

TRIUMPHANT PLUTOCRACY

The Story of
American Public Life
from 1870 to 1920

By
R. F. PETTIGREW
Formerly United States Senator
from South Dakota



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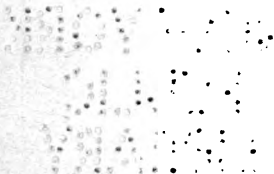
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ASTOR. LENOX AND
TILDEN FOUNDATIONS
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XXVIII. THE PROFITEERS

The test of a man or of a social system is the way he acts in a crisis. The great war was the crisis that tested American capitalism and that showed it up for what it was—a brutal game of profit-making at the expense of the people who work and pay.

When the war broke out in Europe, I knew that the American business men would take advantage of the emergency in which Europe found herself to charge the highest possible price for the worst possible product and when, three years later, the United States decided to enter the war I was equally convinced that the American business men would rob their own country of every farthing on which they could lay their hands.

Not for a moment was I deceived by the glib talk of "patriotism" that sounded from every Chamber of Commerce and every business office and banking institution. I had dealt with the armor-plate contracts in the United States Senate twenty years before; I had investigated the sickening details of the beef contracts made by the packers with the government during the Spanish war. Besides these details and beyond them, I knew the whole business system for what it was—a device for enabling the strong to rob the weak; for permitting the capitalist to coin every private or public need into profits.

A reference to the situation which was unearthed in the Senate away back in 1897 will give the justification of the conclusions I have reached with regard to the capitalist system, as such.

In the closing days of the 54th Congress a question arose regarding the cost of armor-plate. After an exhaustive discussion, in which great quantities of evidence were submitted, the question was put to a vote of the Senate in this form:—Shall the Senate vote for armor-plate at \$300 or \$400 per ton? Only twelve Senators favored the \$400 limit. They were Aldrich,

Allison, Brice, Cullom, Gibson, Gorman, Hale, Hawley, McMillan, Murphy, Squire and Wetmore. There were 36 votes cast on the other side, of which mine was one.

The evidence seemed perfectly clear. We had summoned experts and ascertained that the cost of labor and materials entering into a ton of armor-plate was about \$160. This figure included a charge for "keeping plant ready for use," a charge for "shop expenses," a charge for "office expenses and contingencies," and a charge for "administration, superintendence and engineering, beside the charges for "materials in ingots," "materials consumed in manufacture" and for "labor." Ten per cent was allowed for re-pipings and 10 per cent for rejected plates, making a total of about \$200 per ton. The company claimed a return on the "investment," but it was proved that profit on the first armor-plate contract secured by these companies had been equal to the entire cost of the plant. An allowance of 5 to 10 per cent was made, however, for repairs and maintenance, and the total cost of a ton of armor-plate was brought up to \$225.

At that figure, the profit to the companies on the 8,000 tons of armor would be about \$600,000 on a \$300 figure. Under the circumstances the Senate voted 36 to 12 for the \$300 figure.

After Congress had adjourned the Secretary of the Navy endeavored to get bids at \$300. None was forthcoming. Instead, representatives of the companies waited on him and advised him that they could not make the plate for less than \$425—a figure which allowed for a profit of about \$1,600,000 on the contract.

An amendment was therefore made to the deficiency appropriation bill (July 13, 1897, p. 2,553) allowing for armor-plate at that price.

"Last winter we appropriated money for the purpose of buying armor-plate and limited the price to \$300 a ton. The evidence taken before the Committee on Naval Affairs showed conclusively that the plate could

be made for \$250 a ton. The two armor-plate factories, being in collusion and having been in collusion as to every bid they have had heretofore, as was shown by the evidence before the Committee on Naval Affairs, refused to make the plate for \$300, but insisted that they should have \$425.

"Instead of bringing in a proposition to build a factory and make the plate ourselves and thus protect the interests of the government, the Committee on Appropriations propose to accede to the demands of these men, who are in a trust to plunder the Treasury, and they bring in an amendment to pay them \$425, thus cowardly surrendering to this admitted combination. It seems to me too disgraceful to be tolerated."

(It was shown that the two plants could be duplicated at one or one and a half millions each.)

