

to demand. Even if they were deterred from doing more by threats of having their states slighted in river and harbor appropriations, some allowance must be made for the exigencies of political life. So long as the people themselves solicit these appropriations, politicians cannot be lightly blamed for trying to get them. But what to us seems more important than anything else in this connection, is the duty of placing the responsibility for the Cuban and Philippine amendments where it belongs. It belongs with the president and the majority. To criticise the minority, even justly, for not outmaneuvering the majority is to lighten the burden of responsibility which the president and his supporters ought to bear.

As the Philippine amendment has brought more clearly to light the fact that the McKinley policy is one of imperial absolutism, so a little colloquy in the lower house exposed some of the sordid motives for it. Congressman Hull, of Iowa, chairman of the military committee, made upon the floor what would be called a confession had it not been presented in a boastful spirit of defiance. He said (we quote from page 3641 of the Congressional Record of March 1):

I am the same man that is connected with the Philippine Lumber company. . . . I have something invested in that enterprise. . . . I have not, nor has that company, ever asked a favor of the government of the United States; and we do not propose to do so. Our dealings there are with men who have titles in fee simple of long standing. The business is entirely legitimate. . . . Whenever the time comes that I am not permitted to invest in a legitimate enterprise, I would prefer to leave congress to being a drone, dependent only on politics for my living. . . . While the campaign was on, the company with which I am attached called a halt in their enterprise and notified every one of the stockholders that if Bryan should be elected, not one dollar would we invest in the Philippines, but if McKinley should be elected we would invest all the money that we pleased, believing it would have a favorable return by the restoration of order and good government in the Philippines. Bry-

an's election would mean disorder and anarchy in the islands. McKinley's election would mean order and thrift. Under the one I would not be willing to invest in any legitimate enterprise; under the other the ax and the sawmill would be encouraged, labor benefited and civilization advanced. Now, why? Because the one man was trying to run the country on wind, and the other believed in legitimate enterprise.

The buncombe in that speech but thinly conceals the malfeasance which Hull confesses. It little becomes him to sneer at making a living in politics. What else is he doing, and in the worst sense, when he invests and becomes the leading spirit in a business enterprise which his political influence as chairman of the military committee would enable him to make or mar? It is a painful sign of moral deterioration, that a man in his public position can publicly boast of such an investment. His speech is one of the most brazen declarations since that of Tweed. It implies that the people themselves are corrupt, or else that he is in a position to ask what they are going to do about it. Mr. Lentz was right in challenging Mr. Hull's vote on the Philippine amendment to the army bill, on the ground that he was pecuniarily interested in it, and the speaker was shrewdly kind to Mr. Hull when he dodged the challenge.

RECURRENCE OF THE TRUST QUESTION.

The organization of the steel trust, following close upon the consolidation of the railroad and coal interests, recalls a startling public assurance of a national party leader at the height of the presidential campaign. He asserted that there were no trusts. This assurance even then seemed to challenge obvious facts and familiar knowledge. Yet in a narrow verbal sense Senator Hanna was right in making it, and would be right if he repeated it, as we shall try to explain.

The term "trust" comes from the method of organizing trusts originally. The owners of stock in different corporations intending to consolidate would deposit it with trustees, whom they invested with absolute power

over it, subject to the reservations of the trust agreement. In that manner competing corporations concentrated in these trustees' complete control over their business, and the consolidation was consequently called a trust. But this method of making industrial combinations proved by experience to be crude and open to legal objections, and from time to time improvements were adopted until the trust in its original form disappeared. Senator Hanna was right, therefore, in a narrow verbal sense. He was right, that is to say, in the same sense in which the punster is right who tells you that "a door is not a door when it is ajar."

It was only in that sense, however, that he was right, for the name and the trusts have persisted, though the method of which the name was originally descriptive has long since given place to methods more effective. Trusts are more numerous and powerful than ever. But they are no longer in the hands of trustees. They are formed now by selling out competing corporations to corporations especially organized for the purpose of buying their interests and consolidating their power.

That is the method adopted by the gigantic steel trust. A syndicate has been organized, with which the stock of all the steel corporations of the country is to be deposited; and at the proper time this stock is to be turned over in exchange at certain ratios for the stock of the United States Steel corporation, recently organized for that purpose under the laws of New Jersey. Thus the United States Steel corporation, though nominally nothing but a chartered company, like thousands upon thousands of others that have been spawned by our incorporation laws, is in fact an enormous trust. It will monopolize the steel industry of America and reach out for the monopoly of that of the world.

