

# THE FINANCIAL HISTORY OF PITTSBURGH THE EARLY PERIOD, 1816-1865

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THE FINANCIAL history of the city of Pittsburgh may be divided quite logically into three main periods. The first of these was a period of development which began with the incorporation of the city in 1816 and continued through the Civil War years. Following this early period was a middle period characterized by the annexation of new territory, beginning with the annexation of the East End in 1867 and including the acquisition of the South Side boroughs in 1872 and the North Side in 1906. Adoption of the present city charter and the extensive reorganization of accounting procedures in 1911 made that year the logical starting point of the present, "modern" period.

It is the purpose of this article to trace the fiscal affairs of the city of Pittsburgh through the first of these three periods, from 1816 to 1865. In this era were found the beginnings of the bonded debt, the evolution of property and business taxation within the city, the first use in Pittsburgh of special assessments and sinking funds, the development of the first public schools, and the establishment of a municipal waterworks.

A crude and decentralized committee system of municipal administration characterized the government of the city from its incorporation in 1816 until long after the end of the Civil War. The original city charter vested the principal powers of municipal government in a bicameral, unsalaried city council. Administrative duties now handled by city de-

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partments were performed by permanent "standing committees" representing both branches of council, the most influential of these being the committees on finance, streets, water, gas light, fire engines and hose, markets and railways. In addition to the councilmanic committees, certain administrative functions were performed in the early period by semi-autonomous boards or commissions. Among these were the Guardians of the Poor (1847), Board of Health (1851), and Board of Education (1855). On the other hand, the mayor was primarily a law enforcement officer and possessed very little in the way of appointive or administrative powers.

#### MUNICIPAL EXPENDITURES

The total annual expenditures of the city increased from about \$12,000 per annum in the earliest years of city government to \$40,000 in 1830, \$194,000 in 1850, and \$523,000 in 1865. On a per capita basis annual expenditures amounted to about \$2 for each man, woman, and child in 1816, and approximately \$6.50 in 1865.

*Waterworks*—The construction and extension of the municipal waterworks were the objects of the largest capital outlays made by the city councils during the first fifty years. This was particularly true when the first waterworks was being built, expenditures for this purpose constituting more than forty per cent of all expenditures during the years 1827-1833.

The original pumping station was located at the foot of Cecil's Alley on the Allegheny River, and the reservoir was located at the southwest corner of Fifth Avenue and Grant Street.<sup>2</sup> Both the pumping station and the reservoir soon proved far too small to fill the growing need, and the cutting away of Grant's Hill left the reservoir high in the air. For these reasons new waterworks were constructed in the early

<sup>2</sup>Leland D. Baldwin, *Pittsburgh, the Story of a City*, 206 (University of Pittsburgh Press, 1938).

1840's. This expenditure of the 1840's amounted to about \$240,000, and was financed, for the most part, by the issuance of scrip.<sup>3</sup>

A further improvement in the water system of the city was made in 1850, including new reservoirs, ascending mains, engines and pumps. By the end of 1850, over twenty-one miles of water pipes had been laid, and 6,630 dwellings, stores, and shops were being supplied with water. At this time, it was claimed that the average amount of water supplied by the Pittsburgh waterworks to each consumer was greater than the per capita water consumption of any city with which the water committee exchanged reports.

From the time the first waterworks was begun until February 1, 1870, capital outlays for the city waterworks amounted to more than \$1,100,000.<sup>4</sup>

*Streets and Sewers*—Prior to 1850, the city councils practiced the most rigid economy with regard to the improvement of the streets of the city. The average expenditure for grading and paving during the period 1840-1845, for example, was only about two-thirds as great as the \$5,455 appropriated for paving and grading in 1817. By the middle of the 1850's, however, the amounts expended annually for the city streets had increased sharply to about \$15,000 a year, plus an annual expenditure of about \$1,000 for sewerage.

Such street improvements as were made before the end of the Civil War consisted mainly of necessary repairs and the piecemeal laying of cobblestone pavements. Although contributing greatly to the noise of the city, these rough stone pavements did make it possible to scrape the streets more efficiently, or to flush them with water. An unsuccessful experiment was made in 1837 with the laying of a pavement of wooden blocks on what is now Sixth Street. The first flood caused these blocks to swell and burst from their anchorages, after which the chastened city engineers went

<sup>3</sup>Report of the Water Committee for 1843.

<sup>4</sup>Annual Report of the City Controller, 1870.

back to the rougher, but more durable, cobblestones.

