

Facts About Trusts

ARGUMENTS FOR PROTECTION

Speech by Hon. Jonathan P. Dolliver, United States Senator From Iowa.

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It is not surprising that the uprising of public opinion against the trusts should have taken form of a clamor or not altogether confined within party lines against the protective tariff system itself, and is cannot be denied that there was something exasperating beyond all patience in seeing industries which had literally been created out of the dust of the earth by the act of 1890 manipulated within ten years into huge corporations seeking to engross the whole market place. But time enough has elapsed and things enough have happened to enable us to bring all these scare heads and signals of distress to the test of experience and to judge with some degree of accuracy how the principle of protection holds its previous reputation in the midst of such new and strange influences as have beset the American market place during the last ten years.

It is hard to understand how anyone experienced in the practical aspect of affairs can believe that the effect of protective laws has been to foster, much less to engender, monopoly. The American market place is a unit, and every part of it, in the nature of the case, shares alike in the advantages arising from a given schedule. The object of such schedule and its uniform result has been to produce not one industry but many of like kind; not in one section of the country alone, but everywhere throughout our borders. So that if a tendency toward monopoly has grown up in the United States it must be explained on some other principle. For more than a century these laws which are said to breed trusts had the undeniable effect to distribute throughout our whole territory the industries which they were designed to build up, so that from ocean to ocean the map of the United States has been colored all over by the innumerable industrial activities of the American people.

At Last, Truth About Combinations.

And even in these late years, at the very time the outcry against the trusts has silenced all the other noises of our political strife, the publication of the census of 1900 has thrown the light of definite information upon the flights of everybody's imagination. Whoever now begins his tirade against the trusts by announcing that they beset our narrow industrial world like a colossus only makes himself ridiculous. Fortunately, we know in this Presidential campaign what we did not know in the last—exactly how many trusts there are, where they are located, what their capital is and what their relation to the business of the country is. At the time the census was taken they employed 8.4 per cent of the factory labor of the country, and their total output was 14.1 per cent of the aggregate factory product of the United States.

I do not intend to discuss the origin of the trusts. The subject is an intricate one, and I have not finished my meditations upon it, but I have got far enough into it to see that the protective system is not the mother of them, for that system was a century old before the first one of them was born; and besides that, they made their appearance in free-trade countries even before they did here. I distinctly remember that Mr. Blaine, immediately after his return from Europe, in 1888, opened the Harrison campaign by the statement, verified by the common knowledge of everybody, that England was even then plastered all over with trusts. Furthermore, very many of our trusts from the least and meanest, like the American Ice company, even unto the greatest and most successful, like the Standard Oil company have dealt with commodities which have nothing to lose by free trade and never have had.

There are few among us who would take away from the business community of the United States the modern weapons with which we have fought our way into the arena of the world's affairs, and that man renders the American people a very doubtful service who, in his hurry to strike down the trusts, assaults with indiscriminate stupidity the great corporations which have collected the scattered and unfruitful accumulations of many individuals and put them at the service of the community. The oldest law known among men, except the law of the family, is the law of property. It has been comparatively easy

to justify that law in all ages, for while it has not always been regarded as certain that what you have earned and saved is yours, it has always been obvious that it is not mine. If it has become harder to defend the law of property, whether individual or corporate, in our own times, it is not because its foundations are any less secure or its rights any less sacred; it is because the inventions of avarice and greed have filled the hearts of millions of people with resentment against the whole tribe of promoters, underwriters, stockjobbers, and cheats at common law. And I venture the opinion that the law of property which we have inherited from our fathers, the immemorial prescription of civilization which guards the earnings and savings of labor, whether invested in a farm, in a cottage, or in the stocks of a railroad, a bank, or a manufacturing company, never had more defenders to fight for it than it has today.

Unhappily there is and probably always will be a prejudice more or less general against great wealth in the hands of others, but in a country like this such a prejudice is confined within the narrowest limits and as a political asset has proved absolutely worthless. Even a corporation, like a bank or a railroad, no longer has to contend with the swarm of petty misconceptions which at one time threatened to hinder the development of these indispensable agencies of commerce and business. As the people have studied the trust problem a good many common errors have been eliminated from their judgment, and a good many advantages in these organizations have found appreciation.

Savings Must Be Shared With Consumer.

In so far as they stand for an evolution, for a law of progress under which enterprise once conducted single-handed by individuals have grown into partnerships, into companies, into corporations, and even into legitimate combinations, bringing many separate properties under one management, there is much to be said in their defense. The people of the United States, with their accustomed prudence, have been slow to frame a wholesale indictment against them, for when the record is examined, neither political party appears to have done very much to circumvent their plans. If they had been in reality hideous monsters about to seize the market place by the throat, does anybody doubt that the terror and distress of the public mind would have found an immediate and effective response from the law-making powers of the government?

