INDUSTRIAL COMBINATIONS.

Below will be found an article written by Mr. Bryan recently for *Collier's Weekly* and reproduced by the courtesy of that paper:

In considering industrial combinations, the subject naturally divides itself into the condition to be considered, the probable result of present tendencies, and the remedy.

The word "trust" used to designate large corporations, does not accurately describe the thing complained of. In the beginning combinations in restraint of trade were formed by an agreement between separate companies, whereby the stock was held in trust by an association which controlled several corporations. At present there is no deposit of stock in trust, but in place of the old system we find a great corporation owning and controlling a number of plants. A distinction should be made between a corporation, however large, and a monopoly. In fact, it is impossible to consider what is known as the trust question without keeping in mind the proportion which the output of the corporation under discussion bears to the total output of all factories in the United States. For instance, if we have one hundred woollen factories scattered over the country, producing together the total amount of domestic woollens manufactured in the United States, a combination whereby two, or five, or even ten, were joined under one management would present a very different situation from that which would be produced by the consolidation of all of them into one corporation. The monopoly feature appears whenever a corporation is sufficiently powerful to control the market. The fundamental question to be considered, therefore, is whether competition is desirable or undesirable. I shall speak of this later in discussing remedies, but it must always be borne in mind that the elimination of competition is, temporarily at least, beneficial to the man who has the monopoly. This cannot be doubted, but is it not detrimental both to the consumer and to the laborer?

RIGHTS OF THE LABORER.

The consumer has certain needs which must be supplied; under competition, he is protected from extortion by the opportunity which he has to purchase the article offered him at the lowest price. Under monopoly he has no choice, but must take what is offered him at the price fixed by the seller. A skilled laborer has a right to demand from his employer full value for his services.

When there are many employers, each pecuniarily interested in securing the best service, the laborer is better protected than he is when there is but one employer. The labor organization is an aid to the laboring men in securing reasonable hours, just compensation, and fair conditions. At present the labor organization is practically the only protection the wage-earner has, but the labor organization, however perfect and complete, is no match for an absolute industrial monopoly. Workmen with families dependent upon them could not live long without work, neither could they afford to engage in another line of work where their special training would be of no advantage. The pressing every-day needs of the body make a contest of endurance between flesh and blood on the one side and capital on the other very unequal.

IMPOSSIBLE COMPETITION.

The man who attempts to manufacture an article in competition with a thoroughly established monopoly has before him a difficult, if not an almost impossible task. To recur to the above illustration, if all the woollen mills now in existence should be gathered under the control of one corporation with a capital of half a billion, who could compete with it successfully? If a person amply supplied with capital to conduct under ordinary conditions a successful mill were to compete with a monopoly, such monopoly would be able, at a very small expense to itself, to undersell him in his particular field, while maintaining prices in other parts of the country. If an organization of equal capital attempted rivalry, it would first have to overcome the advantage which the established industry had secured by the advertisement of its wares, and then, if it were successful, the country would have more woollen plants than necessary to supply the demand, and more skilled laborers than would be required for the work.

SAGE'S NOTE OF WARNING.

Private monopolies have always been regarded as unlawful, and there are numerous instances where the people have overthrown them when their exactions become intolerable. Mr. McKinley has condemned the trusts, although, it must be confessed, with ever diminishing emphasis. Organized capital has been making such gigantic strides toward the control of industry during the last few months that even those who have been in the habit of belittling reformers, and accustomed to regard all criticism of corporations as evidence of discontent, are becoming alarmed. Mr. Russell Sage has never been considered a demagogue, neither has he shown himself unduly hostile to capitalists as a class; his note of warning, therefore, is the more significant. In a recently published article in the *North American Review* he thus describes the industrial situation as it appears to him:

"The chief owners of the Standard Oil business have grown so enormously wealthy that, in their individual as well as in their corporate capacity, they dominate wherever they choose to go. They can make or unmake almost any property, no matter how vast. They can compel any man to sell them anything at any price."

He fortifies his own observations by quoting the language of Henry Clews, another Wall Street operator. This presents one phase of the question. When combinations of capital "can make or unmake almost any property, no matter how vast," and when they can "almost compel any man to sell them anything at any price," then they cease to be private affairs and become matters of public concern. The question is not whether the public has a right to interfere with the manner in which these combinations use their own property, but whether the public will allow them to appropriate or destroy the property of other people.

