.....A REMEDY FOR THE TRUSTS.....

Written for Public Opinion by William J. Bryan; and Reproduced by Courtesy of That Publication.

For the purposes of this article a trust will be defined as a corporation which controls a sufficient quantity of the product or supply of a given article, not patented, to be able to suspend the law of competition and absolutely or approximattely control the price of such an article. The patented article is excepted because a patent is granted by the government for the purpose of rewarding the patentee for a contribution made by him to society in general, and it is not only granted for value received by society, but it is limited to a term of years.

It will not be necessary to consider at this time what are generally known as natural monopolies. These belong to a class quite distinct from corporations in restraint of trade. It is difficult to have several water plants, lighting plants, street car systems, or telephone systems in one city without great inconvenience and waste. The railroads also have some of the characteristics of the natural monopoly, but there is no good reason why all the steel plants, woolen mills, cotton mills, sugar or oil refineries, or cracker or starch factories should be under one management.

Before seeking a remedy for the trusts it may be well to enumerate the evils for which a remedy is sought. A trust, defined as a private monopoly —and a corporation which, although it has not an absolute monopoly, has such a control over the product as to materially affect the price and conditions of sale, may, without impropriety, be called a monopoly—is open to a number of objections.

First, the inevitable tendency of a monopoly is to raise the price of the product. It is often said in defense of the Standard Oil company that it has reduced the price of oil. That is not true. In so far as the price of oil has been reduced, it has been reduced, not because of trust methods, but by the inventions which have reduced the cost of refining and permitted the use of by-products. That the reduction in price would have been greater under free competition than it has been under the trust system is evident from the fact that the Standard Oil company, as a rule, sells for less where it has competition than where it has no competition. Selfishness is so widespread in the business world that it is not safe to permit the creation of a monopoly and then rely upon the benevolence of the monopolist to deal justly with the public. The fact that most trusts begin with the watering of stock is conclusive proof that selfishness is the controlling purpose of the trust.

Second, the tendency of a trust is to reduce the price of the raw material used by the trust. If, for instance, all the woolen mills were brought under one management and one purchaser bought wool for all the mills, the natural, if not the inevitable, result would be a reduction in the price of wool. Cattlemen complain that the beef trust is now operating on this principle.

Third, the natural tendency of a trust is to so arbitrarily fix the terms and conditions of labor as to take advantage of the laborer, as well as the consumer of the finished product and the producer of the raw material. At first the attack is made upon the labor organization, and the attack may be supported by high-sounding appeals for the non-union man, but if the labor organization can be destroyed and the trust left to deal with the laboring men as individuals, the result is likely to be disastrous to the laborer, non-union as well as union. While a trust is able to pay larger wages because of its ability to extort a higher price from the consumer, yet it is no more willing to share this profit with the laborer than it is to forego the collection of it from the consumer. If one corporation controls all the plants engaged in a certain industry, then the skilled workmen in that industry have no choice but to work for the one employer, and there is not the same opportunity for advancement that competition furnishes. The laboring men justly complain of the black list when a number of employers act together and each one refuses to employ a man discharged by any of the others. The private monopoly gives the only illustration of a perfect black list, because with but one employer a man who loses his position at one plant can not hope to obtain a position at any other plant.

Fourth, the natural tendency of a trust is to produce an inferior article. Where there is competition the effort of each competitor is directed toward the furnishing of the best quality at the lowest price, and under this system we have seen reputations established and the character of goods so fixed that the stamp of the maker gave added value to the product. When one corporation controls the entire market, the same influence which leads corporations to push up the price of the product, press down the price of the raw material, and encroach upon the interests of the workman, leads it to use adulterants and inferior material. Where there is no competitor to point out the deterioration and to offer a better product, the consumer is helpless.

Fifth, the trust does injustice to competitors. When there is competition between a number of corporations or individuals, and when a monopoly is prohibited, no one of them will attempt to employ against the others the usual method now in vogue—namely, underselling in one section while the price is kept up in other sections. If a private monopoly is permitted, the nearer a corporation approaches to a complete monopoly the more apt it is to attempt to drive a rival out of business by reducing prices in the rival's territory while recouping from consumers in other sections. It would be difficult to estimate the amount of injury done to the smaller producers by the trusts that we now have. Under just conditions, success would depend upon the honesty, the industry, and the business ability of the man who engages in business. Today a man may acquire experience, invest a reasonable amount of capital, and attend to the business with diligence and capacity, and yet be driven into bankruptcy by some trust which is able to lose temporarily on sales in his vicinity until his capital is exhausted. For that reason it is no longer safe for the ordinary citizen to attempt to engage in an independent business. Under the reign of the trusts the reward goes to the conscienceless rather than to those who possess diligence and capacity.

