

CHAPTER II

FURTHER TYPES OF PRINCES

LIKE the Rockefeller fortune, the Carnegie fortune came from several kinds of privilege. It came mainly from land, transportation and tariff privileges. Secret rebate railroad rates and the acquisition of the most advantageous coal and ore beds enabled Mr. Carnegie to outdo domestic rivals, while a high tariff duty cut off competition from without. This gave to him and a few others a practical monopoly of the chief lines of an industry at a time when cheapening processes caused its enormous development.

Born in Scotland, and brought to this country when quite young, Mr. Carnegie was the son of poor, hard-working, thrifty parents. At the age of twelve he began to earn his living as "bobbin" boy in a cotton mill in Allegheny City, Pa., on a salary of \$1.20 a week. Later he became a telegraph messenger in Pittsburg, then a telegraph operator in the Pennsylvania Railroad employ, and subsequently superintendent of the Pittsburg division of that company. He made his start to fortune by obtaining an interest in three lines subsidiary to that railroad's development. First, he was shown by the rising Thomas A. Scott, of the Pennsylvania Company, how he could buy at a low figure ten shares of the Adams Express Company, an interior corporation of the railroad. Later, he was "let in on the ground floor," for a block of stock of the Woodruff Sleeping Car Company, which afterwards was absorbed by the Pullman Company.¹ This was the time when the Stand-

¹ Autobiographical introductory notes to Mr. Carnegie's book, "The Gospel of Wealth."

ard Oil Company was killing or swallowing its refining rivals, and absorbing the oil regions by use of the secret rebate, which it obtained, first from the Lake Shore and New York Central roads, and afterwards from the Pennsylvania, the Baltimore and Ohio and other roads. Mr. Carnegie, with other of the Pennsylvania officials, early became interested in the Columbia and other oil companies. Old records of the Columbia Oil Company appear to indicate that stock for which Mr. Carnegie paid \$637.50, he subsequently sold for \$72,000.¹

This rebate railroad principle was apparently tried to advantage for the inside railroad group in other directions, but in none to so marked a degree as in the rapidly growing iron and steel business. During and following the civil war there was a great demand for the metal, especially in railroad building. Pittsburg had both the coal and the ore close at hand, so that it was naturally adapted to iron manufacturing. Messrs. J. L. Piper and Aaron G. Shiffler of that city had for several years been building iron bridges for the Pennsylvania and other railroads, as substitutes for wooden structures. Perceiving the likelihood of this development, and doubtless having a division-of-profits understanding, such as commonly exist between railroad managers and construction companies, Mr. Carnegie organized this Piper-Shiffler business into the Keystone Bridge Company, in April, 1865. Among the stockholders appeared the names of Mrs. J. Edgar Thomson, wife of the president of the Pennsylvania Railroad Company, Mr. Thomas A. Scott, vice-president, and several other high officials of that road. In other words, the Keystone Bridge Company was largely owned by the managing officials of the Pennsylvania Railroad Company, from which it obtained its chief business.² Moreover,

¹ "Inside History of the Carnegie Steel Company," by J. H. Bridge, p. 30.

² See "Inside History of the Carnegie Steel Company" and "The Gospel of Wealth."

it has been published, and apparently has not been denied, that Mr. Carnegie's interest in the bridge company was given to him in return for services rendered in its promotion, possibly in getting the other Pennsylvania officials interested.

During this same year, 1865, Mr. Carnegie helped to organize the Union Iron Mills Company in Pittsburg, by uniting the Cyclops Iron Company with the Kloman-Phipps Iron City Forges. The Cyclops Iron Company was a new enterprise in which were heavily interested Mr. Carnegie and Mr. Thomas N. Mills, purchasing agent of the Pittsburg, Fort Wayne and Chicago Railroad. In the Kloman-Phipps Iron City Forges, Mr. Thomas M. Carnegie, Andrew's brother and assistant in the Pennsylvania road, was interested. The Keystone bought most of its structural material from the Union Iron Company, and both companies had sure purchasers of their products in the Pennsylvania and Fort Wayne roads, besides getting "ground floor" rebate freight rates over both roads east and west.