The first street lights to be used on the streets of Pittsburgh were a few whale-oil lamps that were put up about 1816, but were soon removed because mischievous boys persisted in breaking them. The streets then remained dark until about 1830, when oil lamps were installed once more. These were replaced by gaslights in April, 1837, when the Pittsburgh Gas Company began manufacturing illuminating gas from bituminous coal.<sup>5</sup>

Several short sewers were constructed in the central business district of the city in 1848 and 1849, this being the first serious attempt to provide any part of the city with sewerage. By 1865, a fairly adequate system of main sewers was serving that section of the city.

Street and sewer improvements were financed in the 1816-1865 period by taxation, occasional borrowing, and special assessments on abutting property. One of the earliest incentives to the improvement of streets was provided by the original city charter, which specified that when three-fourths of the property owners on any street made written application and secured the approval of the city councils, they could have the street paved at their own expense, under the direction of the street commissioners. The mayor then gave each of these owners a certificate of expense, granting him credit on the annual city taxes.<sup>6</sup>

The financing of street and sewer construction by means of a special "Improvement Tax" stimulated construction between 1850 and 1857. However, the advent of large-scale expenditures for the improvement of streets and sewers awaited the development of suitable measures for the division of the cost of such improvements among the owners of property benefiting thereby. The first such special assessment law in Pittsburgh went into effect in 1857.

*Bridges*—Throughout the first fifty years of the city gov-

<sup>5</sup>Baldwin, *Pittsburgh*, 204, 207.

<sup>6</sup>Pennsylvania, *Laws*, 291, Act of April 15, 1835.

ernment, the only bridges across the Allegheny and Monongahela Rivers were toll bridges, built and maintained by private corporations. It is interesting to note that the State of Pennsylvania held \$40,000 worth of stock in the original Monongahela Bridge and was required to assist in repairing the damage caused by the falling of part of the span in 1832. By 1840 there were four bridges across the Allegheny River, counting the canal aqueduct, and one bridge across the Monongahela at Smithfield Street.

*Gasworks*—The Pittsburgh Gas Works was organized in 1835 as a joint-stock undertaking, and a subscription book was opened in the city treasurer's office for the sale of stock. The ordinance which authorized the organization of the gas company placed the company under the management of a board of trustees, originally appointed by the city council, and stipulated that all moneys arising from the manufacture and sale of gas were to be paid into the city treasury and placed to the credit of the Pittsburgh Gas Works.<sup>7</sup> The sale of two thousand shares of stock, at fifty dollars a share, was authorized, and by January, 1838, 646 shares of this stock were owned by the city and 1,364 shares by private individuals.<sup>8</sup> A return of six per cent per year for fifteen years was guaranteed to the owners of this stock by the city.

The control of the operation of the works gradually was removed from the hands of the city councils, stockholders being granted the power in 1848 to elect half the trustees, and in 1860 to elect the entire board. By the latter year only a very small proportion of the gasworks stock was owned by the city.

*Markets and Wharves*—Only trifling amounts were expended for markets and wharves prior to 1865. In the case of markets, the expenditures of the city were confined for the most part to the few hundred dollars required for cleaning the markets. The cost of erecting the Diamond Market

<sup>7</sup>Ordinance of April 27, 1835.

<sup>8</sup>*Pittsburgh Mercury*, January 11, 1838.

House in 1853 was raised by popular subscription, and the subscribers were reimbursed in three years from the market-stall rents. This was accomplished by limiting the city to the receipt of \$4,500 per year from the Diamond Market, and reserving the balance of the market rents, after payment of operating expenses, for reimbursing the subscribers to the fund for erecting the market house.<sup>9</sup> Principal and interest were repaid, in this manner, by 1856, and the Diamond Market House then came into the possession of the city.

*Fire Protection*—Fire engine and hose companies can be traced farther back in the records of Pittsburgh than the town watch, the first known company being the Eagle Fire Engine and Hose Company, which was organized in 1794.<sup>10</sup> The protection of the city from fire was in the hands of these volunteer fire companies until the organization of a paid fire department in 1870. Legally, every citizen was subject to call, and before the installation of a city water system every householder was required to keep a leather fire bucket ready for use. Great rivalry existed among the several volunteer companies, a rivalry encouraged by the city through the payment of a premium of ten dollars to the engine "first on the ground in fair operation and in good order, in case of fire." At the time of the Great Fire in 1845, the hand engines then in use in Pittsburgh could throw a stream of water a little over two hundred feet.

