, the Cook County grand jury charged Insull and sixteen associates with embezzlement, larceny, and larceny by bailee. Soon after, the federal government joined the crusade, and asked Insull to return to America for questioning. Hearing the angry cries of the lynch mob, Insull decided to stay abroad until the political storm had quieted. Insull traveled to Greece, whose government refused the U.S.'s request for Insull's extradition.

Insull was not without support. Most of his former employees remained intensely loyal, and even many of the small stockholders who had lost their shirts when Insull lost his still thought of him as a great man. According to McDonald there was even a labor boss, impressed with Insull's fairness to union laborers, who approached Samuel Jr. and offered to
"shoot the businessmen he reckoned were responsible for
Insull's fall."\textsuperscript{22}

The U.S. State department continued to put pressure on
the Greek government, and eventually, in Spring 1934, Greece
ordered Insull to leave the country. In March of 1934 Insull
was arrested in Istanbul and taken back to America aboard the
S.S. Exilona. According to his escort, Burton Berry of the
American embassy in Turkey, while aboard the Exilona, Insull
was very depressed and often cried. He even mentioned
suicide.\textsuperscript{23} When Insull arrived in Chicago he was treated more
like a common criminal than like the man responsible for the
afford 'e electrification of thirty-two states. Though
Samuel Jr. and Insull's lawyers had been advised that bail
would be $100,000, at the last minute the amount was raised to
$200,000.\textsuperscript{24} Samuel Jr. only had enough money for half the
bail, so Insull, who was seventy-five years old at the time,
had to spend the night in jail with vagrants, criminals, and
even a thirteen-year-old boy charged with murder.\textsuperscript{25}

The first federal trial, which was for mail fraud, began
in October 1934. Insull and his associates were accused of
conspiring to sell worthless securities to the public. The
prosecution, led by Dwight H. Green and Leslie E. Walter,
built its case on mountains of complicated evidence including
hundreds of company records and confusing accounting
procedures.\textsuperscript{26} Prosecution's goal was to peg Insull as a symbol
of the business evils that led to the depression. They tried to make Insull look extravagant by pointing out his $500,000 a year salary, but the defense pointed out that Insull's charitable contributions often exceeded his salary.

The defense, led by Judge Floyd Thompson, asked the jury if they could "take seriously a charge that this man--rich, powerful, respected, idolized after a distinguished career spanning five decades--decided to take up crime in 1929?" Insull took the stand in his own defense by telling the court his life story, and thereby succeeded in completely enthraling the judge and jury. Insull's fine character and the extraordinary success of his operating companies was enough to convince the jury that he understood the art of utility management, and that he had operated honestly and in what he thought to be the best interest of his customers and stockholders. They took less than two hours to acquit him.

The first state trial was for embezzlement, of which Insull was acquitted in March 1935. The second federal trial was for violation of federal bankruptcy laws, and Insull was acquitted in June 1935. The crusade against Samuel Insull brought about many new regulatory measures including anti-holding company laws, and the creation of the Securities Exchange Commission. Despite all the political fury and the loss of their leader, Commonwealth Edison, People's Gas Company, and Public Service Company remained reasonably
strong, and continued to serve affordable gas and electricity to tens of thousands of customers.

After the trials were finished, Insull’s wife Gladys refused to live in Chicago or London, so they moved to Paris. Because Insull’s pensions had been restored they were able to live comfortably. In May 1938 Insull took his last trip to Chicago to visit his son and some old friends. Two months later, on July 16, while waiting for a train in a Paris subway station, Insull had a heart attack and died alone. For hours his body was unidentified. Most likely he was robbed because the Paris Police report said he had nothing in his pockets but a little change and a silk handkerchief monogrammed with the letters “S.I.” In a speech describing Insull’s accomplished life, his friend and colleague John Gilchrist said:

