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WILLIAM J. BRYAN, EDITOR AND PROPRIETOR

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Federal Incorporation

In his annual message to congress President Taft renews his recommendation for a federal incorporation act, As The Commoner has frequently pointed out, this is one of the most dangerous among all the dangerous changes sought to be made by the special interests. George W. Perkins, the associate of J. Pierpont Morgan, may be said to be the originator of this plan so far as present day agitation is concerned but in its nature it is older than Perkins and older even than America itself. It is, in truth, part and parcel of the doctrine of kings so far as that doctrine may be applied to a people struggling for the preservation of popular government. It means centralization in the federal government of control over great corporations and would make it that much more difficult for the people to obtain justice at the hands of their corporate servants.

Mr. Taft says that the federal charters proposed by him "should be voluntary at least until experience justifies mandatory provision." But under his plan the corporation could select the federal government as its watchman and it is safe to say that it would take advantage of the opportunity with the same readiness it has ever shown preference for federal courts.

Mr. Taft has placed the cart before the horse on this proposition. He has given choice to the wrong party. Under our system of government the state must be the creator of corporations and whenever the time comes that that method should be changed then the people should make the choice and the people alone are entitled to say whether in their capacity as the members of the state they are willing to surrender this control over their corporate creatures.

The federal government may well prohibit a corporation that has been convicted of lawless conduct from doing an inter-state business, thus shutting it up in the state of its origin. That is the plan suggested by Mr. Bryan but the suggestion that the federal government be empowered to issue corporation charters is centralization gone mad.

THE DUAL SCHEME

The democratic party is pledged to defend the constitution and enforce the laws of the United States, and it is also pledged to respect and preserve the dual scheme of government instituted by the founders of the republic. The name, United States, was happily chosen. It combines the idea of national strength with the idea of local self-government, and suggests "an indissoluble union of indestructible states." Our revolutionary fathers, fearing the tendencies toward centralization, as well as the dangers of disintegration, guarded against both; and national safety, as well as domestic security, is to be found in the careful observance of the limitations which they imposed. It will be noticed that, while the United States guarantees to every state a republican form of government and is empowered to protect each state against invasion, it is not authorized to interfere in the domestic affairs of any state except upon application of the legislature of the state, or upon the application of the executive when the legislature can not be convened.

This provision rests upon the sound theory that the people of the state, acting through their legally chosen representatives, are, because of their more intimate acquaintance with local conditions, better qualified than the president to judge of the necessity for federal assistance. Those who framed our constitution wisely determined to make as broad an application of the principles of local self-government as circumstances would permit, and we can not dispute the correctness of the position taken by them without expressing a distrust of the people themselves.

The states are even more needed than they formerly were for the administration of domestic affairs. As a matter of theory, that government is best which is nearest to the people. If there is any soundness at all in the doctrine of self-government, the people can act most intelligently upon matters with which they are most familiar. There are a multitude of things which can be done better by the state than by the federal government. An attempt to transfer to the national capital the business now conducted at the state capitals would be open to two objections, either of which would be fatal. First, congress could not transact the business. The work now devolving on the national legislature makes it difficult to secure consideration for any except the most important measures. The number of bills actually discussed in a deliberate way is small; most of the bills that pass are rushed through by unanimous consent, and a still larger number die on the calendar or in committee.

Second, the members of congress could not inform themselves about local needs. The interests and industries of the nation are so diversified and the various sections so different in their needs that the members of congress from one part of the country would be entirely ignorant of the conditions in other parts of the country. Whenever congress attempts legislation now for a particular section, the matter is usually left to the members from that section, but more often the matter is crowded out entirely by larger interests.

The farther the legislative body is from the community affected by the law, the easier it is for special interests to control. This has been illustrated in state legislatures when long-time charters have been granted to franchise corporations by the votes of members whose constituents, not being interested, do not hold them to strict account, and it would be worse if congress acted on the same subjects.

GOOD FOR MR. STEPHENS

A Washington dispatch to the Omaha World-Herald, says: "Congressman Stephens refused to accept salary for the period between the death of Latta and his own election, sending the following letter to Sergeant-at-Arms Johnson:

"'I understand there has been placed to my credit in your office the full salary appropriated for my district and left unused by my predecessor, who died September 11, 1911. I certainly am not entitled to receive salary prior to the date of my election and I therefore desire you to return to the treasurer of the United States that portion of this amount which is aproximately $1,200 and which accumulated prior to the date of my election to the house of representatives November 7, 1911.'

"This action is without precedent in the house, it is believed."

Mr. Stephens is to be congratulated. He has made a good beginning but he has done nothing more or less than his friends expected of him.

The President's Message

In his annual message the president says: "It has been said that the court, by introducing into the construction of the statute common law distinctions, has emasculated it. This is obviously untrue. By its judgment every contract and combination in restraint of interstate trade made with the purpose or necessary effect of controlling prices by stifling competition, or of establishing in whole or in part a monopoly of such trade, is condemned by the statute. The most extreme critics can not instance a case that ought to be condemned under the statute which is not brought within its terms as thus construed."

If that is true then why has Mr. Taft neglected to cause the arrest of John D. Rockefeller and other Standard Oil leaders, together with the Tobacco trust magnates, under the criminal clause of the Sherman anti-trust law?

The supreme court in the oil and tobacco decisions declared that these particular trusts and the men maintaining them had violated the law. Indeed, Mr. Taft himself gives in his message, particular emphasis on the "anti-trust" quality of these decisions. He says:

"In the Standard Oil case the supreme and circuit courts found the combination to be a monopoly of the interstate business of refining, transporting and marketing petroleum and its products, effected and maintained through thirty-seven different corporations, the stock of which was held by a New Jersey company. It in effect commanded the dissolution of this combination, directed the transfer and pro rata distribution of the New Jersey company of the stock held by it in the thirty-seven corporations to and among its stockholders; and the corporations and individual defendants were enjoined from conspiring or combining to restore such monopoly, and all agreements between the subsidiary corporations tending to produce or bring about further violations of the act were enjoined.

"In the tobacco case, the court found that the individual defendants, twenty-nine in number, had been engaged in a successful effort to acquire complete dominion over the manufacture, sale and distribution of tobacco in this country and abroad, and that this had been done by combinations made with a purpose and effect to stifle competition, control prices and establish a monopoly, not only in the manufacture of tobacco, but also of tin-foil and licorice used in its manufacture and of its products of cigars, cigarettes and snuffs. The tobacco suit presented a far more complicated and difficult case than the Standard Oil suit for a decree which would effectuate the will of the court and end the violation of the statute. There was here no single holding company as in the case of the Standard Oil trust. The main company was the American Tobacco company, a manufacturing, selling and holding company. The plan adopted to destroy the combination and restore competition involved the redivision of the capital and plants of the whole trust between some of the companies constituting the trust and new companies organized for the purposes of the decree and made parties to it, and numbering, new and old, fourteen."

In this same message Mr. Taft predicts jail sentences for trust magnates in future prosecutions under the Sherman anti-trust law. Will some one kindly explain in the president's behalf why he again asks the people to wait and why he does not call the oil and tobacco magnates to account under the criminal clause of the law which he says was so vigorously upheld by the supreme court in the notable cases recently before that body?

GROWING

Col. Watterson's conversion to the initiative and referendum ought to convince the most skeptical that these reforms are not dangerous. Surely the cause of democracy is growing.

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