Shortly after that Mr. Carnegie resigned from the Pennsylvania road and devoted himself to the iron trade. In 1870 the firm of Kloman, Carnegie & Co. was organized to manufacture pig iron for the Union Iron Mills and the trade. In January, 1873, was organized still another Carnegie firm. Its title was Carnegie, McCaudless & Co. Its business was to manufacture steel by the Bessemer process. In October, 1874, the name of this concern was changed to the Edgar Thomson Company, Limited. A plant was erected on the site of Braddock's defeat in the colonial days. The company was named after the president of the Pennsylvania road, who was a large stockholder. Vice-President Scott also held stock, as did Mr. David A. Stewart, president of the Pittsburg Locomotive Works, and Mr. John Scott, a director of the Allegheny Valley Railroad — two corporations close to the Pennsylvania.

The established system of rebates obtained from the Pennsylvania Railroad for the products of the Edgar Thomson Steel Company forced President Garrett, of the Baltimore and Ohio Railroad, to make similar rate concessions, and these reductions in traffic costs played a very important part in the rapid growth of this Carnegie establishment, as in all the other Carnegie concerns. The high protective tariff and the rail pool were also great factors in the Carnegie prosperity.¹

In October, 1883, following a depression in the iron and steel trade, there was a strike at the rival works of the Pittsburg Bessemer Steel Company, Limited, at Munhall, in the suburbs of Pittsburg. The works were quite new, but the Carnegie group were able to buy them at a very low figure, paying, it was reported, little cash, and liquidating the notes out of the subsequent profits of the mills. A similar transaction is believed to have occurred in 1890, when the Carnegies are reported to have bought for \$1,000,000 in bonds the New Allegheny Bessemer Steel Company works at Duquesne, which had been embarrassed by a strike. This million was probably met within a year out of the profits of the new plant and the facilities of the Carnegies.

Thus their railroad and other advantages, together with their natural abilities and industry and unbroken good fortune, made it possible for the Carnegie group to absorb their rivals. Short of any of these elements, they probably would have failed. A combination brought them a monopoly of the more important parts of the steel industry

¹ In 1877 the Edgar Thomson Company paid its first dividends—indeed three of them—amounting to 41 $\frac{3}{4}$ % paid in cash and stock. In 1878 the earnings were more than 31% on its capital, which had been increased to \$1,250,000; and in 1880 the clear profits are reported to have amounted to \$1,625,000. The high protective tariff and the steel rail pool enabled the various Carnegie companies to clear more than \$2,000,000 in 1881, and more than \$2,128,000 in 1882. The cost of making steel rails was between \$34 and \$38.50. The average price received during these years, owing to the tariff and the pool, was \$56.26. See "Inside History of the Carnegie Steel Company," pp. 99-102.

in the Pittsburg region, and gave them the means, in 1892, after a bloody strike conflict with their employees in the Homestead district, over a new scale that reduced wages, to crush the steel workers' labor union to submissiveness. In that connection it is instructive to remember that the Carnegie group had been potent with the lobby at Washington, and through it had been among the most persistent and insistent beggars for a high customs tariff for this country, on the plea of "protecting" American workmen and of enabling employers to pay high wages!

In March, 1900, the various "Carnegie interests" were merged into one corporation — The Carnegie Company — with a capital stock of \$160,000,000, and a bonded debt of a similar amount. Embraced within this new incorporation was the H. C. Frick Coke Company, having more than 10,000 coke ovens, and 40,000 out of 65,000 acres of Connellsville coal lands, producing the best coke coal in the world. This new incorporation also included interests in the Oliver Company, which had acquired ownership of two thirds, or 500,000,000 tons, of the highest-grade Bessemer ores in the Northwest. It likewise embraced certain railroad and steamship lines for the economical carriage of ore and products.

