

SPEECH OF CONGRESSMAN ROBERT BAKER X X X

AT NEW YORK CREDIT MEN'S ASSOCIATION DINNER, AT THE DRUG TRADE CLUB,
JANUARY 29TH, 1903.

As I am asked to speak to the toast "Should Trusts Be Regulated," let me say at the outset, that if they are not regulated, or rather if the causes which produce them are not removed, then this and similar associations might as well disband and their members seek other avocations—if then obtainable. For the trust principle and that under which Credit Men's Associations thrive are directly antagonistic and cannot both endure.

As I understand it Credit Men's Associations are an organized police force to guard the property of manufacturers and merchants from the depredations of those who would obtain that property without returning its full equivalent. Such associations exemplify the principle of voluntary co-operation, while the trusts are predatory in their operation. The aim of these associations is of course the complete elimination from the mercantile world of the fraud and the swindler. Should the trusts reach their logical development there will be no need of Credit Men's Association, as no one will be able to purchase goods except on the terms and conditions the trusts impose, payment for goods previously obtained being a condition precedent to securing more.

Before we can determine whether trusts should be regulated we must first discover the cause of trusts, no intelligent treatment of the question being possible without having first discovered their cause. Briefly their cause is found in laws which interfere with competition. Whether laws entirely abrogate, or merely impede the natural flow of trade and the natural production of wealth, to the extent they do so operate they induce the formation of trusts to take advantage of these obstructions. The aim of the trust is the obliteration of competition, and the extent to which that end is attained is the trust perfected. It will no doubt be said that no such absolute condition exists in any industry, therefore no trust exists. Even if this be true, and I doubt it as to at least one industry, progress may have already advanced so far toward that final consummation as to make it to all intents and purposes a fact in several industries.

It is probably unnecessary to point out in such a presence as this, among men who are important cogs in machines directed by acute minds (an acuteness induced and sharpened by the competitive system) that if trusts do exist, they must have had their origin in conditions unlike those in which the businesses here represented are carried on. Even where not fully attained the genesis of the trust is found in monopoly. There are four primary causes which produce monopolies. They are the tariff; railroad rebates or discriminations; patents; the private ownership of natural resources. No trust can exist without one of these, it is insecure unless it has the second or fourth, but it reaches its highest form and becomes impregnable where all four exist. Each of these causes is an abrogation of the principles upon which this government is founded, which asserts the existence of inalienable rights—among them being the equal right to life, liberty and the pursuit of happiness. Neither liberty nor happiness is possible to those who are the victims of a trust buttressed by all four elements. If the people retain a part of their liberty and some of their happiness, it is because the trusts as yet control but a part of the necessities of life. The more that trusts are organized and perfected, the more the lives of the people are menaced, their liberty restricted and the less

happiness is possible to them. We may not fully discern all that is involved in the consummation of the trust idea, but all who study the subject are agreed that it will gather force and momentum and go on to its logical conclusion—an all powerful trust controlling other trusts—unless the causes which create them are removed, so that individual initiative can again be exercised. It is for such associations as this to determine on which side their influence is to be cast—for the extension and perpetuation of the present trust producing conditions, or a return to conditions of freedom.

PUBLICITY.

We hear much of "publicity" as a cure for the evils of the trusts. So far as this is a sincere demand it is based upon an entire misconception of the proper functions of government. Governments are instituted among men for the purpose of preventing aggressions upon the weak by the powerful. But the government itself has no moral right to be an aggressor, any more than it has to permit aggressions by others.

Whence comes the right to demand that the government throw out an universal drag-net to reach all who engage in interstate commerce, to pry into the affairs of all who sell goods across an imaginary line, or even to compel combinations of capital to expose the inner workings of their business. Who is to determine in advance of the exercise of this detective power, which are, and which are not trusts. It is well known that the manufacturers and merchants who engage in interstate commerce far exceed those who do not. Is all private business to be subject to an official espionage because a few rob the people? Are we to create another horde of useless and probably blackmailing officials! If the demand is based upon the presumed fact that somebody has bought stocks which they now believe to be inflated, then I answer that it is none of the business of government to compel one party to a contemplated transaction to expose his affairs to the other. If the evidence of value is not satisfactory and conclusive, then he need not buy. If one of the parties to the transaction is so reckless of his wealth that he is willing to exchange it for a share of stock of whose value he is ignorant, it is no more the function of the government to guarantee him against loss, than it would be to declare a purchase of goods from a mercantile house should be null and void, because the anticipation of profit by the buyer had not been realized. If there had been misrepresentation of the property or earning power such as constitutes fraud, the courts are open to the injured party for redress. But if he will gamble on the stock exchange he must take his chance with other gamblers that the cards have not been stacked by those who control the pack. There is no obligation for him to engage in this any more than other kind of gambling.