This stupendous consolidation has again stirred public feeling. Not so boisterously as it has been stirred heretofore by disclosures of monopolizing tendencies, but more profoundly. Where is all this concentration of power to end? is a question which if not upon every tongue is making almost every heart throb with anxiety. All our people are not like the

complacent college professor of economics who, while realizing that the steel trust "will have very great power," regards it as an evil only in case it uses "this power to raise prices to the consumer." There are those who have read history thoughtfully enough to dread autocratic power in itself.

The same professor speaks of these great combinations as "a natural evolution of the modern industrial system." That seems to him not only a sufficient reply to all objections, but a complete justification of the trust as a good thing. Yet he would hardly look upon typhoid fever as a good thing, even if some medical professor commended it as good because it was "a natural evolution of a method of drainage." He would form his own conclusions as to the goodness of typhoid fever, and if they were unfavorable would suggest that the learnedly ineffectual chump of a medical professor devise something in the way of improving drainage, so that typhoid fever might cease this "natural evolution." When a method of drainage produces typhoid fever, that does not prove that the fever is good. It only proves that drainage is bad.

So with trusts. If they are a natural evolution from the modern industrial system, so much the worse for the modern industrial system; not so much the better for trusts. Every tree brings forth fruit after its own kind, and by its fruit we know it. If this gigantic steel trust, with the unparalleled power it confers upon two or three men over the industries and even the lives of great masses of the people, is a natural product of the modern industrial system, then it is time to overhaul that system and learn what is wrong with it.

But the idea that trusts are good—or at any rate tend in the direction of good—because they are a natural evolution from historical conditions, is not confined to political economy professors holding briefs from the comfortable classes. There is no lack of well meaning people wanting better things to come, who also embrace it.

The historical school of socialists is in that category. They take the current of history for granted as

good. Either that, or they assume the impossible—that good is a natural evolution from evil. For they believe that history exhibits a process of evolution which, having reached the present deplorable era, is about to pass into what would be a worse, the era of trusts, if it were not that the natural evolution from the trust era is to be an era of equality and good will.

If persons who believe in this way meant that the trust era would stir up the people by its oppressions to a realization of the social disease that had produced it, and impel them to seek the root cause and apply the radical remedy, their position would be intelligible. But they have no such meaning. They mean that out of these diseased social conditions, and by the same natural process of evolution that has been at work through the ages, there will naturally evolve healthy social conditions.

Since that is the reason they welcome trusts, it is not just to say, as has been hinted, that they welcome them from motives similar to those which led the quack doctor to produce fits in his chicken pox patients—because he was death on fits and didn't know much about chicken pox—although their programme does suggest it. They want to see all business consolidated in a few great trusts so that the people as a whole, in an organized capacity, may the more readily acquire and administer it. This programme truly is, upon the surface, somewhat like turning chicken pox into fits and then curing the fits; but that is really not a true interpretation of their reason for exalting trusts as a natural development toward better things. They believe that all through history mankind has been a sick man (not from his own disregard of fundamental laws of social health, but of necessity in the nature of things evolutionary), who from one disease to another has finally got a chicken pox, which, in due course, will produce fits, and that the fits will in turn produce good health.

It is not an encouraging programme. Besides the philosophical absurdity of expecting a natural evolution of good from evil, of health from disease, there is to be considered the commonplace fact that the mas-

terful minds that are able to dominate private trusts would have no difficulty in dominating government trusts even under popular government; yea, more especially under popular government. The invitation to cure the trust evil by perfecting and consolidating trusts and making them government institutions, is an invitation to join in completing the destruction, instead of achieving the restoration, of liberty.

It is because Mr. Bryan's trust remedy is in line with and promotive of that which we have just described, as well as because it would tend to foster centralization of power in the federal government, that without qualification we reject it. To quote from his latest statement, published editorially in *The Commoner* of the 1st, he would "let congress compel all corporations to take out a federal license before engaging in interstate commerce, or, if that is too harsh, let it require that corporations having a capital stock above a designated amount shall take out a license." Mr. Bryan would demand as the first condition of granting a license that there should be "no water in the stock," and as the second satisfactory assurance "that the corporation is not attempting to monopolize any branch of industry or the production of any article of merchandise." He would make the license revocable upon violation of the conditions and would deny to an unlicensed corporation the right "to use the mails, the telegraph lines or the railroads outside of its own state." Mr. Bryan describes the remedy as having been suggested by the Kansas City platform. But the same platform suggested a better remedy, which is also the true one, in these words:

We pledge the democratic party to an unceasing warfare, in nation, state and city, against private monopoly in every form.

In that declaration against monopoly the Kansas City platform placed the democratic party upon solid ground regarding the trust question.

It is possible to assume either of two attitudes toward that question. For one thing, we may advocate

what will tend to strengthen and centralize monopoly; for the other, we may advocate what will tend to abolish monopoly. Every proposition regarding trusts will classify under one or the other of those two heads.

