

PUBLICITY.

The remedy on which the United States Government appears chiefly to rely is publicity. President Roosevelt when delivering his message as Governor to the New York State Legislature in January, 1900, said,—

The first essential is knowledge of the facts—publicity. . . . We should know authoritatively whether stock represents actual value of plants, or whether it represents brands of good-will, or, if not, what it does represent, if anything. It is desirable to know how much was actually bought, how much was issued free, and to whom, and, if possible, for what reason. In the first place, this would be invaluable in preventing harm being done as among the stockholders, for many of the grossest wrongs that are perpetrated are those of promoters and organizers at the expense of the general public who are invited to take shares in business organization. . . . Care should be taken not to stifle enterprise or disclose any facts of a business that are essentially private; but the State for the protection of the public should exercise the right to inspect, to examine, thoroughly all the workings of great corporations just as is now done with banks, and whenever the interests of the public demand it, it should publish the results of its examinations. Then if there are inordinate profits, competition or public sentiment will give the public the benefit in lowered prices, and, if not, the power of taxation remains. It is therefore evident that publicity is the one sure and adequate remedy which we can now invoke. There may be other remedies, but what these others are we can only find out by publicity as the result of investigation. The first requisite is knowledge, full and complete.

In the first and second messages of the President to the Congress just concluded the same lesson was repeated and emphatically insisted on. The Industrial Commission in 1900 recommended the same remedy, and in its final report in 1902 gave a detailed account of the machinery it considered necessary. A bureau should be established, and its duties should be,—

To register all State corporations engaged in inter-State or foreign commerce; to secure from such corporation all reports needed to enable the Government to levy a franchise-tax with certainty and justice and to collect the same; to make such inspection and examination of the business and accounts of such corporations as will guarantee the completeness and accuracy of the information needed to ascertain whether such corporations are observing the conditions prescribed in the Act, and to enforce penalties against delinquents; and to collate and publish information regarding such combinations and the industries in which they may be engaged, so as to furnish to Congress proper information for possible future legislation. The publicity secured by the governmental agency should be such as will prevent the deception of the public through secrecy in the organization and management of industrial combinations or through false information. Such agency would also have at its command the best sources of information regarding special privileges or discriminations, of whatever nature, by which industrial combinations secure monopoly or become dangers to the public welfare. It is probable that the provisions herein recommended will be sufficient to remove most of the abuses which have arisen in connection with industrial combinations. The remedies suggested may be employed with little or no danger to industrial prosperity and with the certainty of securing information which should enable the Congress to protect the public by further legislation if necessary.

The opinions as to the necessity of publicity for the accounts of large corporations commend themselves almost without argument to the thinking mind. There can be no reason why inquisitorial returns should be made by public departments into the affairs of banks, insurance companies, building and loan associations, &c., which would not also apply equally to industrial or commercial corporations. It does not militate against the usefulness of banks, insurance companies, &c., that their public position should be fully known; indeed, in the case of meritorious institutions the greater the publicity the greater the general confidence in them. If it be urged that such investigation would reveal private business, it does not seem to have had such influence in the case of those already under supervision. If a corporation has assets bearing a fair proportion to its stock, and is doing a large and profitable business, the market value of the stock will only be increased by publicity; an unsound corporation will probably object strenuously. It is only the fear of consequences to the fraudulent promoter that will make the latter dread the searchlight of official investigation, which is but a good advertisement for the honest corporation.

On the other hand, it may be remarked that in France when the Government maintained the right to approve the assets of any corporation before the stock could be quoted on the Bourse it resulted in such official corruption in the case of great corporations (*e.g.*, the Panama Railway Company) that it was a source of great danger to the Government itself, and has changed the fate of Ministries.

As Congress in its legislation has accepted the doctrine as to the need and advantage of full publicity there is no need to pursue argument further.

The official lists showing the position of corporations in the United States in January, 1903, give the total of capitalisation as follows: Industrial trusts (mines, manufactures, &c.), \$1,165,774,528; local and carrying trusts (railways, gas companies, &c.), \$4,519,597,812: total, \$5,685,372,340.

TAXATION.

Perhaps the ultimate solution of the trust difficulty will be found in the magic words "graduated taxation." The great difficulty is to find any system which the power of enormous wealth cannot pierce and tear to rags by means of the legal and other talent at the service of the money-power. It may, however, be suggested that when full publicity has thrown its light on every phase of organization, on every dividend, bonus, preference of stock, &c., there may well be devised stringent systems of taxation to keep down unfair profits and prevent extortion from the public. The owners of a trust have no right to say that they can "do what they will with their own." A human being may have that right (subject to public weal), but the trust is not a human being, nor an individual; it is a mere phantasm, or an artificial being created by the law, and over which the State that permits its existence (and nourishes it with special privileges not granted to single persons) can exercise control and limit with conditions. The powers which protect it and give advantages to it can bind or end it.

The State of New Jersey has a tax on the nominal capital. This is excellent against over-capitalisation, as it must be unpleasant to pay taxes on the "water" in stock. More, however, is required, and the essence of fair taxation would be to place a tax on trust-capital, graduated so as to lie lightly on small industries and heavily on gigantic combinations of corporations. Whether the tax should be arranged according to capitalisation or dividends, whether on turnover or profits, is a matter for experts to fix. That nationally the tax is fair and just will be granted if we consider