HOW ARE VALUES TO BE DETERMINED?

The demand for publicity as a remedy for the oppressions of the trusts would be comical if the matter were not so tragic to many concerned. We are told that the government should require schedules, showing in detail all the property owned by a trust, so that it may be shown whether the capitalization is excessive or not. Who is to determine every disputed question of value? Upon what is it to be based? Is it to be the cost of reproduction of the plants, or is it to be earning power? If the total capitalization is to be only the cost of reproducing the plants, then there will have to be a startling scaling down of book-values and a corresponding reduction in the face value of the stock. But it will not make a particle of difference as to its salable value, which depends upon the average opinion of its earning power.

Even if the courts were to decree that no more stock should be issued than would represent the cost of reproducing the plants, it would not affect its aggregate selling price—so long as there was no interference with the power of the trust to exact exorbitant prices due to its possession of monopolistic powers. The Steel Trust might be directed to scale down its share issue to one million dollars—the outside cost of its plants after deducting the face of the bonds—yet that one million dollars of stock would have the same earning capacity and would sell for as high an aggregate price as the present issue. If anyone doubts this let him note the price of the shares of the New River Water Co. of London, selling, if I remember aright, at a quarter of a million (\$250,000) dollars a share, and which is dealt in in one-hundred parts of a share. The value of a toll-gate on a highway to its possessors, is not the cost of reproducing the house in which the toll-gatherer resides, but is determined by the number of people who use the highway and therefore must pass the toll-gate. So it is with a trust, the value of its stock is not the cost of reproducing its plants, but is due chiefly to the letters-of-marque which have been issued to it to levy toll upon an entire nation. Publicity will not deprive any of them of their tariff privileges; of their patents; of railroad rebates or discriminations; nor of their monopolization of oil, iron-ore, copper, coal, or borax beds, and therefore will not reduce the toll they collect, consequently the aggregate value of their privileges will not be reduced.

SPECIAL PRIVILEGES THE BASIS OF CAPITALIZATION.

You can protect the public from being fleeced not by reducing their capitalization, but by abolishing their privileges. When they sell goods abroad (including railroad and ocean freights and insurance) at two-thirds the price they charge for the same in this country, you get a glimpse of the value of the privileges which they have capitalized, and incidentally how much the American people are being robbed. In the case of the two most gigantic corporations—the Standard Oil Co. and the U. S. Steel Cor.—the privileges they possess are partly national and partly state. They are among the largest beneficiaries of the tariff system, but a large part of their capitalization is based upon the ownership of immense areas of land wherein their raw material is deposited. Because nine-tenths of those deposits are held out of use, the states in which they are located (following our own idiotic policy of permitting the fore-stallers of land to almost entirely escape taxation) do not assess them at even five per cent. of their value, the consequence is the output is restricted and the consumers are charged all the traffic will bear. If they were assessed at their full value and taxed regardless of whether used or not, it would not pay to hold immense tracts of coal, iron, copper, oil and other lands out of use, the result would be a larger production with its consequent reduction of price. There might be less private building of libraries and endowment of universities, but there would be a more equitable distribution of wealth, prosperity and happiness would be more general because most of the wealth would be retained by those who create it, and I have no doubt the libraries and universities would be provided—but out of the public treasury.

AN ILLUSTRATION.

If any of us lived in a region where wolves abound, we should laugh to scorn the suggestion, however high the source from whence it came, to appoint a commission to go out and examine the age, size and strength of the wolves' teeth. And that would be no more farcical than the assertion that "publicity" is the remedy for the trust evil. If we do not desire to kill the wolves, let us

at least pull their teeth, so that they can no longer ravage our flocks. And we shall pull their teeth the moment we deprive them of their privileges. Then they will thrive only to the extent that they perform the useful function of producing and distributing more economically than their competitors.