This \$320,000,000 of capitalization and bonded debt was a gross inflation. The company was not worth above \$126,000,000. At least it was so valued in sworn affidavits by Andrew Carnegie, Messrs. Schwab, Phipps and other partners, and their attorneys, in the H. C. Frick partnership suit in 1899, when Mr. Frick and Mr. Carnegie seemed about to separate. And yet at the formation, in 1901, of that gigantic balloon of inflation, the United States Steel Corporation (Steel Trust), the Carnegie Company received in exchange for its \$320,000,000 of bonds and stock, \$402,000,000 of the new trust's bonds and preferred stock, and also \$90,000,000 of common stock. Mr. Carnegie received, as his personal share, \$217,620,000 in five

per cent. gold bonds, which in fact constituted a blanket mortgage over all the plants of the trust.

Thus, starting with nothing, Mr. Andrew Carnegie, through the use of privileges of various kinds, became from this source of iron and steel more than two hundred times a millionaire. Getting into the growing Pennsylvania railroad system, he had obtained "ground floor" interests in dependencies of that system. Directly or indirectly, through the secret rebate principle, he had obtained interests in the developing oil and the developing iron and steel industries. Securing and keeping a virtual monopoly of the steel trade in the Pittsburg district by absorption of rivals, laborers were compelled to compete as individuals for employment, union among them in the Carnegie works being destroyed and prohibited. Through direction of the pig, billet and rail pools, and of tariff legislation at Washington, domestic as well as foreign competition was kept down, output "regulated," and prices put up. Then followed absorption of coke-coal fields and ore beds, with ownership of steamship lines for the carrying of raw materials and finished products, while there were also "advantageous" understandings with other lines. Lastly, in the launching of the huge steel trust, Mr. Carnegie had exchanged his Carnegie Company bonds and stock for \$217,000,000 of 5 per cent. bonds in a \$304,000,000 blanket mortgage covering not only the Carnegie plants, but all the other plants included in the trust as well.

From what did this \$217,000,000 Carnegie fortune primarily proceed? Privilege. What were the privately owned railroads but privileges? Likewise what were the interior corporations of these railroads but privileges? What was the real or practical monopoly of oil lands and coal lands and ore lands and gas lands but fundamental and underlying privilege? What was the tariff legislation that prevented competition from without but privilege?

Is it not plain that these directly or indirectly government-made or government-sanctioned privileges were the well-springs of Mr. Carnegie's fortune? Shorn of these advantages, how much progress toward a great fortune would he have made over the many men who were his early rivals, and who possibly knew more than he did about the actual processes of the manufacture of steel? He would have done well, for he had good abilities and the qualities of industry and economy. Doubtless he would have attained a handsome competence. But it is reasonably certain that he would not have become a multi-millionaire.

Attention has been called to the sale of the Carnegie interests in the formation of the Steel Trust inflation. The formation of this trust gives a good illustration of another kind of privilege that has raised men to princely riches and power.

Early in 1901 Mr. J. Pierpont Morgan effected a merger of many of the great steel manufacturing plants of the country, taking the Carnegie Company as the nucleus, that company being perhaps the best equipped and managed, and certainly owning, location and quality together considered, the best ore and coal beds and natural gas supply. The iron and steel trade for several years had been very prosperous along with general business. On the wave of prosperity Mr. Morgan, Mr. John W. Gates, Judge Moore and others had grouped together numbers of small plants into large companies, with a capital in each merger greatly exceeding the sum of the capitals of the companies so combined. But the steel trade being unusually prosperous, and the earnings being large, the public accepted the statements of the promoters that the merged companies could effect savings and acquire business impossible for the smaller competing concerns.

The promoters of these ventures were so successful that, Mr. Morgan taking the lead, they entered upon a project to merge the merged companies, with the Carnegie and

some ore and railroad and steamship properties added. Ten great steel manufacturing companies and a big iron ore company were brought together. The combination was called the United States Steel Corporation. Stocks and bonds to the value of more than \$1,300,000,000 were issued, in the purchase of the stocks and bonds of the merger companies. What were these merger companies worth? Professor Meade of the University of Pennsylvania, in his book on "Trust Finance," says that the amount of money actually invested in the various properties of the Steel Corporation has been estimated to be from \$150,000,000 to \$500,000,000. Mr. Byron W. Holt, editor of *Moody's Monthly*, the financial authority, has asserted that "the actual, visible assets of the United States Steel Corporation are only \$300,000,000, or the amount of its bonds, and that all of both kinds of stock [more than \$1,000,000,000 face value] is what is commonly called 'water.'"