The following critical comment on the condition of fire protection in Pittsburgh was made by the editor of the *Morning Chronicle* in 1843: "Why do not our councilmen attend to the subject of greatest importance to our citizens, the protection of their property from risk of loss by fire, by furnishing our firemen with a sufficient quantity of hose . . . and by increasing the number of fire-plugs, which are now at such distances that it is generally an impossibility to pro-

<sup>9</sup>Ordinance of May 12, 1858.

<sup>10</sup>Charles T. Dawson, ed., *Our Firemen, the History of the Pittsburgh Fire Department, from the Village Period until the Present Time*, 19 (Pittsburgh, 1889).

cure a reasonable supply of water at a fire in the outskirts of town, and at fires in those portions best supplied we have frequently seen engines standing idle for want of water."<sup>11</sup>

Little more than two years after this warning was sounded, on April 10, 1845, the most disastrous fire in the entire history of Pittsburgh occurred. The burned district covered about fifty-six acres and included most of the large business houses and some of the most valuable factories in the city, the loss being estimated at between six and eight million dollars. Although the fire spread so rapidly that the old hand engines probably would have been helpless in any case, it has been recorded that the city was not then well supplied with water, and that on this occasion the water seemed unusually scarce.<sup>12</sup>

Appropriations by the city for financial assistance to the engine and hose companies began in 1832. In the eight years immediately preceding the Great Fire of 1845, the most frequent annual appropriation for the fire companies was a meager eleven hundred dollars. After this disaster, the annual appropriations were increased somewhat, averaging about three thousand dollars per year between 1845 and 1860. There was a large increase in expenditures for fire protection during the Civil War years, when several new engine houses were built by the city.

*Police Protection*—Although the night watch dated back to the period of borough government before 1816, it was not until 1836 that a permanent watch was established. At the incorporation of the city in 1816, the police force consisted of a high constable and four constables, these making up the "day police," plus a captain of the watch and twelve night watchmen. The night watch was abolished as an economy measure in 1817, and there were no permanently organized night police until almost twenty years later.<sup>13</sup>

<sup>11</sup>*Morning Chronicle* (Pittsburgh), February 1, 1843.

<sup>12</sup>John N. Boucher, ed., *A Century and a Half of Pittsburgh and Her People*, 1:447 (Lewis Publishing Company, 1908).

<sup>13</sup>Baldwin, *Pittsburgh*, 208.

The body established in 1836 consisted of a captain, two lieutenants and sixteen watchmen, the captain being granted the powers of a high constable and the watchmen powers equivalent to those of city constables. These watchmen were empowered to "apprehend all assassins, robbers and other violators of the public tranquillity, or, any and everyone they may have cause to suspect of any unlawful or evil design." They also called the hour of the night and state of the weather, lit the public lamps, and gave the alarm in case of fire.<sup>14</sup>

The state of the police protection of Pittsburgh until well past the Civil War has been described by Baldwin as "tragically inadequate and amusingly antiquated in its organization and methods."<sup>15</sup> The day constables and night watchmen were kept separate until 1868. However, a reorganization of the protective forces in 1857 resulted in the creation of a "Police Department," consisting of a chief of police and nine police constables, and a force of "Night Police," which consisted of a captain, four lieutenants, and forty night policemen. By 1865, the size of the night police had been increased to five officers and fifty-five men.<sup>16</sup>

The salaries of policemen remained pitifully low throughout the entire early period. When the permanent night watch was established in 1836, the captain was paid thirty dollars per month, lieutenants, twenty-five dollars, and watchmen, twenty dollars. As late as 1850, the salaries of watchmen had increased only eight dollars a month over the original rate. In addition to their pay, the watchmen were granted a fee for each arrest resulting in conviction, the amount of these fees being sixty cents per conviction in 1847. Depending on the location of a watchman's beat, these fees amounted to from five dollars to twenty-five dollars a month.<sup>17</sup>

Four thousand dollars was expended on the newly-

<sup>14</sup>Ordinance of March 26, 1836.

<sup>15</sup>Baldwin, *Pittsburgh*, 207.

<sup>16</sup>Ordinance of December 7, 1857; Report of the Police Committee for 1855.

<sup>17</sup>Ordinance of March 26, 1836; Henry Mann, ed., *Our Police, a History of the Pittsburgh Police Force, under the Town and City*, 78 (Pittsburgh, 1889).



established watch in 1836, and in the twenty years following, the annual expenditures for police protection ranged from \$2,500 to \$11,000. Much larger appropriations, however, followed the reorganization of the police forces in 1857, increasing each year until a total of almost \$43,000 was spent for this purpose in 1865. A number of station houses were constructed in these later years.