The trust of these times is a single corporation, regularly chartered under state laws, which has acquired, in one title the separate properties which constitute its plant, so that the problem of dealing with it without rewriting the whole law of corporate property becomes at once difficult and obscure. The trustees who formerly managed separate properties freely committed to their control by the owners have disappeared, and the board of directors exercising all the legal rights of proprietorship over combined properties have taken their place. I am not sure that this transition of industries from the hands of several corporations into the control of the single one, if it could have been made within certain well-defined limits and in perfect good faith toward the public, would have in the long run been regarded as against the general welfare. It permits so many savings in production and distribution and avoids so many of the wastes of the common methods of business that there are reasons for believing that the public would have taken no detriment, but advantage rather from it.

It has been so uniformly true that the process of cheapening production and facilitating transportation has inured to the benefit of the whole community, that it requires no very unusual confidence in the laws which govern this world to believe that these corporations, when honestly formed and honestly administered, might be a blessing to the whole world. I have never been disturbed because congress has not been more swift to strike them down, because I am sure that there are laws in the universe which congress did not make and which, fortunately, congress had not yet repealed; and without disparaging the sovereignty of the people over these gigantic creations of the state, the

real sovereignty which holds them to their strictest account is the frame and structure of things in the world governed, after all, by the everlasting law of fair dealing among men. The progress of society from the itinerant shoemaker, carrying his tools and his stock with him, fashioning footwear for the entire family while he tarried under their humble roof, to the mammoth shoe factories of New England, is by far more startling in its effect upon the community than the absorption of all these great plants into one could possibly be.

Even a Monopoly Must Study Markets.

When I have reflected, therefore, upon what might happen to us if any of our varied industrial fields should pass into a single ownership, I have found a good deal of comfort in the thought that even such an institution, from its foundation up, would be compassed about by far-reaching limitations upon its power to oppress and degrade the market place which it had been called to serve, so that if one of our modern trusts should manage to secure and hold, by fair means or foul, the exclusive production of a given article of general use and necessity, in the very nature of the case not only its permanent grip upon the market but its profit from year to year would require its managers to divide with the community the savings incident to its improved methods and to put its product with the reach of the people upon the fairest and most equitable terms.

It is a maxim of every great business that it moves upon tonnage and its whole problem is to secure the wide distribution of its product rather than to reap extortionate profits upon a limited sale. The government of the United States, if you will allow me to make an example of the only perfect monopoly there is in the country, has always jealously guarded its exclusive right in the manufacture and sale of postage stamps. Again and again the price of them has been put down—from 20 cents to 15, from 15 to 10, from 10 to 5, from 5 to 3, from 3 to 2. Every one of these reductions has been for the purpose of increasing the postal revenues, and every one of them has so speedily brought about that result that today there are shrewd people who think that a flat reduction of letter postage to 1 cent would still further increase the receipts of the service.

On Law of Maximum Consumption.

What law is that? It is the law of maximum consumption, by virtue of which the profits of a great business are multiplied; not by the arts of extortion and greed, but by deliberately reducing the price of the article until its use reaches from the few to the unnumbered millions. That it a law which God made and which congress has not yet repealed.

Not one of the trusts, not even those which, like the American Sugar Refining company, have approached most nearly to a monopoly, is exempt from that law. They watch the more diligently than ever the signs of the market, for they know better than anybody else that their profit is in the sale and not in the manufacture of their goods.

Even such a monopoly as a railroad has learned that its dividends are more secure with a big business done in a fair way with a friendly community than with a precarious business conducted on lines which impoverish its patrons and leave them stripped and embittered at every station along the line. How else shall we account for the fact that the consolidation of the American railway system has been accompanied with a steady decline of rates, until today they are less than 50 per cent of what they were 20 years ago and less by far than anywhere else in the whole world. The motto, "Charge what the traffic will bear," belongs to a rudimentary stage of railway management, long since superseded by the more enlightened selfishness which studies of the territory upon which its earnings permanently depend.

There is another common law inherent in the nature of things which stands guard in the market places of the earth against the exactions of greed, even when it is clothed with the powers and opportunities of monopoly, and that is the law of deferred consumption.

Another Law: Deferred Consumption.