These facts and many others that had come to my attention during the years of my public life led me to look behind the patriotic professions of the business leaders—their talk about Belgium and the Lusitania, and "Humanity" and "Democracy"—to see what were the real reasons that were leading the United States into the war. I did not have to look far before discovering the answer. American banks, like the Morgans, and American manufacturers, like the Bethlehem Steel Company, had granted large extensions of credit to the Allies and, if the Allies lost, they were bankrupt. Furthermore, they saw an unequalled opportunity to strengthen their hold in the United States and to run a pipeline into the public treasury. The entrance of the United States into the war would validate their European speculations at the same time that it gave them tens of billions in American war contracts.

By the time these facts were clear in my mind, the United States had entered the war. I opposed the step with all of the energy that I had, and, after it was taken, I said very frankly what I thought about it in the following newspaper interview that appeared in the Sioux Falls "Argus Leader" of October 6, 1917:

"There is no excuse for this war."

"We should back right out of it."

"We never should have gone into a war to help the Schwabs make \$40,000,000 per year."

"This man McAdoo said here that we are in the war from principle to protect our right to trade on the open sea. Not an American was killed except on ammunition boats, and they had no right to be there." *Correct*

"Sympathy is being extended to Belgium. She deserves none. For fifty years Belgium robbed the Congo. This made Belgium wealthy, but three-fourths of her people did not share in this wealth. If she is now indemnified it will go to the men who robbed the negroes of the Congo."

"One hundred years ago we fought out the alien and sedition law. The party back of it failed at the next election. The same struggle is on again."

"People desire to know if they are living in the United States or in Russia."

Since the day that I had refused to take sides with Mr. Wilson in his 1912 campaign he had disliked me. This statement gave him his chance and within ten days of the date on which it appeared I was indicted by the Federal Grand Jury at Sioux Falls, S. D.

The indictment is a curious document. One day, with the many others that were issued during the same period, it will be historic:

"The District Court of the United States of America for the Southern Division of the District of South Dakota in the Eighth Judicial Circuit.

"At a stated term of the District Court of the United States of America for the Southern Division of the District of South Dakota begun and held at the City of Sioux Falls, within and for the district and circuit aforesaid, on the third Tuesday of October, in the year

of our Lord one thousand nine hundred and seventeen:
“The Grand jurors of the United States of America, good and lawful men, summoned from the body of the district aforesaid, then and there being duly empaneled, sworn and charged by the court aforesaid, to diligently inquire and true presentment make for said district of South Dakota, in the name and by the authority of the United States of America, upon their oaths, do present:

“That Richard Franklin Pettigrew, late of Minnehaha County, State of South Dakota, in said district heretofore, to wit: on or about the sixth day of October, in the year of our Lord one thousand nine hundred and seventeen, at and in the County of Minnehaha, State of South Dakota, and in the division and district aforesaid, and within the exclusive jurisdiction of this court, and while and when the United States was at war with the Imperial German Government, pursuant to a joint resolution of the Congress of the United States, approved by the President of the United States on April 6, A. D. 1917, did then and there knowingly, feloniously and wilfully make, say and utter certain false statements, with intent to promote the success of the enemy of the United States, that is to say, the Imperial German Government, to-wit: that he, the said Pettigrew, did then and there wilfully and feloniously publicly state and say to one P. F. Leavins, and to other persons to the Grand Jurors unknown, and did then and there direct and cause to be published, printed and circulated through and by means of the ‘Daily Argus Leader,’ a daily newspaper, published in the City of Sioux Falls, State of South Dakota, in words and substance, as follows, that is to say:

“ ‘There is no excuse for this war.’

“ ‘We should back right out of it.’

“ ‘We never should have gone into a war to help the Schwabs make \$40,000,000 per year.’

“ ‘This man McAdoo said here that we are

in the war from principle to protect our right to trade on the open sea. Not an American was killed except on ammunition boats, and they had no right to be there.'

"Sympathy is being extended to Belgium. She deserves none. Fifty years ago Belgium robbed the Congo. This made Belgium wealthy, but three-fourths of her people did not share in this wealth. If she is now indemnified it will go to the men who robbed the negroes of the Congo.'