*Charities*—Throughout the entire early period of city government, the care and maintenance of the poor was the function of a separate, semi-independent administrative board. For this reason, no record of expenditures for charities appeared in the city accounts. Prior to 1848 this board was known as the "Overseers of the Poor," but in 1848 it was reorganized and incorporated as the "Guardians of the Poor of Pittsburgh."

The Guardians of the Poor, six in number, were appointed to three-year terms by the city councils. They were authorized to supervise the management of the poor farm, to assess and have collected the necessary amount of poor taxes and "to receive, support or employ any poor, sick or infirm persons from any township of Allegheny County." The guardians were also authorized to bind out to service any poor person under the age of twenty-one. They were required to keep correct account of all receipts and expenditures, and these accounts were subject to the annual audit of a committee of the city council.<sup>18</sup>

*Health*—Expenditures for public health purposes during most of the first fifty years under the city government were insignificant. During many of the years no expenditures of this type were made, and, when they were made, such disbursements commonly ranged from a few dollars to several hundred. The few exceptions to this rule were almost invariably years when there were epidemics of cholera, such as 1832 to 1834 and 1854.

<sup>18</sup>Pennsylvania, *Laws*, 233, Act of March 18, 1847.

By far the largest expenditure "for sanitary purposes" during the entire period was made in 1832, when the appearance of Asiatic cholera "threw the people of the city into a frenzy of fear." A temporary hospital and free dispensary for the nursing and care of cholera patients was built at the cost of about a thousand dollars, and \$7,833 was spent for street cleaning and garbage removal. Through these measures, the disease was checked within sixty days, about thirty persons dying.<sup>19</sup>

*Schools*—The first public schools in the city of Pittsburgh were established under the Pennsylvania Common School Law of 1834. Before that time, free public education had been provided only for a few children of poor families. The first public schools in the city were opened in 1835 and 1836, the earliest school buildings in three of the four city wards being old factory buildings. Three buildings were erected for school purposes between 1836 and 1841. Late in the decade of the "forties," several of the schoolhouses which had been rented or built ten or twelve years before were in such a dilapidated condition as to necessitate the erection of new buildings, and the local school districts were permitted by law to borrow to a limited extent for that purpose.<sup>20</sup>

The first important change in the organization of the school system of Pittsburgh was effected by the Act of February 9, 1855. This law designated the city of Pittsburgh as an independent school district, and the board of directors of each sub-school district within the city was permitted to elect one member for the newly-created Central Board of Education. In the years which followed, the cost of instruction was commonly paid from the state appropriation and from school taxes levied on a city-wide basis by the Central Board, while the cost of school buildings was raised by

<sup>19</sup>*History of Pittsburgh and Environs*, 2:67 (New York and Chicago, American Historical Society, Inc., 1922).

<sup>20</sup>Erasmus Wilson, ed., *Standard History of Pittsburg, Pennsylvania*, 527 (Chicago, 1898).

borrowing and by taxes levied within the respective sub-districts by ward school boards.

The *Pittsburgh Gazette* of September 4, 1855, stated that there were in all twelve schools, fourteen male teachers, seventy-three female teachers, and slightly less than six thousand scholars. The average monthly salary of the male teachers was \$64.40 and that of the female teachers only \$24.72, the cost of instruction being approximately sixty-five cents per month for each student.

The first public high school was established in Pittsburgh in 1855, when rooms were rented for that purpose on the upper floors of a building opposite the custom house.<sup>21</sup> Nine years later, a portion of the basin lot in the old sixth ward was donated to the Central Board of Education as a site for a new high school.<sup>22</sup>

The total amount expended for the public schools of Pittsburgh increased during this period from \$4,800 in 1836 to \$63,000 in 1856, and \$116,000 in 1865. In general, it may be said that the cost of public education to the taxpayers of Pittsburgh, even at the end of the period 1816-1865 was exceedingly small, although the total expenditure for education in 1865 loomed large in contrast to the puny outlays of thirty years earlier.

#### MUNICIPAL REVENUE

*Taxes*—Property taxation provided the most important source of tax revenue for the city throughout the first half-century following its incorporation in 1816. Aside from a trifling "tax on occupations," which was actually a part of the property tax, no other tax was levied until 1846. In that year, a "business" or sales tax was levied for the first time, although it was not until 1863 that any very substantial amount of revenue was received from this source.

Besides the basic "city tax," additional millages were levied

<sup>21</sup>Wilson, *Standard History of Pittsburgh*, 541.

<sup>22</sup>Ordinance of September 26, 1864.

on property for the support of the schools and poor of the city. Although collected by the city, these additional levies were not actually revenues of the city government. The school tax was paid into the county treasury before 1855, and to the Central Board of Education and ward school boards after that date. Similarly, the poor tax was levied by a semi-autonomous board, the Guardians of the Poor, and did not appear in the city accounts until 1862.

