

CURRENT TOPICS

THERE WAS SOMETHING OF A SENSATION in Wall street when Daniel L. Dresser, president of the Trust Company of the Republic, revealed under oath the methods employed by Charles M. Schwab and J. Pierpont Morgan with respect to the shipbuilding trust. The newspapers of the country have paid great attention to Dresser's testimony and some people pretend to be surprised because of the revelations. Mr. Dresser testified at a hearing before a special United States examiner, Henry D. Oliphant, that the first mortgage bondholders had obtained the appointment of a temporary receiver for the shipbuilding company and Dresser's testimony was introduced for the purpose of showing that the company was fraudulently imposed upon and rendered insolvent through the machinations of certain men.

DRESSER'S REVELATIONS ARE RE-cited in an interesting story written by Samuel G. Blythe, the special correspondent for the New York World. Mr. Blythe says that Dresser's testimony threw considerable light on "the great game of O. P. M.—other people's money." He points out that "the era of prosperity that began in the fall of 1896 and rose to high tide three years later was fostered by a gigantic bull market in the securities listed on the stock exchange and sold elsewhere. The country went money mad. Millions were poured into Wall street and millions were made. Nearly every stock went up. It was as easy to make money as it was to breathe. All that was necessary was to buy and take a profit. Waiters, cabmen, office boys, laborers, clerks, merchants—everybody dipped into the golden stream flowing from the church to the river on Wall street and brought out handfuls of profit. It was also the era of combination. Industries were consolidated. Trusts were made of all sorts of factories and all sorts of commodities. Clerks in the state offices in New Jersey, where most of the combinations were incorporated, grew weary of inscribing giant rows of figures on the records. The prevailing idea was to capitalize everything at any convenient number of millions that fancy might dictate and sell the stock to the people."

DURING THESE DAYS OF FRANTIC EXP-loitation, the shipbuilding trust was planned. Mr. Blythe says that the idea was to combine the leading ship yards of the country and control shipbuilding business. Daniel L. Dresser, the president of the Trust Company of the Republic, was one of the moving spirits. According to Mr. Blythe, "the true exemplification of the high finance began when Charles M. Schwab bought the Bethlehem Steel company, of Bethlehem, Pa., a concern that made much of the government's armor plate. This steel company was under option a year and a half ago to Kuhn, Loeb & Co. and the Morton Trust company, of New York. The plan was to sell it to the Vickers' Sons & Maxim company, of England. There was an option which carried an agreement to sell the stock to the Americans for \$22.50 a share, they to unload at a profit on the Englishmen, of course. It was thought on both sides that the deal would go through. Still, the owners of the Bethlehem company are business men, and they cast about for a better price. A letter, entirely non-committal, but informing him that the company might sell, was sent to Mr. Schwab, president of the steel trust and competitor to the Bethlehem company. Schwab saw a chance to turn an honest penny. He promptly bid \$24 a share for the Bethlehem company's stock, and his offer was accepted. There were 299,910 shares of Bethlehem stock. Mr. Schwab's increase of \$1.50 a share made a tidy sum, and the directors of the Bethlehem company were well pleased. The Kuhn-Loeb-Morton Trust company syndicate protested vigorously, but were told it was 'business,' and finally decided to let the matter drop. Things were not going well with the shipbuilding trust. Mr. Schwab, having turned promoter, had decided to sell his Bethlehem company to the shipbuilding promoters, but soon discovered that the time was not propitious. This left him in the position of owning a great steel company that was a competitor to the steel combination of which he was president. It also left him with a large sum of money to pay for the stock he had acquired."

AT THIS STAGE OF THE PROCEEDINGS, Schwab called upon Morgan. Mr. Blythe says that Schwab explained that he was owner of the Bethlehem company and president of the steel trust. Why not let the steel trust take over the Bethlehem company, he asked Mr. Morgan, who was manager of the syndicate of underwriters that guaranteed the billion dollar steel trust bonds. The Bethlehem property was added to the list of the billion dollar steel company. No public mention was made of the fact. The public did not know that the steel trust owned the Bethlehem company, but, as Mr. Blythe says, "presently efforts to organize and finance the shipbuilding trust were renewed. Forays were made to England and France to secure capital. Prospects brightened. Then Mr. Schwab stepped out again as promoter. He took the Bethlehem Steel company out to sell, just as a book agent takes a book out to sell, and he did as the book agent does and went to the people he thought wanted to buy."

AFTER CONSIDERABLE NEGOTIATION, the Bethlehem company was sold. Messrs. Nixon and Dresser stipulated that they were to have 299,910 shares of the Bethlehem company for approximately \$7,200,000 in cash. Mr. Dresser said that he objected, urging that he did not have the cash and that Mr. Schwab reassured him and said that he would provide the money. Mr. Blythe explains: "The transaction was closed at the office of Mr. Morgan August 11, 1902. A young man named Wren came in and handed Mr. Dresser and Mr. Nixon a check for \$7,246,871. Wren is Schwab's secretary. The check was made to the joint order of Dresser and Nixon. They indorsed it and handed the check to Morgan & Co. Then they handed the stock to the lawyer of the shipbuilding company, and the lawyer gave Dresser and Nixon orders on the shipbuilding company for the \$20,000,000 worth of stock which was to go to Schwab and Morgan—\$15,000,000 to Schwab and \$5,000,000 to Morgan. That closed the deal, so far as Dresser and Nixon were concerned. It did not close the high finance. Morgan and Schwab had to get their profits."

