necessary; (9) a system of factors' agreements is established whereby consignees of the commodity agree not to sell for less than a prescribed price plus freight as fixed by a so-called equality rate book, and not to change the schedule of prices except as directed by the corporation, and if consignees keep their agreements for a prescribed time, say three months, they receive a rebate; (10) a corporation so organized has its own legal department, central accounting department, with a comptroller, an auditor, and a statistician. It has a central laboratory if the business requires it. It has departments of sale, transportation, insurance and advertising. It controls many state companies operating mills for converting the raw product, with many other factories and branches for further utilization of its products and by-products. It owns ocean steamers and railroads and has foreign branches. It runs its mills in duplicate, so that, in case of breakdown, work will not be interrupted. It buys its raw material by shiploads and trainloads and whole crops. Itself being the only market for such raw material, it fixes the price thereof, so as to obtain such material at the lowest price that will induce its production. Itself being the only source of supply of the finished product, it fixes the price thereof, so as to obtain the highest price consistent with a steady demand and the prevention of competition. Having the field, it keeps it. No smaller enterprise can live without its consent. Occasionally, for the sake of appearances, it allows some smaller parasitic enterprise to exist so as to deceive the public with the idea that there is competition.

Arguments For and Against Trusts.

Burke says: "The market settles and alone can settle the price. Market is the meeting and the conference of the consumer and producer, where they mutually discover each other's wants."

But the modern incorporated trust itself becomes the market and dictates prices to buyers and sellers. The aim of the trust is to produce the largest volume with a steadily decreasing amount of labor and the smallest amount of material. It is said that large investments make large economies; that the more there is produced the cheaper it can be produced; that the cheaper it can be produced the cheaper it can be sold; that the cheaper it can be sold the more can be sold, and that cheap plenty makes large consumption. The advantages urged in behalf of combination are:

First—Economy in production; therefore, lower prices to consumers. But it is alleged that the consumer does not receive the benefit of trust economy to which he is equitably entitled under this argument. If the incorporated milling company in your town buys your wheat at its own price and sells you flour at its own price, there being no other mill, it always buys your wheat as low as it can and sells your flour as high as it can. It pursues the plan of buying as cheap as it can and selling as high as it can, because it is good business, and applies its profits to improving its plant so as to pay large dividends. It is easy to say that the consumer gets the benefit, but the producer and the consumer generally get more benefit when another miller comes to town and begins to do business in competition. But when the new miller and the old milling company combine the last state of the producer and consumer is worse than the first, for the new miller and the old milling company must make up for the indiscretion of competition.

Second—Another advantage is said to be that of a more perfect product. This may be true theoretically, but in practice it is said that control of the market permits economy in quality, which is often taken advantage of so far as control of the market will permit.

Third—Another advantage is alleged to be better wages and more constant employment. This is denied. It is said that profits arising from admitted economies and resulting in large dividends on watered stock do not reach labor in the form of high wages as a rule. It is true that wages are generally higher than ever before, but wages paid by trusts are not as a rule higher than "going wages," and are not as high as trust profits might seem to warrant. While labor has its unions, it cannot control the law of supply and demand of labor as the trust controls the law of supply and demand of commodities. As to constant employment, it can scarcely be said that a policy which closes and obliterates factories gives constant employmen to labor. It is probably true that it gives more steady employment to the persons employed, but one of the objects of combinations is economy of labor among other economies.

Fourth—Stability of price to the consumer is urged as another advantage, but whether this is an advantage or not depends on the price. A price gauged just low enough to prevent public discontent and just high enough to prevent competition does not appeal to the public as an indispensible advantage.

Overcapitalization.

In urging advantages by reason of combination, nothing is said of the custom of overcapitalization.

A committee was appointed by the New York assembly in 1897 to investigate trusts, and in that part of their report bearing upon overcapitalization they say:

"In one case corporate assets acquired by an officer of the combination for the sum of $350,000 were capitalized over night in the new combination by the issue of certificates of a nominal value of twice that amount, less 15 per cent.

"Other corporations organized for the distinct purpose of absorption by the combination on the basis of a stock issue of a nominal value of $800,000 were simultaneously recapitalized in the combination by an issues of a nominal share value of about $14,000,000.

Corporations representing in the aggregate share issues of less than $7,000,000 were recapitalized in the combination by a nominal share issue of $50,000,000, lees a rebate of 15 per cent.

"In another case live assets were valued at about $5,000,000 and made the basis of an issue of about $25,000,000 of stock, the difference being made up in the assumed value of 'good will,' 'brands,' and 'trade marks.' "

Such stock issues in many instances represent capitalized destruction and absorption of competing industries; capitalized centralization; capitalized "prospective earning capacity"; capitalized wind and capitalized water; capitalized live capital and capitalized dead capital. The preferred stock pays dividends; the common stock in most cases seesaws up and down from day to day, subject to market caprice, till it drops below zero and is past resurrection.

It is perfectly apparent that if a man draws a profit upon half of a pie he need not care into how many shares the pie is divided. If each slice or share is labeled with a value which it does not possess but upon which he draws dividends, so much the better for him. The stock-issuing business consists in labeling the pie as if it were stuffed with diamonds and dividing it into shares. There is only so much pie, no matter how many shares you divide it into.

Federal and State Authority.

There are those who regard trusts as rapacious monsters; others who look upon them as unavoidable and as part of our national organic development, believing that they are the result of natural forces, and, unchecked will regulate themselves; others approve of them as results of a general tendency toward centralization, but think they ought to be controlled by legislation; the radical socialist favors trusts in so far as they tend towart the nationalization of private property; and the anarchist is against all organization and all capital. On the whole, regulation by legislation within reasonable bounds ought to be possible.

Corporations are creatures of law, and legislatures which make and courts which construe laws, it would seem, ought to be able to restrict, control or annihilate creatures of law.

This sounds reasonable, but we are forty-five states, and at present where one state prohibits another invites, and so long as a single state exists from which, by virtue of interstate comity, trust combinations can trade over the