Of the new steel company, Mr. Sage says:

"The consolidations of to-day begin at the very outset with capitalizations that cast all past experiences into the shade, and that almost stagger the imagination. The steel combination now forming we are told, is to start off with a capitalization of $1,000,000,000. This is more than one-half of the national debt. It is one-seventieth of the entire wealth of the United States. The total money circulation in the United States, according to the treasurer's statistics, is $2,113,294,938. It will be seen, therefore, that this company's issue of securities will represent practically one-half of the entire volume of money in America. In a year or two, if precedents count for anything, this capitalization will be very largely increased, and that in spite of the fact that stockholders in the steel company, which was the basis of the new combination, got three shares of stock in the new company for one in the old—scores of millions being thus added to the interest-earning securities in the United States, by merely the stroke of a pen. When wealth is created in that way, what security is there for the whole scheme? Not another furnace added to the plant; simply a lifting process, and what was one million before is three millions now. The great experience and strength of the men who produced this change will make us accept the new valuation, and that is all there is in it.

If any of the men in whom we very properly have this confidence should die suddenly, everything would be disorganized. Even as it is, things may break at a critical period, and then we shall have to find a new level with considerable trouble and agitation to ourselves. Just at present, no one can say, with anything like accuracy, where we stand.

UNDERESTIMATED CAPITALIZATION.

This corporation was being formed when Mr. Sage's article was written, and he underestimated the capitalization, but his remarks in regard to the watering of stock are in point; the illustration used to set forth the magnitude of the corporations is apt, and his comment upon the effect of the death of a trust manager is certainly worthy of consideration.

The watering of stock is not only indefensible, but it contradicts the arguments made by interested parties in defense of trusts. The favorite contention of promoters is that consolidation makes production more economical, and, therefore, tends to lower prices. But nearly every corporation that attempts a monopoly proceeds to capitalize the expected savings, thus giving to the stockholders the advantage promised to the consumers.

If a corporation plans to control any product, and estimates a saving of one million by the discharge of travelling salesmen, it figures that that amount will pay 5 per cent. interest on twenty million dollars, and it immediately increases the stock to that extent. A prospectus issued by the International Steam Pump Company shows that the properties bought were estimated at less than twelve million dollars, while the company was capitalized at twenty-seven and a half millions. The earnings for the preceding year were estimated at one million two hundred thousand. The prospectus adds, in conspicuous type: "A conservative estimate of the advantages derived from consolidation is believed to be one million three hundred thousand over the present earnings, which would make a total of future net earnings, with the estimated earnings based on ten months of the year's business, of two million five hundred thousand, or six per cent. on the preferred stock, and over eleven per cent. on the common stock of the new company."

THE MANY CANNOT INFLATE VALUES.

The farmer is not able to inflate the value of his farm; the merchant is not able to inflate the value of the goods upon his shelf; the laboring man cannot put a fictitious value upon his services. But a monopoly is able to collect dividends upon watered stock, and to secure interest upon money never invested in the business. Why should it be tolerated? Why should a fictitious person, called a corporation, be granted privileges or be permitted to enjoy immunities denied to the natural citizen? It is inevitable that the ordinary individual, whether customer, merchant, or employe, must feel the evil effects of over-capitalization. If a farmer realizes only a small profit when he sells, but is compelled when he buys to pay the manufacturer a large profit, it is evident that he will fall behind in the race for a competency. If the merchant must sell at a profit fixed by competition, and buy at a price fixed by monopoly, and upon terms regulated wholly in the interests of the manufacturer, he will have to bear all the vicissitudes of trade, and will find himself at a great disadvantage. The managers of the corporations will be interested in keeping the stock at par, and in dull times there will be a perpetual contest between wages and watered stock.

The same number of the *North American Review* which contains Mr. Sage's article contains replies thereto by Mr. Hill of the Great Northern, Northern Pacific and Burlington Railroad combination, Mr. Schwab of the Steel Trust, Mr. Flint of the Rubber Trust, and Mr. Logan of the Envelope Trust. But the testimony given by these gentlemen must be taken with that allowance which is always made for the testimony of witnesses pecuniarily interested.

APPLICATION OF EVERY-DAY RULE.

In discussing the result to follow from the establishment of industrial combinations for the suppression of competition, one can only apply the rules which are seen in operation every day. Human nature does not change much from generation to generation; selfishness is as potent an influence to-day as it was a century ago. Advancement is not secured by the elimination of selfishness, but by restraining excessive manifestations of it.

First, extortionate prices to the consumer will prevail. The same greed which leads trust magnates to issue stock in excess of the money invested will lead them to make the dividends as large as possible, and the same greed which leads them to increase the dividends will lead them to repeat stock inflation indefinitely.

Second, industrial monopoly is likely to result in lessening wages and in increasing friction between employers and employes. The larger the corporation the more complete the separation of the employe from the manager of the corporation, and the less the sympathy between those who toil and those who fix the wages.