From 1816 until after 1840, the scope of the general property tax levied by the city remained essentially the same as it had been when the original city charter went into effect. The only property taxed by the city, during those years, was that which had been made taxable for county purposes by the state legislature. Under the Act of April 15, 1834, three classes of property were taxable for county, and therefore city, purposes. The first of these was real estate, including "houses, lands, lots of ground, ground rents, mills and manufacturies of all descriptions, all furnaces, forges, bloomeries, distilleries, sugar houses, malt houses, breweries, tanyards and ferries." Included in the second class of property, personal estate, were only "all horses, mares, geldings and cattle above the age of four years." The final class of "property" was not really property at all, an assessment being laid on "all offices and posts of profit, professions, grades and occupations, and on all single freemen above the age of twenty-one years who shall not follow any occupation or calling."<sup>23</sup>

The personal property provisions of the general property tax were broadened considerably by the Act of Assembly of May 5, 1841, which extended the powers of taxation of the city to include all property taxable for state purposes. A proviso appended to this act specifically denied the authorization of any additional tax on real estate, and limited the city rates on the various classes of personal property to the rates levied by the state. Among the items of personal estate taxed

<sup>23</sup>Pennsylvania, *Laws*, 509, Act of April 15, 1834.

by the state at that time were mortgages, moneys at interest, debts due from solvent debtors, public loans (except those of the state), the stock of banks and corporations incorporated outside of Pennsylvania, pleasure carriages, watches, household furniture (over \$300 value), and the salaries and emoluments of public offices.<sup>24</sup>

The city tax on property remained at about five mills from 1816 until 1850, when an additional two and one-fourth mill "Improvement Tax" was levied. Regarding the property tax levy of 1857, a directory of that year explained that while taxes in the city were "apparently heavy," it was the custom in Pittsburgh to assess a house and lot costing \$2,000 at about \$800.<sup>25</sup>

Aside from the gradual extension of the scope of the general property tax, the only important development in the tax structure of the city which occurred between 1816 and 1865 was the adoption of a "Business Tax" in 1846. This tax had its beginning as a general sales tax of one-third of one mill, levied "on the amount of sales of all goods, wares and merchandise, and upon all articles of trade and commerce, sold in Pittsburgh, whether sold at auctions or otherwise."<sup>26</sup> The tax was collected from the vendors of the articles, and yielded very little revenue during the first twelve years after its adoption.

In 1859, however, the general sales levy was supplemented by a series of specific sales and gross receipts taxes, the "Business Tax" thus becoming a system of municipal sales taxes. Among the sales taxes first levied in that year were a tax of five mills on the dollar on retail sales of liquor, a tax of five mills on the yearly sales of auctioneers, a tax of one-third mill on the dollar on one-fourth of the total yearly business of brokers and commission merchants, and a similar tax on one-fourth of the annual receipts of insurance com-

<sup>24</sup>Pennsylvania, *Laws*, 612, Act of June 11, 1840.

<sup>25</sup>George H. Thurston, *Pittsburgh as It Is*, 55 (Pittsburgh, 1857).

<sup>26</sup>Ordinance of April 22, 1846.

panies, insurance agencies, express companies, and telegraph companies doing business in the city.<sup>27</sup>

The "Business Tax" had become an important source of revenue by the early 1860's. For example, it yielded \$182,294 in 1865, this being more than one-third of the total revenue of that year. By 1865, the general sales levy had been increased to  $2\frac{1}{4}$  mills, while the tax on the average quarterly business of commission merchants, brokers, banks, insurance companies and agencies, and express and telegraph companies had been raised to  $4\frac{1}{2}$  mills.<sup>28</sup>

*Special Assessments*—Prior to 1850, all street improvements were paid out of the general fund raised by the city tax. From 1850 to 1857, they were paid out of a special fund, raised by a special property tax levy called the "Improvement Tax." In 1857, however, the first system of special assessments was introduced. Since a great many of the improved streets had been graded or paved at common expense, it was felt that it would have been unjust to throw the whole expense of new improvements upon the properties on the unimproved streets, the owners of which had paid their taxes for years to improve the other streets. For this reason, the Act of May 16, 1857, assessed on the owners of abutting property not only the cost of future street improvements, but also the present value of all street improvements which had been made in previous years.

On April 22, 1858, the "Sewer Act" was passed. This act authorized the city council to cause sewers to be erected in any street or alley, and to assess the cost of such sewers on the property benefited, the assessments being made by three or more assessors appointed by council. The first sewer under this law was constructed in Union Alley in 1858.