The republicans, speaking of their tendencies as a party and not of individual opinions, cling to the first category. They are consistently disposed to create and buttress systems of monopoly. Here they are in harmony with the socialist programme as far as they go. That proposes monopoly, with the state as monopolist; whereas republicans incline to foster monopoly with favorites and bosses as the monopolists. But they also advocate centralization and restrictive laws. In that respect their policy is reflected in Mr. Bryan's remedy for trusts. And this feature of their policy needs only to coalesce with the other, that regarding monopoly, to make of the republicans a socialist party. For the programme of socialism is simply an arrangement of restrictive and centralized monopoly regulations, such as the general republican policy would be if its monopoly tendencies were homogeneous with its restrictive and centralizing tendencies.

Whether the development of trusts will stimulate the spirit of opposition to monopoly is yet to be seen. At present the drift of discussion seems rather to be toward more restriction, more centralization, more monopoly.

An unfortunate slovenliness in analyzing the question has immensely contributed to that result. It has been carelessly assumed that mere combinations make monopoly. Hence attention has been centered upon the problem of checking combinations, and thereby diverted from the vital point, which is the nature of the thing combined. When the principle of industrial combination is analyzed, so as to distinguish combinations of monopolies from combinations of productive forces, the trust problem will have been solved.

And this analysis is by no means difficult.

The idea to be grasped is the patent fact that it is not trusts that make monopoly, but monopoly that makes trusts. In other words, the evil power

of the trust depends not upon mere combination, but upon the kind of interests that are combined.

A combination of fishermen, for instance, could not make a fishing trust. They have no monopoly. Their only advantage would be their skill, and that could soon be acquired by others. Even with all the advantages of such special privileges as dockage rights and transportation opportunities, it has been found impossible to make an invincible fishing trust. An attempt to form a camera trust has failed, although there are patents to buttress such a combination. The great wall paper trust was once supposed to be an example of the power of mere combination, but it was obliged by outside competition to dissolve. Instances of this kind might be multiplied. What gives power to the cigar trust is similar to what gave power for a time to the wall paper trust—its trademarks; and it, too, is destined to collapse. So long as an individual or corporation possesses only such interests as are freely open to competition—except in so far as the combination itself may interfere—it can exercise no oppressive power. To hold the field to itself it must render and continue to render superior service to all.

If, while doing that, a combination seems to injure people by displacing employes or other houses in the same line, the injury is not attributable to the combination. For if men are displaced in a business because they are not needed, and so suffer for lack of employment, their suffering is due, not to their displacement, but to the fact that employments in which they really are needed are closed. Why those employments are closed we cannot consider here, but it is not because, it is rather in spite, of producing combinations.

With such combinations, moreover, there is a limit of efficiency which any thoughtful student of the problem must infer, and which the business community is beginning to detect. Up to a certain point there is economy in combination. It saves expense in many ways. But that point reached, the saving becomes less and less proportionately as the combination expands, until further combination ceases to be economical and becomes

positively unprofitable. With that factor at work in every industrial organization, the natural limit of combination is at the point of highest efficiency.

In some degree all combinations are subject to this limitation, because all are to some extent combinations of interests that are open to competition. But to the degree that the combination is of interests that are monopolistic, to that degree the limitation is lifted. A combination of nothing but monopoly interests, controlling the sources of supply for imperative demands, would have no limit of highest efficiency (except the necessity for the opportunities monopolized), and would be invincible. The evil power of trusts depends, consequently, upon the extent to which the interests they consolidate are monopoly interests.

Though a combination of fishermen could not monopolize the fish trade, a combination of fishermen and dock monopolists, or of fishermen and railroad monopolists, could monopolize it. Indeed, the fishermen would not be necessary factors. The dock monopolists or railroad monopolists could control both fish market and fishermen. This is what the Standard Oil trust has done. By railroad privileges at first and afterward a pipeline from the oil regions to the sea, it has dictated terms to oil consumers at one end and to oil producers at the other. Recurring to the fishery illustration, if the railroad monopoly were a more important factor than the dock monopoly, its owners could dictate to the fish market, to fishermen and to dock monopolists. So the substance of it all is that trusts acquire evil power by consolidating monopoly interests, and that the more fundamental these interests are the stronger is the power of the trust.

The correctness of this analysis is confirmed by the story of the all-absorbing steel trust now in process of organization. Not merely to manufacture steel on a large and economical scale is this combination formed. That is only incidental. It is a function which might be relegated to others without weakening the trust. The real purpose, so plain that no one can deny it without reflecting upon

his own intelligence, is to combine the patent monopolies in steel production, and also the natural sources of steel supply. And by means of another great combination—that of the railroads—controlled ultimately by the same little coterie that is to control the steel trust, monopoly of transportation also is secured. Combination of these monopolies is the thing. It is not combination in production that is sought especially, but combination of productive opportunities. These trusts are not organized to do things, but to do the people.