That is to say, the promoters of the merger put a capitalization on their huge combination which some persons believed to be three times, others nine times, the amount of actual money invested in the properties.

Mr. Charles M. Schwab himself, president of the United States Steel Corporation, in testifying before the Industrial Commission at Washington in 1902, estimated that the mills and furnaces, railroads and cash assets of the corporation amounted to close on to \$600,000,000. Why then, he was asked, was the great company inflated with stock and bonds to an amount exceeding \$1,300,000,000? Because, answered Mr. Schwab, the company owned or controlled natural opportunities worth at least \$800,000,000 — iron and limestone lands, coal and natural gas fields. These he averred, could not be "duplicated anywhere."

So there it was: either the promoters had formed a great monopoly of natural opportunities — of land — upon which to base their great steel trust; or else they were putting water in the milk, sand in the sugar. The probabili-

ties are that the chief promoters really thought, as Mr. Schwab said — that they had a practical monopoly of the best coal and ore lands and that that would, in normal times, at least, give an advantage equivalent to the great stock and bond inflation. Perhaps also they were willing to run the risk of an overestimate, since the public, and not they, was expected to carry the stock.

At any rate, Mr. Carnegie insisting on having bonds for himself and his friends in exchange for their Carnegie Company properties, the promoters sold common and preferred stock to the public at very high prices. But the prosperity boom unexpectedly slackened. Mills and furnaces slowed down or stopped. Earnings lessened; dividends shrank. And, as a consequence, down went the market price of the great trust's securities to half the face value of the aggregate of the bonds and capital stock; preferred stock, which had sold at par (100), going below 50, and common, which had sold at 55, going below 10.

Evidently the land ownership underneath the trust was not extensive enough. But since then the trust has been quietly absorbing coal and ore beds in many directions.

If the public had lost heavily by the oversanguine expectations of the promoters, the promoters themselves did not. Mr. Morgan had formed a large promoting syndicate. No formal public statement of the earnings of this group has ever been made, nor is it ever likely to; but from such occasional information as has appeared, experts in Wall Street matters compute that the syndicate's net profit from the sale of promotion stock must have been approximately \$60,000,000, to which probably \$40,000,000 more was added by stock manipulation; so that Mr. Morgan and his financial associates in the syndicate formed to promote this one trust are believed to have cleared about \$100,000,000 within two or three years.

What does this vast sum of money represent? Earnings from labor? Yes; but whose labor? Surely not the syndicate's. It represents almost purely a power of

appropriation possessed by these gentlemen. They took this great sum and gave nothing in return. It surely represents a powerful privilege, or perhaps it would be more accurate to say that it represents two classes of privileges, one of which is used to exploit the other.

For, as has been shown, underneath the Steel Trust lay the coal and ore beds. Without possession of these, there could have been no hope of forming such a trust. But possessing these, the promoters obtained a legal right to issue stocks and bonds on them, and that right, as they employed it, became an added privilege. For they had incorporated the United States Steel Corporation under the laws of New Jersey, turned the plants over to that corporation, then gave a large share of the stock to themselves for so-called promotion services, and proceeded to sell that stock to the public at top-notch prices. The laws of other States would not have permitted these promoters to do the things the New Jersey laws allowed. Indeed, it may truthfully be said that these very Steel Trust promoters had been the chief men to shape the New Jersey statutes in this regard. And with what result? United States Assistant Attorney-General Beck, during his argument for the Federal Government in the Northern Securities merger suit, put the matter sententiously. The Northern Securities Company was an offspring of the New Jersey law. Mr. Beck said that that State had won "a bad preëminence for its reckless sale of corporate privileges to secure petty fees." He continued:—

Such extraordinary powers have never been granted to a corporation, unless it be one of the New Jersey breed. In a few words, its powers may be classified as follows: infinite in scope; perpetual in character; vested in the hands of a few; methods secret even to stockholders.

