

porated at Trenton, New Jersey, in 1901, is composed of—the American Tobacco Company; the American Snuff Company; the Havana American Company; the American Cigar Company; the Murai Brothers Company of Japan; the Mustard Company of Shanghai, China; Blackwell's Bull Durham Tobacco Company; the S. Anargyros Company (Turkish cigarettes); the American Tobacco Company of Canada; the S. Jamatzky Company of Dresden; the American Tobacco Company of Australia. Trusts like this are often spoken of as evil monopolies, and every one seems to fear the effect of monopolies; but the only real monopolies are those temporary controls obtained by the use of patents, or those made popular by the production of some article at a cheaper rate than any one else can supply it. Is such a monopoly more dangerous than suicidal competition—absolutely destructive competition? Legislation can never turn back the tide of modern industrialism, nor combat the tendency which supplants the small store by the departmental store and the small company by the huge corporation.

I remember very well, Mr. President, when the railroad that extends from Albany to Buffalo was owned by seven different corporations, each having its own separate mechanism, and each having no connection with the others. If there came a great snowstorm one road would clear its track in a day, but those on each side of it might take a week. The passenger got his ticket for each road, and the shipper dealt with seven different separate carriers. Now the railroad is under one management, and crosses the continent from one ocean to the other, and it will soon cross the continent under the same ownership. So we must, in devising our remedy, go cautiously and slowly.—(Senator HOAR, 6th January, 1903. C.R., 6th January, p. 537.)

The men who unite their small funds so that by their concentration a railroad can be built do not make profit for themselves only, but for thousands enabled to settle on land and turn it to profitable account. The promoters of transportation conveniences which permit the products of an acre in Dakota to be landed in Liverpool for 16s. are benefactors both to Dakota and Liverpool; they certainly deserve some more material reward than honour for their enterprise, ability, and risk of fortune. It is only by their systematic economies and masterful victory over difficulties that combination supersedes individual effort and free competition.

Without aggregated capital the present modes of carrying on enormous enterprises would be impossible, and its use has multiplied a hundredfold the potency of productive labour. Combination of means and methods has given mechanical aids to industry which enables every man employed to do the work of five, but such combinations could not be successful, nor could they even hold their own, without the finer brains needed for their perfect organization, the high order of talent belonging to men evolved by the stress and strain of gigantic industrial interests. It is the result of putting entire management into the hands of those industrially "the fittest" which allows them to use to such advantage the wealth which is but the stored-up energy of millions of workers in the past, and to turn that energy into productive channels for the benefit of the present.

EVIL EFFECTS OF TRUSTS.

The most general and important charges brought against the trusts are: (1) Over-capitalisation or "watering of stock"; (2) secrecy, or lack of publicity in organization and conduct; (3) destruction of competition by underselling, &c.; (4) management of institution by absentees for benefit of absentee capital; (5) management for private benefit of officials; (6) destruction of local public spirit; (7) power to corrupt elections and bribe parliaments; (8) power to influence Courts and set the law at defiance; (9) absence of personal liability for illegal actions; (10) holding vast properties (as in mortmain) without taxation; (11) shutting down mills, mines, &c., at will, and throwing thousands out of employment; (12) the use of boycott and black-list; (13) fraudulent opposition to patents and use of patents; (14) discrimination in tariffs and rebates.

OVER-CAPITALISATION.

One of the most important charges against trusts is that of over-capitalisation or "watering the stock"—that is, issuing stock for which there are no satisfactory assets as security. The term is not properly used if applied to a legitimate increase in the number of stocks, but only to an inflated and illegitimate increase.

Attorney-General Knox, in a speech made to the Chamber of Commerce of Pittsburg, Pa., on the 14th October, 1902, said, when speaking of the evils of trusts,—

Over-capitalisation is the chief of these, and the source from which the minor ones flow. It is the possibility of over-capitalisation that furnishes the temptation and opportunities for most of the others. Overcapitalisation does not mean large capitalisation or capitalisation adequate for the greatest undertakings. It is the imposition upon an undertaking of a liability without a corresponding asset to represent it. Therefore, over-capitalisation is a fraud upon those who contribute the real capital either originally or by purchase, and the effort to realise dividends thereon from operations is a fraudulent imposition of a burden upon the public. When a property worth \$1,000,000 upon all the sober tests of value is capitalised at \$5,000,000 and sold to the public, it is rational to assume that its purchasers will exert every effort to keep its earning up to the basis of their capitalisation. When the inevitable depression comes wages must be reduced, prices enhanced, or dividends foregone. As prices are naturally not increased but lowered in dull periods, it usually resolves itself into a question of wages or dividends.

In over-capitalised corporations dividends must be declared upon the "water" as upon the actual value, and if all the stock was held by the promoters or original shareholders this would be of no consequence, as whether the dividend was 20 per cent. on one hundred shares or 10 per cent. on two hundred shares the result would be the same; but in such cases it would not be done unless for the sake of deception in making huge dividends appear small, and thus deluding the public as to the amount drawn from them for commodities. But the stock is put upon the market and bought and sold as if real value lay behind the inflated figures, and not profit for the promoter. If a property worth \$1,000,000 could yield a fair profit of \$60,000, and then the said property was over-capitalised to \$10,000,000, it would need a profit of \$600,000 to pay a fair profit to the shareholders; but, as the property remains the same in both cases, it is not only a fraud on investors, but a source of temptation to its managers to try by all devious ways—discriminations, cutting wages, driving plant to the uttermost, &c.—to try to produce dividends on the large capital, and so keep up market values of stocks.