Fifty wonderful years in which there has been hardly a dragging moment, years full of action; of courage; of battling with conditions; of overcoming difficulties; of close mingling with his fellow men; of progress and accomplishment; of human sympathy; of rare sentiment; of great kindness; of truth, honor and justice; of patriotism; of wise foresight; of discipline; of education and culture; of marvelous balance and common sense; of vigorous, red-blooded life.34

A vigorous, red-blooded life is indeed the kind of life Samuel Insull led. Of course no one is perfect, and perhaps Insull
would have fared better had he believed a little less in himself. But confidence and stubborn determination in the face of sure disaster was something Insull lived by. It would have been uncharacteristic of him to have done anything but what he did.
CONCLUSION

It is simple enough to understand why the New York bankers wanted to destroy Insull; they had a lot to gain by taking over the greatest electrical power company in the world. It is also simple to see that the politicians had much to gain by using Insull's fall as a rallying point in an important election year. But why did the general public believe the accusations made against the man who had supplied them with affordable energy for forty years? They had certainly liked him well enough in the 1920s, when they fought for the privilege to buy stock in his companies and praised him for his dependable and efficient service.

In 1932, in the middle of economic disaster, people were completely devastated. Many had lost their life savings and felt that their future was bleak at best. They needed, as people always will, something or someone on which to place the blame for their pain. Had the politicians said, "It was the whole system that failed us, no one person is to blame," the people's anger would have remained unabated. They needed something specific upon which to focus their rage. Insull was the obvious choice. After all, he did not appear to have suffered so greatly during the depression. He was rich and powerful, and a symbol of the system that had failed so many
small stockholders and businessmen. Why not blame all the financial troubles on him?

In their rather understandable fury, people seemed to forget the many years of utility service Insull had given them. They forgot about Insull's many charitable works in Chicago and his support of the opera. They forgot that it was Samuel Insull who raised so much money during the war years and employed many of their brothers and husbands when they returned from the battle. They also forgot the many years they had made such spectacular returns on their Insull holdings. The angry public forgot, or chose to ignore, the fact that Insull had tried desperately to keep the market from crashing, and that he also lost everything he had gained in his forty years in Chicago. It was never Insull's intention to sell worthless securities to the unsuspecting public. As the juries unanimously decided, Insull honestly believed that he could hold on long enough to save his companies. For the first time in his life, Insull's optimism failed him.

Why did Insull fail? The immediate cause was the financial disaster of the early thirties and the successful looting attempts of certain New York financiers. Perhaps Insull was just too old and tired to win this final battle. Or perhaps it rains on the just and the unjust, and bad things happen to good people. A Naturalist writer like Stephen Crane or Theodore Dreiser might say that Insull, being a man like
any other man, was powerless to change the mind of all-powerful Nature; that every event, act or decision is the inevitable consequence of antecedents that are independent of the human will, therefore rendering human choice totally meaningless.

Despite Insull's fall, and regardless of the reasons for it, his legacy remains. There is not a person alive in America who has not felt the effects of Insull's tremendous successes. A hundred years ago, electricity was a luxury. Samuel Insull made it commonplace. He made it affordable. Today almost everyone in America goes home at night, flips a switch, and light fills the room. We turn on the radio and listen to the news. We open the refrigerator and take out something cold to drink. These luxuries we now enjoy might not have been possible if Insull, or someone like him, had not dreamed of lighting up America. We ought to remember who is responsible for pioneering the electrical power business, an undeniably important step in the modernization of America. I doubt Chicago would still be "living by candlelight" had Insull not appeared on the scene; however, someone was destined to be the vehicle of modernization. Despite the damning rhetoric of the press and the politicians, Samuel Insull was an excellent choice.
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4Ibid., p. 8.

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12McDonald, p. 22.


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23Ibid., p. 38.
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27Ibid., p. 42.
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3Andrews, p. 143.
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9Ibid., p. 44.

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4. Platt, p. 188.
5. McDonald, p. 144.
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*McDonald, p. 205.

*Schuyler, ed., p. 334.


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