"One hundred years ago we fought out the alien and sedition law. The party back of it failed at the next election. The same struggle is on again.'

"People desire to know if they are living in the United States or in Russia.'

against the peace and dignity of the United States of America and contrary to the form, force and effect of the statute of the United States in such case made and provided.

"Count Two.

"And the Grand Jurors aforesaid, upon their oaths aforesaid, do further present and say:

"That Richard Franklin Pettigrew, late of Minnehaha County, State of South Dakota, in the said district heretofore, to-wit: On the sixth day of October, in the year of our Lord one thousand nine hundred and seventeen, with force and arms, at and in the County of Minnehaha, State of South Dakota, and in the division and district aforesaid, and within the exclusive jurisdiction of this court, and while and when the United States was at war with the Imperial German Government, pursuant to a joint resolution of the Congress of the United States, approved by the President of the United States on April 6, A. D. 1917, did then and there, knowingly, feloniously and wilfully obstruct

the recruiting and enlistment service of the United States, to the injury of the United States, in that he, the said Richard Franklin Pettigrew, did then and there feloniously publicly state, say and utter to one P. F. Leavins, and to other persons to the Grand Jurors unknown, and did then and there direct and cause to be published, printed and circulated through and by means of the 'Daily Argus Leader,' a daily newspaper, published and circulated in the City of Sioux Falls, State of South Dakota, in words and substance, as follows, that is to say:

“There is no excuse for this war.’

“We should back right out of it.’

“We never should have gone into a war to help the Schwabs make \$40,000,000 per year.’

“This man McAdoo said here that we are in the war from principle to protect our right to trade on the open sea. Not an American was killed except on ammunition boats, and they had no right to be there.’

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“One hundred years ago we fought out the alien and sedition law. The party back of it failed at the next election; the same struggle is on again.’

“People desire to know if they are living in the United States or in Russia.’”

against the peace and dignity of the United States of America, and contrary to the form, force and effect of the statute of the United States in such case made and provided.

“Count Three.

“And the Grand Jurors aforesaid, upon their oaths aforesaid, do further present and say:

“That Richard Franklin Pettigrew, late of Minnehaha County, State of South Dakota, in said district heretofore, to-wit: on the sixth day of October, in the year of our Lord one thousand nine hundred and seventeen, at and in the County of Minnehaha, State of South Dakota, and in the division and district aforesaid, and within the exclusive jurisdiction of this court, and while and when the United States was at war with the Imperial German Government, pursuant to a joint resolution of the Congress of the United States, approved by the President of the United States on April 6, A. D. 1917, did then and there feloniously and wilfully cause and attempt to cause disloyalty, insubordination, mutiny and refusal of duty in the military forces of the United States, to the injury of the United States, in that he, the said Richard Franklin Pettigrew, did then and there feloniously publicly state, say and utter to one P. F. Leavins, and to other persons to the Grand Jurors unknown, and did then and there direct and cause to be published, printed and circulated through and by means of the ‘Daily Argus Leader,’ a daily newspaper, published and circulated in the City of Sioux Falls, State of South Dakota, in words and substance, as follows, that is to say:

“ ‘There is no excuse for this war.’

“ ‘We should back right out of it.’

“ ‘We never should have gone into a war to help the Schwabs make \$40,000,000 per year.’

“ ‘This man McAdoo said here that we are in the war from principle, to protect our right to trade on the open sea. Not an American was killed except on ammunition boats, and they had no right to be there.’

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robbed the Congo. This made Belgium wealthy, but three-fourths of her people did not share in this wealth. If she is now indemnified it will go to the men who robbed the negroes of the Congo.'

"'One hundred years ago we fought out the alien and sedition law. The party back of it failed at the next election. The same struggle is on again.'

"'People desire to know if they are living in the United States or in Russia.'

against the peace and dignity of the United States of America, and contrary to the form, force and effect of the statute of the United States in such case made and provided.

"R. P. STEWART,

**United States Attorney in and for
the State and District of South Dakota.**

"JAMES ELLIOTT, Judge.