Ex-United States Assistant Attorney-General Whitney has pointed out that until within sixty years almost every corporation was formed by a special act of Legislature,

while at present they are formed under the authority of general laws.¹ The holding company idea germinated in New Jersey in 1888. It was a device for enabling a few men to control majority interests in several or many large corporations. The process of organization under it is simple. Three men, perhaps clerks of some trust-organizing corporation, with money furnished them for that purpose, file a paper with the State authorities and pay a fee. They get a certificate in return, which makes them into a corporation for whatever purposes they like with whatever power New Jersey is able to give them; and, as has been stated, these powers are extraordinarily broad. Such rights as this piece of paper obtained in this way confers upon them these three men turn over to the men who had requested their services and furnished to them the necessary cash. The new holders of the paper become the company, and all that this company has to do thereafter is to purchase with its own stock the stock of other companies, collect dividends therefrom, and divide the proceeds. This was almost exactly the way in which, to use the descriptive language of Receiver Smith, that "artistic swindle," the United States Shipbuilding Company (Shipbuilding Trust), was organized.

As Mr. Whitney describes, this "holding" principle operates in the United States Steel Corporation, to wit: Under the deliberately created devices of the New Jersey Corporation Act, a minority, perhaps a very small minority, of the stockholders of that corporation can control the latter. The Steel Corporation controls the stock of the Illinois Steel Company, which in turn controls the stock of the Elgin, Joliet and Eastern Railroad Company, and these are commingled with a hundred others, all bound together in an intricate system upon a similar plan.

Mr. Justice Brewer of the United States Supreme Court,

¹ *Yale Review*, May, 1904.

in a public address dealing with the concentration of corporate power, has ironically said, "We cannot trust ourselves to hold our own stock."

To outsiders the handling of such enterprises may look complicated, but in their essence they are simple. For instance, a large promoter sends word to his friends to buy the controlling interest in certain railroads. This controlling interest is then sold at a handsome advance to a merger syndicate composed of the same and a few more friends. This merger syndicate sells at a profit to an underwriting syndicate composed largely of these same men with others added. Each of these steps has helped to evolve a mountain of bonded debt and an ocean of stock water. This mountain of bonded debt and ocean of stock water is "placed" on the market. That is, it is "unloaded" upon the public.

Mr. J. Pierpont Morgan stands at the head of Princes of Incorporating and Financing Privilege. He is a banker, yet his largest gains have not come from banking, properly speaking, but from colossal speculation. His word is a mandate in the financial world. If he undertakes to form a "blind pool," it is "blind" indeed. No one is told anything. He does not waste time to explain his plans. He simply sets down the names of certain banks, trust companies, insurance companies and individuals, with the relative portion of the millions for which each shall be permitted to subscribe. He writes, perhaps with a blue pencil on the first bit of paper that comes to hand, a few lines, it may be in almost illegible characters. That scrawl may represent a purchase or an allotment in millions and is esteemed by its holder to be as good as gold in hand. It is not necessary to know what Mr. Morgan has done, is doing, or is going to do. It is only necessary to be counted in as one of his pool. Addition, multiplication, division and silence; that is all it looks like to even an insider, for Mr. Morgan does not condescend to talk. In the promotion of the United States Steel Corporation the Morgan

syndicate probably divided, as has been explained, \$100,000,000 of what in Wall Street are called "profits."

Nor is the habit of acting without consultation peculiar to Mr. Morgan. Most of the great corporations having boards of directors composed of men distinguished in the world of finance, manufacturing and transportation are, in fact, conducted by one or two or three men. Mr. Jacob H. Schiff, senior partner in the banking house of Kuhn, Loeb & Co., and a director in the Equitable Life Assurance Society, complained on the witness stand during the great life insurance investigation in New York that directors do not and cannot direct; that in reality they are dummies. They merely approve of what the manager or managers do. These great privileged corporations become practically one-man corporations. And all the scandal of fancy and useless salaries, of preposterous advertising expenditures, and of more than questionable loans and appropriations revealed by the legislative inquiry are as nothing beside the revelations of power vested in a few hands and the way that power is used to control concentrated power elsewhere.