The new system of special assessments led to a vast amount of litigation, partly because it was not generally understood, and partly because of the imperfect character of the legisla-

<sup>27</sup>Ordinance of April 14, 1859.

<sup>28</sup>Ordinance of January 9, 1863.

tion. Many persons refused to pay their assessments, alleging that there were fatal defects in the proceedings. However, by the last day of 1865, a total of about \$200,000 had been collected by the city under the provisions of the special assessment acts of 1857 and 1858.

*Public Service Enterprises*—The principal public service enterprises of the city, during the period 1816-1865, were the waterworks, the markets, and the wharves. Among them, these three municipal enterprises produced revenues which, between 1835 and 1865, were roughly equivalent to the total amount received from the general property tax. Of the three, the waterworks, from the time the sale of water began in 1829, was much the most lucrative source of revenue, producing twenty-one per cent of the total revenues in 1830, the same proportion in 1850, and twenty per cent in 1865.

The consumption of water in Pittsburgh was not generally measured by means of water meters until several decades after 1865. Instead, flat annual rates were charged residential consumers, based on the number of rooms in each dwelling, and a long list of additional charges were made for such "extras" as sinks, washstands, hydrants, bathtubs, water-closets and lawn sprinklers. Rates different from those pertaining to domestic use were applied to hotels, restaurants, stores, offices, workshops, and public buildings. A few meters were installed before 1860 to gauge more accurately the consumption of some of the larger commercial consumers. Regarding the rates charged prior to 1850, historian Leland Baldwin wrote as follows: "City water was at least cheap. Householders paid from three dollars to ten dollars a year, hotels twenty dollars to forty dollars, and factories from fifteen dollars to one hundred and fifty dollars."<sup>29</sup>

Although these rates were unusually low by present-day standards, they were not considered so by contemporary critics, a lively dispute on this subject taking place during

<sup>29</sup>Baldwin, *Pittsburgh*, 207.

the 1840's. For example, an editorial in the *Morning Chronicle* of January 16, 1843, complained: "The amount paid by our citizens annually, in the shape of water rents, is too much—these rents should come down, as they bear no reasonable proportion to the expense of the water works." The other side of this picture was presented by the reports of the water committee, one of which stated: "The rates now charged are much lower than in any other city affording an equal supply. They bear a small proportion to the benefits derived by all classes from the use of the water [and] are not sufficient to defray the current expenses of the works and the interest on their cost."<sup>30</sup>

Wharfage rates were based on the type of carrier, such as steamboats, flats, keel boats and barges, and according to the length of time wharf space was occupied. About three-fourths of all wharfage was received from the Monongahela wharf, although the oil traffic during the 1860's greatly increased the returns from the Allegheny wharf. In addition to the rates charged carriers, wharfage was charged for crude oil, pig metal, lumber, shingles, and other articles unloaded and stored on the wharves. In 1865 alone, more than 400,000 barrels of crude oil were unloaded on the Allegheny wharf.<sup>31</sup>

The original (1816) ordinance concerning the regulation of the markets set the rents of market stalls at \$13 to \$22 per year. In 1833, these rates were increased to \$30 and \$40, although certain small, portable stalls rented for as little as ten dollars.

Although the revenues and expenditures of the Pittsburgh Gas Works formed an integral part of the city accounts between 1835 and 1845, the city at no time owned a controlling interest in this enterprise. Expenditures to the account of the gas works slightly exceeded the receipts over that ten-year

<sup>30</sup>Report of the Water Committee for 1846.

<sup>31</sup>*City Ordinances*, 1865, appendix.



period. From the beginning, the city was furnished gas at a lower rate than private consumers, and, after 1860, was furnished, without charge, the amount of 12½ million cubic feet of gas per year. This concession was worth between nine and ten thousand dollars a year at that time.

*Miscellaneous Fees*—Carried over from the earliest borough days was the practice of compensating certain city officers for their services, in whole or in part, by permitting these officers to retain a percentage of the fees collected by them. Among the officers paid entirely from fees were the city gauger, weigh-masters at the market and hay scales, and inspectors of salt, boards and scantling, and ashes. The mayor received a large proportion of his compensation from the so-called "emoluments" of his office, which resulted from the collection of fees, licenses, and fines, and a small amount was paid watchmen and constables for each arrest resulting in a conviction. Similarly, small percentages of certain fees and charges were retained, at various times, by the city treasurer and the city solicitor.