**"Names of witnesses sworn and examined before the
Grand Jurors: P. F. Leavins."**

Was I indicted because I had told a lie or because I had told the truth? Was I right in my charges or was I wrong? Was it a war for democracy or was it a profiteers' war?

I did not have to wait long for the answer to these questions. In fact, the answer came with a rapidity and with a completeness that was overwhelming. First, there was the statement from the Chairman of the Federal Reserve (Bank) Board, Mr. Harding; then came the revelations with regard to Hog Island and to the airplane contracts; later Mr. Wilson, in his St. Louis speech, blurted out the frank admission—"Of course this was a commercial war," and finally there appeared the figures showing the profits made by the leading industries during the war years.

For example, there was Bethlehem Steel, Schwab's

own plant. The profits of this company for 1911, 1912 and 1913 averaged \$3,075,108 per year. In 1915, the profits had jumped to \$17,762,813; in 1916 to \$43,593,968. For 1918, the corporation made a profit of \$57,188,769. Improvements and extensions of the plant ate up \$24,329,245, while depreciation took \$31,510,366. See my indictment. Schwab exceeded forty million a year.

Again, there was du Pont Powder which reports its war profits in the following words, which are taken from its financial report for 1918. "The stock of the E. I. du Pont de Nemours Powder Company, the predecessor of the E. I. du Pont de Nemours Company, sold during the early months of the war at \$125 per share. The share of debenture stock and two shares of common stock of E. I. du Pont de Nemours Company, which were exchanged for the former security, are worth in today's market (Dec. 31, 1918) \$593, or an increase in value of 374 per cent. In the meantime (1915-18) the total dividends on the common stock of the E. I. du Pont de Nemours Powder Company and on the exchanged securities of E. I. du Pont de Nemours Company have amounted to 458 per cent on the par value of the original stock. It is difficult to imagine a more satisfactory financial result."

It is difficult. But it is very easy to picture the misery and suffering of war and the great price in excessive taxation that the purchasers of the du Pont product have saddled on the working people in their respective countries.

Then there were the producers of copper. The Anaconda Copper Mining Company paid \$65,275,000 in cash dividends during the years 1915 to 1918. It also paid off a funded debt of \$15,000,000 in the same period, and invested, besides, \$54,466,703 in betterments. After this outlay, it had, on January 1, 1919, a net quick surplus of \$39,926,000 as compared with \$4,688,204 in 1914. The twenty-nine leading copper producing companies paid \$540,846,855 in cash divi-

dends during 1915, 1916, 1917 and 1918; expended \$354,704,290 in betterments and improvements during 1915, 1916 and 1917, and in 1918 their surplus was \$330,798,593 as compared with a surplus of \$96,711,392 on the same day of 1914.

The United States Steel Corporation, with a capital stock of about \$750,000,000, made a profit, in 1916 and 1917, of \$888,931,511. These are figures published by the company itself. When the steel Trust was formed this capital stock represented little besides water, but during two war years the corporation made over 100 per cent on it.

These are individual cases. In Senate Document 259, 65th Congress, Second Session, are published the figures showing the profits made by American business men during the year 1917. This document contains 388 pages, and in it are listed, by number, the amount and per cent of profits made in 1917 by American business men. The results are almost unbelievable. Among the industries engaged in manufacturing and selling the principal necessities of life there is not a single trade in which at least one concern did not make 100 per cent or more on the capital stock.

The profits for 122 meat-packing concerns are reported as follows: 31 concerns made profits for the year of less than 25 per cent; 45 made profits of from 25 per cent to 50 per cent; 46 made profits of over 50 per cent; and 22 of over 100 per cent. In this industry, half of the concerns made a profit of more than 50 per cent and a sixth of over 100 per cent.

These sound like large returns, but they are out-distanced by the figure for the 340 bituminous coal producers in the Appalachian field. Among these concerns there were only 23 that reported profits of less than 25 per cent; 68 reported profits of 25 but less than 50 per cent; 79 reported profits of from 50 to 100 per cent; 135 reported profits of 100 to 500 per cent; 21 reported profits of from 500 to 1000 per cent, and 14 reported profits of over 1000 per cent. Half of

the concerns in this industry showed profits of more than 100 per cent, and one in each ten reported profits of more than 500 per cent.