The Equitable Assurance Society, for instance, has ledger assets and income of close to \$440,000,000, while its paid-up capital is only \$100,000. Whoever controls a majority interest in that small capital controls the business of the company. Gay young Mr. James Hazen Hyde owned \$50,200 par value of this Equitable stock. He therefore was in the end the master of the Equitable Society. He transferred that majority interest to Mr. Thomas F. Ryan. The purchase price was presumably several million dollars, for while the par value of this block of Equitable stock can, by the limitation of the charter, earn only \$3514 per annum in dividends, the control of the society and the handling of its moneys is worth millions.

Mr. Ryan, who thus became the virtual master of the Equitable, also is believed to control the big Mutual Life and the smaller Washington Life Insurance Companies.

The ledger assets and incomes of the three companies approximate \$1,000,000,000!

Why does Mr. Ryan want control of these enormous funds? Not because he wishes to engage in the life insurance business. He may know little and care less about such a business, considered in itself. He desires control of its great investment funds because he wants to name the investments in which the funds shall be placed. For many years it was the policy of the insurance companies to invest largely in United States, State and municipal bonds. Late reports show that now such bonds constitute but a small fraction of one per cent. of their assets. What are those assets? Largely railroad stocks and bonds. And who controls the railroads? Mr. Ryan and his railroad-king and banking friends. Mr. Jacob H. Schiff admitted before the Legislative Investigating Committee in New York, that his banking house had sold many million dollars' worth of securities to the Equitable. Mr. Schiff is and was during these transactions on the finance committee of the Equitable Society, and the transactions were conducted in the teeth of the insurance statutes of the State of New York, which expressly forbids the director of an insurance company from participating in any way in the purchase for such company of securities of another company in which he has interest.

And the relation that Mr. Schiff of Kuhn, Loeb & Co., bankers, held toward the Equitable Life, Mr. George W. Perkins of J. P. Morgan & Co., bankers, held toward the New York Life Insurance Company. As finance committee chairman of the latter company, Mr. Perkins sold to it large quantities of securities of companies promoted by his own banking house.

Is it not clear that men of the Morgan and Ryan type possess great financial powers arising from the privilege of incorporation, and behind that of transportation and other privileges? And these privileges and powers give them potency in legislation by which to protect what they have

and to acquire new privileges and powers. This is constantly shown in our Federal and State capitals, where the lobbies are supported by Privilege. Did not Mr. George W. Perkins, chairman of the finance committee of the New York Life Insurance Company, testify before the legislative investigating committee that his company made a contribution of \$48,000 to the Republican National Committee fund in the presidential contest of 1904, and that it likewise made a \$50,000 contribution to the same fund in each of the immediately preceding contests? Did it not further appear from testimony that the "big three" insurance companies, New York, Equitable and Mutual, were in the habit of paying regularly into a legislative fund "to effect legislation"?

Observe the things that are to be seen in railroad, tariff and currency legislation at Washington. Take the instance of the bond issue in 1893. The industrial depression coming on and credit being tight, a cry went up that there was not enough gold in the United States Treasury to redeem the paper currency in circulation, and that silver, the bullion price of which had greatly cheapened relatively with gold, would be used, thereby tending to depreciate the currency. Public alarm was quickened by the rumor that a group of individuals, headed by Mr. Morgan, had collected a large quantity of paper money for presentation at the Treasury Department for redemption in gold. The cry was that the Treasury gold supply be increased and kept up. Thereupon the Government sold \$100,000,000 of United States bonds for gold. It sold them to a syndicate headed by Mr. Morgan. It received from the syndicate, in addition to the gold, a guarantee that the syndicate would not for a certain period make any effort to have this new Treasury supply drawn upon; or, in other words, that it would not for such time make a raid upon the Treasury. The bonds were sold to the syndicate at a price that enabled the latter to resell to the public shortly afterward and realize millions in clear profit. Here Privi-

lege showed itself strong enough to command the general finances and practically to dictate to the United States Government in a difficult situation. Viewed so, such men might be called Princes of the Road.