There is a sense in which to the modern man the distinction between luxuries and necessities has passed

away, so that, speaking in general terms, everything is a necessity. But the necessity of buying things has one benevolent limitation upon it—it is not always necessary to buy them today, or this week, or even this fall. Nearly everything, from the clothing upon our backs to the roof over our heads, can wait until the structure of high prices yields to the irresistible pressure of the market place.

Suppose, for example, that every factory making hats in the United States should be absorbed by a single corporation, which should blindly and stupidly fix the price of one at \$10, how long would a monopoly like that last before it would be reduced to bankruptcy by the quiet but effectual competition of every old hat in the United States.

That placid, undemonstrative section in the statute book of human nature called the law of deferred consumption has already wrecked more than one promising capitalization of industry in the United States, and in some cases, at least, left the victims of the disaster too feeble to call for a receivership. So, if you should ask me to account for the fact that notwithstanding the shrieks of our political platforms, notwithstanding the timidity and hesitation of our statesmen, the American people as a whole have gone serenely about their affairs, refusing to become panic stricken by the apparently unobstructed advance of the mercenariness upon them. I explain it by their instinctive faith in the government of the world—in those omnipotent energies which make for open and even-handed justice among the children of men.

For, when you come to think of it, in moments of meditative leisure, it would seem to be rather singular that the good God who made us and placed \$0,000,000 of us here together in the greatest market place that has been known in the centuries of the world's commerce should have gone off and left us in our weakness to be robbed without benefit of clergy, with nothing to lean on except an occasional act of congress or a joint resolution of the state legislature.

Yet Again: Alternative Consumption.

Let me mention another of these laws, more effective than the legislative enactments of man, which puts a

limit to the schemes of monopoly, and that is the law of alternative consumption.

That is a law in obedience to which the market place turns from an article which has become irritating in price to a similar article which answers the same purpose. There are few things which men use that can not, in a pinch, be made to give way to something equally good. If, for example, the manufacturing of woolen goods should pass into the control of a single corporation—a thing utterly incredible, or at least as far as it has been tried, utterly unprofitable—its product of this year would not only find itself in competition with last year's output, but with the aggregate supply of all the other textile industries in the country.

If a lumber trust were possible, combining every one of the \$2,000 separate establishments which constitute, according to the census the chief industry of 31 states of the union and an important industry in all the rest, including our territories and the islands of the sea, the market place would speedily bring even such a corporation to its terms, not only by putting off until tomorrow what could be done today, but by turning to the brickyard, the stone quarry and the other supplies of building material within everybody's reach.

Organizations of Capital Naturally Good.

I hold it to be true that the law of competition, while it may be made subject to reasonable restraint, and possibly ought to be, can not be repealed or permanently impeded in its movements by any possible human devices. It is, therefore, my conviction that all or nearly all of these unwieldy creations of the incorporation laws of the country would be worn out by the internal resistance of the market place, even if they represented a legitimate investment of bona fide capital. In that case, if they survived at all, it would only be on account of the efficiency of their administration and the equity with which they distributed to the community the economics in production arising from the combination.

A corporation, very far from being a curse to the world, ought to be one of the chief blessings of civilization. I

regard the English statute, which first outlined the structure of the modern corporation, as an epoch-making step in the progress of society. The bank which represents the union of numerous stockholders and accepts on deposit the modest savings of the neighborhood, which would otherwise constitute a useless hoard, and puts them to the honorable service of the community, is a benign and not a hurtful institution. And so that organization of capital in corporate form which, in exchange for its stock, takes the actual money of investors, in sums great or small, and applies them to the production of the things which men need, ought not to have an unreasonable critic much less an enemy, in the world.

We ought not to complain even if grows with success until at length by the efficiency of its administration, it attains a commanding influence in the market place. The mere fact of its combination with other institutions of like character ought not in itself to work a prejudice against it. A single firm in New England, still managed by the surviving member of an ordinary partnership, owns more than a dozen cotton mills, running more spindles than any corporation in the world. I refer to the firm of B. B. & R. Knight, of Providence, R. I. Opportunities Never So Many as Now.

Everywhere I go I find men coming to me asking whether the old opportunities of American business are not gone; whether the trusts, the combines, the present industrial attitude of things have not at last succeeded in shutting the door of opportunity in the face of the young people of the United States. And I find hundreds of thousands of young men grown indolent and heartless in the battle of life because they have been told that the doors of opportunity have been at last shut. Instead of shutting the door of opportunity in the face of the young men of the United States, modern industrial methods have multiplied the opportunities of life in a thousand different directions.

Within 20 years every railroad magnate in America will be in his grave. Within 20 years every trust manager in the United States will either be on the retired list or in a sanitarium somewhere for nervous diseases

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