DRESSER TESTIFIED THAT WHEN THE negotiations were on, Mr. Schwab told him it would be necessary to market the \$20,000,000 block of stock owned by Schwab and Morgan before any of the \$10,000,000 remaining stock was to be sold. This was to reimburse Schwab and Morgan for their labors. It was agreed that the stock should be put on the market at \$65 a share for the preferred and \$25 a share for the common. If, as Morgan and Schwab expected, their stock had been sold at these figures, Morgan would have received \$2,250,000 for his \$5,000,000 worth and Schwab would have received \$6,750,000 for his \$15,000,000 worth. This as to be the cash bonus for selling the Bethlehem company to the shipbuilding company. Then, if the public appetite was unsatisfied the holders of the \$10,000,000 remaining out of the \$30,000,000 worth of stock might sell theirs.

TO CLINCH THIS ARRANGEMENT, AN agreement was signed between the stock brokers, Harris & Gates, Charles M. Schwab and Dresser and Nixon which stipulated expressly that the \$5,000,000 worth of stock owned by Morgan and the \$15,000,000 worth owned by Schwab was to be sold first at the price agreed upon—\$65 a share for the preferred and \$25 a share for the common. Not a share of the other stock was to be marketed until Morgan and Schwab had cleaned out their holdings to the public. This was rather rough on the other insiders, but Dresser and Nixon signed. The agreement was ready before they got there. It is dated August 11, 1902, which is the day when the deal was closed and the stock transferred to Morgan and Schwab. Those gentlemen had their plans laid and they were ready to do business at once. They took no chances, but demanded that the \$10,000,000 worth of stock remaining should be held in trust until the Morgan and Schwab stock was sold. The scheme was beautiful in its simplicity. Morgan and Schwab wanted their money, wanted it first, and they left no loopholes. It was an arrangement within an agreement. There were two kinds of insiders, real and theoretical. Morgan and Schwab were the real ones. The theoretical ones were obliged to

wait until the public had been milked of the millions demanded by Morgan and Schwab. Then the public was to be milked again with the remaining \$10,000,000 of stock. Anything left after that the public could have.

IN THE WITNESS CHAIR, MR. DRESSER DID not explain why Morgan & Co. demanded the enormous bonus of \$5,000,000 worth of stock. Dresser said the check which he paid the Morgan company was given him by Mr. Schwab. Mr. Blythe says that the men who are familiar with Wall street affairs say that Mr. Schwab got the check from Morgan and that, if it is true, explains much. It also shows that Mr. Morgan, if the conclusion is correct, demanded \$2,500,000 for the short-time loan of \$7,246,871; that he gave the check and took it back at once, for Dresser and Nixon indorsed it to him immediately after they had received it, and that Mr. Morgan's firm simply bought its own property with its own money—put the check from one pocket to the other—and expected to get \$2,250,000 for the accommodation. Mr. Schwab has never told where he got the \$7,246,871.

MR. BLYTHE CONCLUDES HIS INTEREST-ing comment upon the Dresser testimony in this way: "This is the story of high finance and the shipbuilding trust. Two years or three years ago it would have ended happily just here, for the public would have bought the stock and Schwab and Morgan would have made their money. It does not end happily for Morgan and Schwab. The public refused to pay. They would not touch the shipbuilding trust stock. Harris & Gates could not sell it. It was of no value. The specifications provided that the investing public should clamor for the stock. They had clamored for stock just as worthless in days gone by. Great to the astonishment of all concerned, there was no clamor. Various expedients were tried to start a boom. The boom wouldn't start. Finally, Mr. Schwab gave J. P. Morgan & Co. \$75,000 for their \$5,000,000 worth of stock, for which the public was expected and asked to pay thirty times as much. Mr. Schwab may have that stock now, together with his own \$15,000,000 worth. The shipbuilding trust is in a legal tangle. Nothing but high finance has suffered, except the shipbuilding trust stock, which cannot be given away. High finance has suffered and suffered greatly. The public comprehension has been illuminated by Dresser's story of how a pool was formed within a pool, how it is possible to be buyer and seller at the same time, how there are agreements back of agreements, how there are cellars and sub-cellars under the ground floor, and how deliberate campaigns are made to fleece the unwary. There are many denials and talk of prosecuting Mr. Dresser. Meantime Dresser's reply has sunk deep into the public mind and the conclusion is rapidly forming that there are but two sides to the promotion of high finance. The high financiers take no chances and the public has no chance."

THE FAMOUS CONTROVERSY BETWEEN the United States and Great Britain concerning the Alaskan boundary has been decided in favor of the former government, so far as concerns the opinion of the commission recently agreed upon between the two governments. It will be remembered that a joint tribunal was arranged for and each government interested being equally represented in this tribunal it was necessary in order that a verdict should be reached that at least one member concede the righteousness of the claims advanced by the power opposed to his own government. Lord Alverstone, chief justice of England, agreed to the contentions of the United States government and therefore cast a deciding vote. According to this verdict, the title of the United States to all the land and water ways and inlets it has heretofore claimed with the exception of the Portland canal, which Canada secures as its only outlet to the sea, is confirmed. What the United States gains by the commission's finding, is set forth in brief by the Chicago Record-Herald as follows: "Recognition by Great Britain of its right to: The land of the Alaskan 'panhandle' for ten marine leagues, or about 34½ statute miles from the coast line from the north side of Portland canal, the present