Make a simple test analysis and you prove it.

Imagine the withdrawal from the two great combinations, the steel trust and the railroad pool, of every monopoly, and what would come of those combinations? Suppose the iron mines were outside the pool. Suppose the coal mines were out. Suppose there were no patents to be combined. Suppose the railroad rights of way belonged to hostile interests, which were free to regulate traffic. Yet, let these two great combinations own everything else, and what power would they have?

Or, to put the same idea in another way, suppose the ore mines, the coal mines, the railroad rights of way, and the patents, all belonged to one trust, while the steel works, the railroad equipment, the machinery at the mines, and everything else of a competitive nature belonging to these two great combinations, were owned by another. What would be the relative power of the two? Would not the latter be as a pigmy to a giant?

Again: Suppose that ownership of the coal and the iron mines were so adjusted that they could not be monopolized profitably by anybody. Suppose the same thing were so far true of the railroad rights of way that anybody's transportation facilities were on a level, and suppose the steel making patents had expired, who, then, would care a picayune whether Mr. Morgan combined the steel and railroad interests or not? Nobody. It would in that case be evident to everyone that these combinations would have to render the best possible service to the public or disintegrate.

All that is evident upon a little re-

flection. And when perceived it almost makes one impatient with the multifarious skin remedies that are concocted for this constitutional disease that evolves trusts. Every injurious trust is built upon some monopoly. Upon one that is conferred by the government directly, or upon one that is acquired from a direct beneficiary of government. Scores upon scores of little monopolies, and some big ones, rest upon the subletting of special privileges by railroad monopolists. Take away these monopolies, and trusts will take themselves away. Monopolies of ore mines, of salt mines, of railroad rights of way, of territorial privileges, and so on, fortified by tariffs which protect American monopolies from the competition of foreign monopolies—such are the things, and such alone, that make trusts possible.

NEWS

The senate amendments to the army appropriation bill—including those provisions regarding Cuba and the Philippines which we quoted in full last week in reporting their adoption by the senate on the 27th, and which appear this week in our Congressional Record abstract—were incontinently accepted in a lump by the lower house on the 1st. This was done under the lead of the committee on rules, which brought in and under the previous question carried a rule requiring all the amendments to be disposed of as one. There was, consequently, no opportunity to reject either the Philippine or the Cuban amendment without rejecting the other and all the additional amendments besides. The same rule limited debate to one hour on each side of the question. Very speedily, therefore, the amendments were forced through in gross, by a vote of 161 to 136—56 not voting. This was a strict party vote, with the exception of four republicans whose names are recorded with the democrats against the bill. They were McCall, of Massachusetts; Loud, of California; Driscoll, of New York, and Mann, of Illinois. In the senate the only republicans to vote with the democrats and populists against these amendments had been Teller, Hoar and Pettigrew.

From this time on till adjournment the lower house was in a turmoil over appropriation bills. Both houses held

night and Sunday sessions. In the senate, Carter, of Montana, signalized the expiration of his term of office by holding the floor from 11:40 Sunday night until the dissolution at noon Monday, for the purpose of preventing a vote on the river and harbor appropriation bill. He succeeded; the bill fell through. At noon on Monday (the 4th) both houses adjourned, and the last session of the Fifty-sixth congress then came to an end.

Immediately upon the adjournment of the senate, Vice President Roosevelt took the oath of office and called the senate of the Fifty-seventh congress to order, pursuant to a presidential proclamation assembling it in special session for executive business. New senators having been sworn in, the senate proceeded in a body to the east front of the capitol to attend the inauguration of President McKinley, returning at the close of that ceremony and adjourning for the day.

The inaugural ceremonies are reported to have been the most magnificent in the history of presidential inaugurations. The president rode with Senator Hanna by his side from the white house to the capitol, where, at 1:17 in the afternoon, the oath of office for his second term was administered. In his inaugural address he began by comparing the heavy deficit of Cleveland's administration with the surplus of his own, and the industrial depression of that period with the prosperity of this, when "every avenue of production is crowded with activity, labor is well employed, and American products find good markets at home and abroad." Then leading up to the Cuban question he said:

The declaration of the purpose of this government in the resolution of April 20, 1898, must be made good. Ever since the evacuation of the island by the army of Spain the executive with all practicable speed has been assisting its people in the successive steps necessary to the establishment of a free and independent government prepared to assume and perform the obligations of international law which now rest upon the United States under the treaty of Paris. The convention elected by the people to frame a constitution is approaching the completion of its labors. The transfer of American control to the new government is of such great importance, involving an obligation resulting from our intervention and the treaty of peace, that I am glad to be advised, by the recent act of congress, of the policy which