The majestic group of marble figures in the pediment of the New York Stock Exchange personify industry, progress, exchange and integrity. But what shall we say of many of the methods of men who are potent there? In a Metropolitan Traction Company suit not long since the late Mr. William C. Whitney described in a realistic way how "strong men" support a corporation needing help. When asked if such strong men make their profits out of the company, he answered with a laugh, "Not out of the company." The wise knew this to mean that the said strong men make their profits out of the public upon whom the company securities are loaded after manipulation.

United States Senator Chauncey M. Depew, as director of the Equitable Life Assurance Society, demonstrated how a "strong man" can use a strong corporation to help a weak one. From the Equitable company he procured a loan of a quarter of a million dollars for a land speculation company in which he was interested—the Depew Improvement Company. That company could give so little security for the loan that the Senator gave his personal guarantee. But when, subsequently, the Depew company failed and left small assets, the Senator practically repudiated the guarantee. When asked if he did not think the latter fixed any liability upon him, he cheerfully answered, "As a lawyer, I don't think so, and I am informed by the counsel of the receiver that he does not." Nor did the Senator make good his guarantee to the insurance society until driven to do so by an aroused public opinion.

Mr. Thomas Lawson of Boston, brought in conflict with his former Standard Oil associates, swore on the witness stand in the scandalous Boston Gas Trust suit that deals amounting to more than \$100,000,000 occurred be-

tween himself and Mr. Henry H. Rogers without written agreements. Were the transactions too delicate for record? Mr. Lawson implies that they were.

Certainly many of the transactions of the "big three" insurance companies of New York have been too delicate for entry upon the regular books of those corporations, and had to be kept as "non-ledger" accounts. In the Equitable affairs there appears to have been one item of this nature amounting to more than \$600,000.

And what can be made of the books of such banking and fiduciary magnates at the best, when Mr. Perkins, chairman of the finance committee of the New York Life Insurance Company, testifies under oath in the legislative investigation that his company, not wishing to have the public find a certain investment of \$800,000 in the bonds of the International Mercantile Marine Company, exchanged those bonds on December 31, 1903, with J. P. Morgan & Co., of which firm Mr. Perkins is a member, for a check of the same amount, \$800,000, and then, on January 2, 1904, reëxchanged check and securities? In this way the insurance company, in its sworn report to the Insurance Commissioner of New York, could show \$800,000 cash assets, instead of that particular amount of the Marine Company's bonds.

Likewise in the creditors' suit growing out of the financial collapse of Mr. Daniel J. Sully, the cotton plunger. That gentleman swore that his partners, Mr. Frank H. Ray of the Tobacco Trust, and Mr. Edwin Hawley, president of the Iowa Central Railway, had caused his ruin by treacherously selling him out. Mr. Hawley testified that of all their cotton gambling, amounting to millions of dollars, no record was kept.

"I have usually found backers where I saw profit," said Mr. John W. Gates, testifying before the Inter-State Commerce Commission as to how and why he wrested the Louisville and Nashville Railroad out of Mr. August Belmont's hands, and how in the middle of the night he

(Gates) was roused from his couch and induced to name his own price to transfer the road to Mr. J. Pierpont Morgan's hands. Mr. Morgan called Mr. Gates "a dangerous element in the railway world"; and Mr. Belmont pointed to the appreciating stock while the road was in Mr. Gates' hands as indicative, not so much of good railroad management, as of "good market management."

What does all this signify? Equality among the citizens? Does it not show, on the contrary, that some have potent advantages? President Woodrow Wilson of Princeton University was reported to have said at a public dinner that such has become the advanced state of Wall Street affairs that "leaders in the world of finance manipulate the destinies of the nation." Who are the "leaders in the world of finance"? They belong to the class who possess special advantages, created or sanctioned by Government — advantages which, as has been seen, have been placed in four categories: (1) ownership of natural opportunities; (2) taxes on production and its fruits; (3) franchise grants; and (4) powers to manipulate the general finances and juggle the general market, and also court immunities, which powers, when not expressly created, are at least fostered by Government.

What are the comparatively few men possessing these advantages but Princes of Privilege?