THE TRUST QUESTION.

(CONCLUDED.)

It is said that, as a rule, the power to control prices has been discreetly used by combinations. But the American citizen does not want to be controlled without his consent. Left to his own devices, a man might never think of traveling outside his own country, but if some arbitrary power compelled him to stay here, he would chafe under the restraint.

Most people would rather trust to open competition than to trust to the conscience of any trust.

Under the old condition of competition, factories multiplied. The factory made all the difference between the village and the city. The more labor employed the bigger the town, the bigger the town the more consumers, the more consumers, the better the market for the farmer, the better the market for the farmer the more valuable the farm.

By combination factories are reduced in number and business is centralized in a few large towns. The transition from competition to combination profoundly affects the social life of our people and has distinct relation to our form of government. When the factory is shut down the means of home support is gone and change of residence in search of employment becomes necessary. Small homes are sold cheap at forced sales. Children are shifted from school to school or no school; their education is interrupted or permanently suspended. The massing of congested population in large cities is to the detriment of humanity. The number of unemployed becomes a menace to order. Individuality is dwarfed; the horizon of aspiration is narrowed to a struggle for maintenance. The lines of caste become stratified. The young man must stand longer and longer, hat in hand, at the outer door of corporate opportunity, waiting to be invited in and given a job, and former "captains of industry" in middle and old age, when incapable of proficiency in new employment, are passed by. But, while it is true that many situations are closed, it is also true that proficiency was never better rewarded than now.

In commenting upon conditions at the close of the eighteenth century incident to England's transition from hand loom to factory, Mr. Lecky says: "The system which is rapidly spreading through all industry of vast undertakings, supplied by small profits on an immense sale, inevitably tends to widen divisions of classes and greater contrasts of wealth and poverty."

Trusts are not the cause of combinations; they are simply the result of combination. Combination frequently assumes compulsory form. Industries doing a healthy business, entirely satisfactory to themselves, are compelled to join a consolidation. The penalty of refusal is made plain to them. They are made to realize that they cannot separately resist the colossus of which they are invited to become a part. They must consent to benevolent assimilation or be ground to death in unequal competition.

It is but fair to say that disadvantage to labor from combination has been doubted by high authority, and Mr Gompers, president of the American federation of labor, has expressed the belief that combinations of producers are necessary and their consequences at least not harmful.

Evolution of The Trust Corporation.

The beginning of the trust was—

First—The so-called "agreement among gentlemen," by which producers came to an agreement among themselves as to how much they should produce and at what prices they should sell, each producer, however, running his own business. But gentlemen failed to keep their agreement, and prices had their way, with some exceptions. It is said that the cattle and meat market of the United States is ruled by a few Chicago, Kansas City and Omaha purchasing agents, representing well-known packers, who, by agreement, never overbid each other. If the seller refuses to take the first bid he takes less if he sells. Independent butchers no longer exist, and the influence of this hog and cattle oligarchy extends to the remotest hog pen.

Second—The next step was the formation of the so-called trust. "The word 'trust' was first used to mean an agreement between many stockholders in many corporations to place all their stock in the hands of trustees, and to receive therefor trust certificates from the trustees." The trustee held the stock, voted it, managed the business, and apportioned the dividends upon the trust certificates.

Third—The interstate-commerce act became a law in 1887. This act was preceded by a congressional investigation, which led to a demand for governmental action.

Newspapers aroused public opinion. Bills were introduced in every state legislature aiming to forbid all manner of combination in restraint of competition. By the end of 1894 the federal government, twenty-two states and one territory had enacted anti-trust laws, and "courts have held with great unanimity that combinations are illegal if their purpose is to restrict production, raise prices or restrain trade," and that they are contrary to public policy and void.

In 1890 the New York court of appeals, in the case of the people vs. the North River Sugar Refining company, held that at the instance of the attorney-general the state would forfeit the charter of a corporation whose stockholders had entered into a trust with the stockholders of competing corporations for the purpose of forming a monopoly.

The present corporate form of trust combines was compelled by statutes and court decisions. "Most of the great trusts have been driven from their original mode of organization and have reorganized by conveying their property to a corporation organized for the purpose of taking over the property. * * The result has been that trusts for the most part have reorganized and reappeared in the form of gigantic corporations." (Cook on Stock and Stockholders.)

But while many states were formulating severe laws against trusts other states were facilitating their formation by laws especially framed for that purpose, intending thereby to increase their own revenues.

Citizens of one state may "incorporate a company in another state, even for the purpose of carrying on the entire corporate business in the state where they live." (Cook on Stock and Stockholders.) And a stock company, by reason of state comity, is free to transact business all over the country, with the exception of quasi public corporations.

New Jersey has drawn over the river nearly all the corporations doing business in New York, "and now runs the state government very largely on revenues derived from New York enterprises." New Jersey makes incorporation easy, and West Virginia makes it easier. Between them they have practically monopolized the business of making monopolies. Lately, too, Delaware has published its bid for the business of making corporations, alleging specifically its claims of advantage over New Jersey.

Method of Transition From Trust to Corporation.

When a trust wants to legalize itself by becoming a corporation it (1) appoints a steering committee; (2) a charter is taken out under the laws of New Jersey, West Virginia, or Delaware; (3) the trustees under the trust become the directors of the corporation; (4) the officers of the trust become the officers of the corporation; (5) trust certificates are exchanged for shares of stock; (6) an enormous capitalization is represented by paper shares, which are distributed to the public through stock speculation; (7) the board of directors is divided into two chief departments, one having charge of the financial side, the other of the technical side of the business; (8) the board is further divided into committees on sales, purchases, supervision of special branches, and such other committees as may be