Even in this early period, some of the evils of this fee system had become apparent. Regarding the payment of fees to the night police, a history of the local police department makes the following comment: "There is abundant evidence that the encouragement of watchmen to make arrests, by the payment of fees, was not to the interest of the public, and that unjust arrests were often made . . . through the anxiety of the night officers to add to their meager pay."<sup>32</sup>

*Other Revenue*—Irregular income was received from such sources as fines, licenses, judgments, interest on gas stock, and the proceeds from the sale of city property. However, the total amount of revenue received from sources other than those discussed above at no time during this period constituted more than a very small proportion of total revenue.

<sup>32</sup>Mann, *Our Police*, 78.

## MUNICIPAL INDEBTEDNESS

*Extent of Borrowing and Indebtedness*—In the first decade after the incorporation of the city, there was no bonded indebtedness, although as early as December 28, 1821, there was a floating debt which amounted to twenty-two thousand dollars. This floating debt was composed of city scrip, unpaid warrants, and credits for pavements laid by individuals.<sup>33</sup>

During the forty-year interval between 1826, when the first four thousand dollars' worth of water bonds were issued, and the end of the Civil War, the city incurred a bonded indebtedness amounting to almost three million dollars. At the close of the fiscal year 1865, this gross bonded debt of \$3,000,000 represented a per capita debt of fully \$50, as compared to indebtedness of \$8.37 per capita in 1830.

From 1826 until 1855 the history of the city debt is a description of steady and almost continuous growth, accelerated after 1849 by large-scale purchases of railroad stocks. Between 1855 and 1863, a series of reductions pared almost \$400,000 from the total indebtedness. The effect of these reductions, however, was wiped out in 1864 and 1865, when somewhat larger amounts of Compromise Bonds replaced the original Railroad Bonds.

From 1816 to 1850, the greater part of the "floating debt" of the city was made up of scrip, otherwise known as "city bills" or "shin-plasters." The amount of scrip outstanding reached a peak of \$224,000 in 1849, but all except \$4,000 of this total was cancelled in the following year. "City bills" circulated in one, two, and three dollar denominations as a medium of exchange, although in some years they were accepted only at a discount. In an attempt to bolster the value of these certificates the city in 1838 made them legal tender for the payment of taxes and other debts due the city.<sup>34</sup> Most "city bills" bore one per cent interest, although there were

<sup>33</sup>Annual Report of the Auditing Committee for 1821.

<sup>34</sup>Pittsburgh Mercury, January 11, 1838.

a few small issues of scrip which carried as much as five or six per cent interest.

*Purposes of Municipal Borrowing*—The city first resorted to the issuance of long-term certificates of loan in 1826, in order to provide funds for the construction of a waterworks, and the improvement and extension of the water system remained the most important single purpose of municipal borrowing for more than twenty years.

From 1849 until 1865, on the other hand, the growth of the city debt was dominated by the incurrence, attempted repudiation, and eventual "compromise" of the Railroad Bonds. These Railroad bonds were issued by the city between 1849 and 1854 in the aggregate amount of \$1,800,000. The bonds were issued to five early railroad companies in payment for capital stock in the railroads, the purpose being to encourage the construction of railroad lines into the city. However, a clause was inserted in each ordinance which authorized an issue of Railroad Bonds to the effect that the railroad company concerned must agree to pay the interest on the bonds until such time as the dividends on the stock purchased by the city should be large enough to cover the interest payments.

The bonds were immediately resold by the railroads, and interest payments were met for a few years, but only because the city government reluctantly advanced money to the railroads for that purpose. By 1855, it had become apparent to city council that the financially-shaky railroad companies had no intention of making these payments, and after that year little, if any, of the interest was paid.

The courts, nevertheless, ruled that the payment of this interest was the legal responsibility of the city of Pittsburgh. On May 23, 1859, the first judgment was obtained against the city in the Circuit Court of the United States, on the coupons of the Railroad Bonds. In November, 1860, several more judgments were obtained, and the number increased

at every succeeding term of the court until, by the end of 1862, sixty-five judgments had been obtained against the city, amounting to a total sum of \$418,000.<sup>35</sup>

On the first judgments obtained, executions were issued and the stock held by the city in the local gas works was levied upon and sold at a marshal's sale, 450 shares of this stock being sold for the insignificant sum of \$364.80. At the same time, January 19, 1861, the marshal sold 25,000 shares of the city's holdings of railroad stocks for the total amount of \$6,696. Therefore, stocks for which the city had paid \$1,272,500 were sold at forced sale for just a trifle more than seven thousand dollars.