The evil of the trusts is not to be found in the secrecy of their management, nor in the ignorance of the public as to their internal affairs, only to the extent that secrecy covers payments for political favors, and he is a simple-minded citizen who imagines that any regulations, however drastic, prohibiting political payments can be effective so long as we permit these immensely valuable favors to be conferred, whether in the form of tariffs, railroad rebates or discriminations, or ridiculously low assessments of unused lands.

Those who control these corporations will find a way to place political parties and political chiefs under financial obligations—even if they have to donate the money out of their own pockets. A tip from the inside when to bet the stock will go up or down is a very simple matter, but it has brought fortunes to those who heeded it. But there are other, more subtle, but not less effective ways, ways that are more dangerous to the public well-being than even direct bribery. How many men in public life will resist the bait of the presidency of a great corporation, with the fabulous salaries that now attach to such a position, when dangled before their eyes as a prize, to be theirs at the end of their official term—provided they are good (!).

MONOPOLY THE REAL EVIL.

Publicity does not touch, nor even suggest, the real causes of trusts. It but excites the inner mirth of those who are becoming immensely rich through their operation, however much in public they may fume about the danger to "business interests" that would follow the passage of such laws. Any regulation to be effective must strike at the root of the evil, which is monopoly. If you are unwilling to attack the cause, then I recommend that the matter be dropped from your thoughts, at the same time giving serious thought to the question of what occupation will be open to the members of your association when the trust idea has reached its logical conclusion—the elimination of competition from all business, with its direction of each class of business from one central headquarters, and its turning adrift of those who have displayed less than the highest order of ability, or have not ingratiated themselves with the powers that will then control the industry in which they were previously engaged.

A GLIMPSE OF FUTURE CONDITIONS.

Where talent is then to find scope for its display except at the very top. I leave you to imagine. If with that talent you retain traces of the most boasted possession of Americans—independence—you had better not seek employment by any of the trusts when a more perfect organization of industry has been effected. If, however, you are content to be a mere cog in a great wheel, asking no questions, bowing submissively to the powers that control, trusting in your old age—in the days of your failing powers—that you will be accorded a pittance out of their abundant treasury, then not merely shut your eyes to the oppressions being practiced, but prove your claim to favorable consideration later on by asserting that trusts are not merely harmless, but beneficent associations of capital, that it is only the unsuccessful, the weak and the slothful, the demagogue and the anarchist, who rail against them, and, like the Pharisee of old, "you pride yourself that you are not like unto them."

Great stress is laid, and no doubt justly, upon the fact that certain of the trusts, notably the Standard Oil Co., has made it a practice to lower the

price of its product at certain places almost to the vanishing point, with the intent of first driving out its competitors and then raising the price so as not only to recoup itself for the temporary loss but to enable it to pay big dividends upon its stock. If this company had not possessed some of the special privileges I have enumerated it could not have adopted any such policy. To do so would have meant a permanent loss had it not possessed one or more of these privileges. The moment it put the price higher than the competitive price, new competitors would have sprung up, induced to go into the business by the abnormal prices obtainable, but possible competitors were deterred from doing so, knowing that discriminations were constantly made in their favor and they could not compete where the cards were stacked against them by the railroads.

No grocer, baker or butcher would think of attempting to secure a monopoly in his town or city by first lowering prices so as to drive out competitors and then raising them so as to recoup himself for the previous loss. And why? because, possessing no special privileges, he knows that should he attempt to recover such loss by boosting prices, others would enter the business and he would have to start all over again. And so it is with all combinations of capital not possessing special privileges. No matter how large their capital, they can only prosper to the extent they are ably and economically managed, and while economical management may be a factor in trust profits, it is the smallest factor, and is not to be compared with the monopoly element.

The Standard Oil Co. did not attain its position as the industrial octopus because publicity has not disclosed the number and structural value of its plants, or the prices its oil was sold for at different places; it dominates and controls the oil business and its masters have absorbed other large industries, because of its infamous conspiracy with the Penn. and other railroads, under which for years its competitors were charged three times as high a freight rate, one-half of the excess being given to the Standard Oil Co. History records no more scandalous transaction, no more shameful perversion of governmental powers, and no amount of publicity can prevent like results, unless we strike at the root of the evil—the use of governmental functions to favor some and oppress others.