The whole report is filled with just such figures. Profits of under 25 per cent are unusual. Profits of 50 per cent; 100 per cent, and 500 per cent in a single year are quite common.

How moderate I had been! I had talked about our entrance into the war enabling Schwab and his associates to make forty millions a year. What they had actually done was to make billions. I had only half stated the case for the profiteers. True to the principles of their ferocious system, they had taken advantage of a national emergency to become fabulously rich.

In July, 1920, I wrote the Pittsburgh Dispatch the following letter which they published at once.

“Sioux Falls, S. Dak., July 24, 1920.

“The Pittsburgh Dispatch,

Pittsburgh, Pa.

“You asked me to answer this question: ‘Was the object of the war gained?’

“I suppose my answer must be confined to the United States’ participation in that contest. So far as the United States is concerned, the very object and only object for which we entered the war has been fully gained. We went into the war because the great financial and industrial interests centered in New York, who are the real government of the United States, conceived it to be for their gain or profit to put the United States into the European conflict. They had sold billions of dollars’ worth of material to England, Russia, France and Italy, at enormous prices, reaping a marvelous profit. But as the war progressed and the demands on the part of those nations for credit increased, the

financiers and controllers of American industry who were furnishing war material, became alarmed, and feared they would not be able to collect their claims against these European nations who were approaching bankruptcy, and they therefore determined to put the United States into that controversy, and have the United States loan money to the European nations, to pay off the obligations which they held against them.

"They, therefore, started an agitation in the United States to work up the people of this country in favor of going into the war. They bought up, or already owned, all the great daily newspapers. They ordered and paid for preparedness parades in every town of consequence in the United States. *They lied to and deceived the American people with exaggerated stories of the German atrocities, until they created a war frenzy in this country.* *And bless you, it's true.*

"They had been at work on the President for months. They had a committee, a secret committee, paid by them, planning every phase of the war before we went into it.

"E. P. C. Harding, of the Federal Reserve, President of the Bank Board of the United States, on March 22, 1917, published the following statement:

"As banker and creditor, the United States would have a place at the peace conference table, and be in a much better position to resist any proposed repudiation of debts, FOR IT MIGHT AS WELL BE REMEMBERED THAT WE WILL BE FORCED TO TAKE UP THE CUDGELS FOR ANY OF OUR CITIZENS OWNING BONDS THAT MIGHT BE REPUDIATED."

"The above was issued before we entered

the war, and immediately on our entering the war, these corporations rushed through a loan to the European countries, not one dollar of which ever went to Europe except in the form of war material.

"As a result of the war the United States is a debtor and these corporations and their representatives, are creditors of the United States instead of the European nations. Their profits run into the tens of billions. The very object for which we went to war has, therefore, been fully gained.

"Conclusive proof in the fact we have 16,500 more millionaires than we had before we went into the war. —R. F. Pettigrew."

This letter states the whole issue.

The country was in peril. Men were dying. The energies of the nation were being directed to the winning of a victory. The ignorant, unthinking millions were being mobilized to make the world safe for democracy, and the profiteers were piling up their wealth.

There was no misunderstanding about this matter. It was not an accident.

The profiteers did not and could not stop profiteering because the system to which they belong is a profiteering system. The profiteer is a product of a system of society that provides the largest rewards for the man who is most successful in robbing his fellows of the results of their labor. There was profiteering before the war—on a small scale. But during the war—in a critical period—the system was tested and it proved to be what many of us had thought it—a legalized system of robbery; a method of enabling the rich to live off the toil of the poor, and to fatten out of their privations.

The World War showed capitalism at its best and at its worst. In every one of the great capitalist countries engaged in the war, the same kind of profit-

eering went on. The American profiteers made more than their European competitors because there was more to make. Everywhere they got what they could.

Capitalism produced the war. Capitalism profited by the war. The utter incompetence; the crass brutality of the system caused it to break in Russia, in Germany and Austria. Today it is in full swing, stronger than ever in England, France and the United States. Will the people who do the work and produce the wealth ever realize that capital is stolen labor and its only function is to steal more labor?