Strenuous efforts were made by the finance committee of city council, throughout 1862 and 1863, to effect a compromise with the bondholders whereby all outstanding judgments would be satisfied and the old Railroad Bonds replaced by new issues of long-term city bonds. These efforts were seriously hampered by the fact that about half of the Railroad Bonds were held by Germans, who were inaccessible except through agents in this country. Some of these agents were unfriendly to the idea of a compromise and were not much disposed to communicate to their clients the terms proposed by the city. Meanwhile, an unsuccessful attempt was made by the bondholders' representatives to force the sale of the municipal waterworks in order to provide funds for the satisfaction of the judgments.

Fortunately for the city, the largest bondholder of the German group, one August Siebert, finally agreed to a compromise settlement in 1864. Through Siebert's influence, the other German bondholders were then persuaded to compromise their claims. As a result, the entire amount of the Railroad Bonds and the accrued interest claims were eventually cancelled, being replaced by more than two million dollars' worth of fifty-year Compromise Bonds. The total loss to the city resulting from the purchase of railway stocks thus exceeded

<sup>35</sup>Report of the City Solicitor, 1862.

two million dollars. In 1865, this two million dollar "railroad debt" constituted fully two-thirds of the total bonded debt of the city.

*Debt Administration*—The first sinking fund in Pittsburgh was created in 1850, as a result of an act of the state legislature by which the city council was required to create a sinking fund "for the gradual and certain extinguishment of the debt of the city."<sup>36</sup> This act further provided that the income of the fund was to be used to purchase the funded debt of the city at its market prices. Had the spirit of the act been reflected in the early administration of the sinking fund, it probably would have been more successful than it was. Unhappily, the failure to provide a sufficient income for the fund prevented its effective use. As for the method by which the sinking fund moneys were handled in the 1850's, there is evidence of mismanagement in the records which show that in 1857, when a sizeable amount of money had accumulated in the sinking fund, twenty-two thousand dollars was borrowed from that fund to meet the current expenses of the city.<sup>37</sup>

In addition to the requirement that a sinking fund be established, the Act of April 6, 1850, made it unlawful for city council to increase the bonded indebtedness of the city beyond \$1,150,000. Unfortunately for the taxpayers of Pittsburgh, the bonds issued for the purchase of railroad stocks were excluded from this limitation. Both these bonds and the Railroad Compromise Bonds which replaced them were authorized by special enactment of the state legislature.

*Municipal Credit*—There is little evidence available to indicate the credit rating of Pittsburgh, previous to the year 1850, although it is known that the "shin-plasters," or city scrip, which the city issued in large quantities after 1837, were refused by the local banks and depreciated in value as a result.

The following passage from the *History of Pittsburgh and*

<sup>36</sup>Pennsylvania, Laws, 407, Act of April 6, 1850.

<sup>37</sup>Annual Report of the Auditing Committee, 1857.

*Environs* describes in a most critical manner the condition of the credit of the city during the 1850's:

To add to the pains of the citizens, the methods of tax collection were very bad. Delinquents were as many as three years in arrears, and city paper was in many local banks as necessities for raising money multiplied. Council unhesitatingly used moneys raised and appropriated for "specific purposes" for the payment of debts, or city warrants, even exhausting the sinking fund therefor. Information of the recklessness and crookedness of the city finances and financiers had reached other cities occasionally resorted to in seasons of municipal distress, to the detriment of city credit, and refusals to respond upon municipal appeal and representations of dire necessity were repeated and persistent. City bonds fell to quotations of 69 and 75, while those of other municipalities were not lower than 90 and from that figure to par. Outside capitalists and business men were very shy of Pittsburgh securities for some time.<sup>33</sup>

Needless to say, the credit of the city was further impaired by the attempt to repudiate the interest payments on her Railroad Bonds. It was not until many years after the Railroad Bond Compromise that a favorable credit rating was achieved by the city.

#### SUMMARY

The first fifty years of the history of Pittsburgh as a city comprise a period of interest to historian and economist alike. In these years such important municipal institutions as the waterworks, the protective services, and the first public schools came into being in Pittsburgh and struggled through a troublesome early growth. The crude forerunners of present-day fiscal devices appeared with the issuance of the first city bonds in 1826, the creation of a sinking fund in 1850, and the passage of the first special assessment ordinance in 1857. Meanwhile, property taxes remained the most productive source of revenue, but were supplemented by business taxation and water rents to an important degree. Finally, lessons of experience were taught concerning such currently significant subjects as the dangers of debt repudiation, and the evils involved in the retention of fees by public employees. In these happenings in the history of a great city may be found concrete illustrations of many familiar principles of public finance.

<sup>33</sup>Volume 2, page 90.