RAILROAD DISCRIMINATIONS OF TO-DAY.

But we are told that is ancient history and is no longer practiced. Gentlemen, the leopard has not changed his spots. It may be that such brazen discriminations are not now practiced, if so, it is because the culprits have discovered more skilful and cunning ways of accomplishing the same ends. One of those methods is for the trust or other favored shipper to wait until his stock of goods at some important point is almost exhausted, then to secretly arrange with the railroads that on an agreed upon date, the freight rate upon that class of goods shall be slashed nearly in two. In preparation therefor, it accumulates its goods and at the agreed time ships sufficient to replenish its stock. Immediately this is done and almost before its competitors are aware of the reduced rates, the railroad announces a restoration of the old rate, offering some plausible excuse, such as an error. The practical effect being the same as if a discriminating rate had been made in the interest of the trust.

The power of the U. S. Steel Cor. does not lie in its huge capitalization, even if it were all genuine capital and not three-fourths water, there is an undoubted economy in combining large amounts of capital under one management. To the extent that it represents a combination of many plants working in unison under one general direction, it is not harmful. But if it were nothing more than this it would not have been capitalized at a third of its present figure, our modern financial magician would never have undertaken its

organization, nor would anyone have received stock valued at scores of millions of dollars for acting as a clearing house for the exchange of the pieces of paper representing the ownership of its various plants. If it possessed no special privileges, if it did not in part usurp governmental functions, it could not last a day, so top-heavy would be the mass of water in its securities that it would flood the owners and the whole combination would collapse, as it would not have the power to exact extortionate prices and therefore would be unable to pay dividends after paying interest on its bonds. Every dollar of dividend that has been or will be paid upon its stock is an enforced tribute from the American people, simply showing the enormous value of its special privileges—its tariff bounties; its patent rights; its railroad privileges and above all its land-ownership privileges—for its plant could be duplicated for less than the face of the bonds.

To those who assert "publicity" is the cure of the trust evil, I ask, "How will publicity lessen in the slightest degree the tariff bounties, the railroad favors, the patent rights, or loosen the monopolization of oil, coal, or iron-ore deposits of the Standard Oil Co. and the United States Steel Cor.?"

Every freight discrimination is an abrogation of the right to equal service to which all are entitled, this equality being involved in the very grant of the franchise under which the railroad operates. Not even so corrupt and boss-ridden a legislature, as that of Pennsylvania, would have ever dared to grant a franchise for a railroad, if those applying for it had even suggested the possibility of varying freight rates being charged to different shippers. All who have been parties to such discriminations either as grantors or beneficiaries, should be rigorously prosecuted, no matter how rich or powerful they may have already become. The vigorous prosecution of even one of these millionaire malefactors would do much to restore a respect for law among the mass of the people, and would of course prevent any repetition of such practices.

There is scarcely a monopoly that does not get some of its power to plunder the people from these freight-rate discriminations. State railroad commissions may exist, interstate commerce commissions may have their powers broadened and extended, but these practices will not stop nor this form of robbery be thereby curtailed. Nothing short of national ownership of the railroads can secure equal service to all shippers.

Public ownership and operation of the railroads will destroy some and curb all trusts, but the fiscal solution of the trust problem will only come when the people abolish the most fundamental of all monopoly, the monopolization of land. Then and not till then will free competition really exist and men find their reward determined by the value of the service they render to their fellow-men.



THE ASSESSMENT OF REAL ESTATE* ❧ ❧

ADDRESS DELIVERED AT DINNER OF BOARD OF REAL ESTATE BROKERS, MARCH 7TH,
BY LAWSON PURDY.

Equality in the assessment of real estate is equity. Inequality is iniquity. The assessment may be the full value of all property, half of its value, or any other percentage of value. The percentage of value is immaterial provided all property is assessed as the law may require.

No law can enable us to dispense with the services of efficient men, but obstacles created by law can be removed and law can be so framed that incompetence or dishonesty will inevitably be exposed.

* The bill referred to was endorsed by the Board of Real Estate Brokers March 10th, 1903.