Sixth, another evil that has grown up with the trusts is the freezing out of the small stockholders. Those in charge of the trust can make a good showing and raise the price of stock, and then pass a dividend and lower the price of stock, thus manipulating the corporation for speculative purposes or to enable themselves to gather in at a low price such additional stock as they may desire to purchase. It is not only unsafe to attempt independent business outside of a trust, but it is almost as unsafe to invest in the stock of a trust.

Seventh, one of the far-reaching effects of the trust is to discourage the man ambitious for independence, and when this discouragement becomes permanent and wide-spread, it will mean a tremendous loss in the productive energy of the country. It is said that we now produce and consume in the United States three times as much as any similar population in the world. This can not remain true if we permit a few great trusts to monopolize the industrial system of the country and condemn the wage-earners to hopeless bondage.

Eighth, the trust is a menace to the political welfare of the country, for political independence can not long exist with industrial servitude. If a few trusts control the industries of the country, they will bring such influence to bear upon their employes and upon candidates for office as to make it difficult for the people to assert themselves at the polls. The influence of the trusts has already been felt in politics, but it will be felt still more as monopoly becomes more and more complete, and the control of the industries more and more centralized. Then, too, a single great trust can afford to contribute more to a campaign fund than can be collected by voluntary contributions from all who are outside of the trusts, because the trust can secure in favoritism many times what it contributes, while the mass of the people ask for no special legislation, and therefore can not be induced to contribute liberally to campaign funds.

The objections enumerated above do not exhaust the list, but they are numerous enough to justify the people in resolving to exterminate the principle of private monopoly wherever and whenever it manifsts itself.

The first step toward the discovery of a remedy for the trusts is a recognition of the fact that private monopolies can not be classified as good or bad, but must be regarded as "indefensible and intolerable." Nothing but evil can come from an attempt to draw a line between private monopolies "benevolently managed" and others managed by persons who are not benevolently inclined. Managers may die, resign, or be removed. Bad men may be replaced by worse ones or better ones, but the position which a trust occupies before the law can not be determined by the virtue or lack of virtue of those in charge. In choosing between a monarchy and a republic, people do not decide according to the character of the man who may at the time be at the head of the government. They decide according to the principles which underlie the government.

One of the objections to an attempt to classify trusts as good or bad is that arguments made in behalf of socalled good trusts will be used in behalf of bad trusts. But a still greater objection is that an attempt merely to regulate so-called good trusts, without attacking the principle of private monopoly, results in the trusts getting hold of the government and protecting all trusts.

The remedies proposed may be divided into state remedies and national remedies, and thus far the trusts have been quite successful in dodging from the one jurisdiction to the other. Whenever a trust is prosecuted in a state it claims to be an interstate industry, and when it is prosecuted by the federal government it claims to be a local enterprise. While persons may differ as to the efficacy of one remedy or the other, there ought to be no difference of opinion as to the importance of permitting both state and nation to employ their respective remedies to the full.

The corporations engaged in interstate commerce are incorporated under the laws of various states, and each state is in position to place such limitations upon the corporations organized by it as are necessary to protect the public, but it has been found in practice that while some of the states have attempted to restrict incorporation and to place limitations upon corporations organized within their borders, many of the states have been led to make their charters very liberal on the ground that if they refused to do so other states would secure the advantages flowing from incorporation. The state of New Jersey, for instance, is supporting its government by a small tax laid upon corporations incorporated within the state, and it has made its incorporation law as inviting as possible. The state of Delaware has entered into rivalry with the state of New Jersey and the laws of Delaware have been taken advantage of by a number of large corporations.

A state can limit the capital stock of a corporation; it can limit the dividends to be paid, and it can limit the proportion of the total product that the corporation can produce or control. In other words, a corporation created by a state can be limited and restricted in any way that the law-making power of the state may consider necessary for the public welfare. As a director is in duty bound to act in the interest of stockholders, the law should be such that the director of one corporation could not act as director of a competing corporation, or as director of a corporation having business dealings with the first corporation. A director of two such corporations is likely to sacrifice the interests of one corporation to the interests of the other.

Besides having the power to protect its people from corporations organized under its own laws, the state has the power, or should have, to place limitations and restrictions upon foreign corporations doing business in the state, but there is a difficulty about exercising this power. If, for instance, a corporation has an actual monopoly of the production of a necessity of life, and a state attempts to exclude it, either by direct prohibition or by restrictions to which the trust refuses to conform, the people of the state may punish themselves while they attempt to punish the trust. Take, for example, the salt trust. But few states produce salt, and the salt trust, if it controlled all the output of salt, might seriously embarrass a state by withdrawing from it. In Kansas the people are attempting to protect themselves from the Standard Oil company by the erection of a refinery; and if the railroads join with the Standard Oil company to discriminate against the refinery, the people have it in their power to build a pipe line or even a railroad. Kansas, however, is fortunate in having oil wells; but few of the states are oil-producing, and therefore few of them are in as good position as Kansas to fight the Standard Oil company. While the state ought to exercise all the power that it has, it is not in position to give its people all the protection that they need.

(Continued on page 15.)