Third, the enhancement of the price of trust-made articles must in the long run lessen the demand for the product by lessening the ability of the consumers to purchase. This in turn means curtailment of production and a diminished demand for labor.

Fourth, under a system of monopoly all loss can be thrown upon the laborers. Under competition the factory often runs at bare cost, or even below cost, because suspension of work might mean the scattering of the employes to other centres of industry. But when a corporation has control of the market, it can close down without loss and leave the employes in idleness until the surplus is worked off at a high price. Thus a high wage per day, when there is employment, may mean a small annual income.

Fifth, monopoly is likely to result in deterioration of the product.

Sixth, the opportunity to make enormous profits by market fluctuations is apt to lead the managers of monopolies to speculate at the expense of the ordinary stockholders, and suggests a method of influencing public officials far more potent than any form of direct bribery.

Seventh, monopoly provides a few places with excessive salaries, but denies to a multitude of competent and deserving men the possibility of industrial and financial independence. It crowns a few with laurels, and condemns the masses to hopeless servitude.

Eighth, as imperialism substitutes a sullen subject for a bold and self-assertive citizen, so an industrial monopoly converts the ambitious and progressive artisan into a timid and servile dependent.

Ninth, with a complete monopoly we may expect that the control, descending with the stock from father to son, will create an industrial aristocracy, as hostile to liberty as the landed aristocracy which was overthrown by our forefathers.

Whether a remedy needs to be applied depends upon the answer given to the inquiry in regard to competition. If competition is desirable, a private monopoly is indefensible. If, on the other hand, the suppression of competition is a thing to be desired, some plan must be devised to make the suppression complete. It would be obviously unfair for one portion of the community to be protected from competition while another portion was subjected to it. No principle can be accepted as sound which is not susceptible of general application. If the people decide that competition should be suppressed, they must choose between private monopoly and socialism. I do not mean that system of socialism now called extreme, which would place the government in control of all the forces of production and distribution, but a still more complete system, which would make the state the beneficiary of all service rendered and the distributor of all compensation.

EXTINCTION OF PRIVATE MONOPOLY.

Extinction of private monopoly is, in my judgment, both desirable and possible. The corporation is the institution through which the monopoly develops, and, as a corporation is purely a creature of law, the people can place on it such limitations as may be necessary for public welfare and protection. The state has power to prevent the creation of any corporation within its limits, or to fix the conditions upon which a corporation may exist. It also has the power, or should have, to prescribe the terms upon which a foreign corporation may do business in the state. The distinction between the natural man and the corporate person is so great that the state should have the power, if it has not now, to give its citizens any necesary protection from corporations organized elsewhere. But the state is not able to furnish a complete remedy, and, without taking away the rights which the state now has, congress should give additional protection. The Sherman anti-trust law prohibits contracts entered into by separate persons or corporations for the limiting of production, fixing of price, or division of territory. While this law has not, according to the belief of many, been enforced as it should have been, it is not broad enough to reach a monopoly attempted by a single corporation. According to the constitution, congress has power to regulate interstate commerce, and under this power it certainly has a right to define a monopoly, and to prevent such a monopoly from engaging in interstate commerce. It can deny to a monopoly the use of the mails as it does to the lottery. It can also deny to it the use of the interstate telegraph lines or railroad system. It can require a corporation to establish to the satisfaction of the interstate commerce commission, or of some other commission created for the purpose, the fact that there is no water in the stock, and that it is not attempting to monopolize any branch of business, and it can provide for a revocation of the permit or license if the conditions are violated. It can fix a maximum proportion between the business which any corporation engaged in interstate commerce shall be permitted to do, and the total business done in that line. It can fix the maximum capitalization of corporations engaged in interstate commerce, or the maximum dividends which they may earn. It can require a corporation to to sell to all customers at the same price and on the same terms, and it can remove the tariff from trust-made articles. These are a few of the remedies that have been discussed.

While congress cannot interfere with a domestic corporation, it has supreme power over commerce between the states. The failure of congress to pass necessary laws, and of officials to enforce existing laws, is due to the fact that members of congress and executive officers are under obligations to the trusts and monopolies for campaign assistance. The people can put an end to private monopolies as soon as they undertake it in earnest—and not before.

BRITISH RULE IN INDIA.

Justice Brown in delivering the opinion of the court in the Downes case said:

"Grave apprehensions of danger are felt by many eminent men—a fear lest an unrestrained possession of power on the part of congress may lead to unjust and oppressive legislation, in which the natural rights of territories, or their inhabitants, may