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ARTICLE IX.

THE FUTURE OF TRUSTS.¹

BY Z. SWIFT HOLBROOK.

AUGUST COMTE affirmed that a perfect science can predict. The deeply philosophical mind of De Tocqueville clearly foresaw the abolition of slavery in America, and, so far back as in 1833, predicted an event that found its fulfilment thirty years later. When a science is yet in its swaddling-clothes, like sociology, it cannot affirm,—

“’Tis the sunset of life gives me mystical lore,
And coming events cast their shadows before.”

Adam Smith first published his “Wealth of Nations” in 1776, and some of the ablest minds of this closing century have traversed the field of political economy with accuracy and acumen; but most economists are content with the historical method, while too many are satisfied to be juggling with statistics, and the world of reality moves away from them at so rapid a pace that many text-books on economics find the upper shelf before they reach a second edition. Those who make history ever move faster than those who write about it. The man of affairs is in the vanguard, and the student, like the statistician, brings up the rear. It is not a simple task to assume the rôle of the prophet, and successfully meet the expectations that are awakened, and this article makes no pretensions to such a task. The first steamship that crossed the ocean brought an elaborate essay proving clearly that no steamship could carry suffi-

¹The word “trust” is here used in the popular sense, to designate all combinations, corporate or private, whose object is to control prices, material, or wages.

cient coal to accomplish such a trip. The essay was quickly turned into a humorous document; for a fact makes light of fancy, and reality quickly turns the serious into satire. Theory is ever a vanishing cloud in the presence of practice. Bryce, in his "American Commonwealth," has a chapter on the Social and Economic Future that already needs revising, and even Professor Hadley in his *Economics*¹ makes a statement about the inability of a combination of competitors to remove restriction upon charges that would cause merriment among the directors in many of the large and successful trusts of to-day.

When compared with the practical merchant, the economist says, in the words of Burns:—

"Still thou art blest, compared wi' me!
The present only toucheth thee;
But, och! I backward cast my e'e
On prospects drear;
An' forward, though I canna see,
I guess an' fear."

If political economy be more than pure empiricism, or if it would relieve itself of the charge of being the dismal science, it should now rise up early and sit up late in a heroic effort to forecast the future of monopolies and trusts. Bacon was right in defining the mission of a science to be one of helpfulness to mankind; and, if political economy be a science, then the power of scientific forecast must be turned into practical use by helping the thousands of merchants in their struggle for existence against the combinations that are driving them to the wall. This help need be only a vision of the future that has for its base-line the present and the past. But, if coöperation is to succeed combination, as combination is succeeding competition, as competition succeeded serfdom, and serfdom succeeded slavery, and slavery succeeded anarchy, then the middleman and the small merchant must be wisely directed. Thou-

¹*Economics*, p. 159.

sands of merchants heretofore successful, are watching the constant diminution of their life savings while waiting for a change of the commercial tide that has set in the direction of combinations. Emerson would almost appear in the rôle of an economic prophet when he wrote :—

“Wealth is the application of mind to nature; and the art of getting rich consists not in industry, much less in saving, but in a better order, in timeliness, in being at the right spot.”

The one great momentous fact of the year 1898, in the United States, is the phenomenal growth of monopolies and trusts. It is a fact more vital than the war with Spain, or than the Philippine question; for it involves principles far reaching and of greater import than the success of army and navy abroad. In his Home Market Club speech, Secretary Long said that lop-sided accumulations of wealth were of graver importance than imperialism. Internal dissension can rend a nation more than foreign war; and righteous principles within must be the bulwark of a nation, as they are of an individual. The attrition caused by warring classes at home, and the cynical cruelty with which wealth may dominate over want, may be a greater cause for alarm than friction with a foreign enemy; for a nation's deadliest foes may be those of its own household. It is unnecessary to refer to the pages of history in proof of such a statement. The equilibrium of forces within a nation is equally important with that of nations.

Thirty-two trusts, incorporated in New Jersey alone, represent an aggregate capital stock of \$1,208,866,300, or nearly a billion and a quarter dollars. The average is about \$40,000,000. In 1898, 1103 companies found shelter and protection of corporate rights in the trust fold under the laws of New Jersey. This little State received, in fees for filing certificates and from taxes of foreign corporations, \$2,359,198, which saved the State the necessity of taxing its people for the expenses of government. One

charter, the Federal Steel Company, was for \$200,000,000. Mr. J. Pierpont Morgan was, of course, one of those who lent his name to this company. Its common stock at this writing is 47 and is all water. The commodities which these corporations sought to control are seemingly among the easiest to produce. Bryce in his "Commonwealth" says:—

"Of the tendency to aggregation there are happily no signs so far as relates to agriculture. . . . At present nothing seems to threaten that system of small proprietors tilling the soil they live on which so greatly contributes to the happiness and stability of the commonwealth."¹

But we are nearing the danger point, for the great Beef Trust virtually controls the cattle industry of the country, and the price of milk is uniformly the same in cities. Ice has been successfully controlled in large cities like Chicago. A miller's trust is at this moment in contemplation.

The trust principle is, by some, held to be a natural evolution from the principle of competition, and an improvement upon it. *Gunton's Magazine* views trusts as economic blessings, and a great step forward in the world of production, because they lessen cost of production, and bring enormous resources and the highest skill to bear upon a single industry; thus producing in an orderly, economical, and scientific way. If such be the truth, we should all hasten to repeal all those federal and state statutes that make the formation of trusts a criminal procedure, and that classify among burglars, horse thieves, and counterfeiters those who are active in forming them.

It is true that waste products, otherwise valueless, may be utilized in large factories, and in slaughter-houses run on a large scale, and that a farmer in butchering a pig or a bullock cannot do with the refuse what the stock-yard packers find to be profitable. Mr. Armour is credited with the statement that there are only two parts of a pig that

¹ Vol. ii. p. 705.

cannot be saved and turned to use,—its odor and its dying breath. William George Gordon has told how science at the present day utilizes the ox:—

“Not many years ago,” he says, “when an ox was slaughtered forty per cent of the animal was wasted. At the present time nothing is lost. As but one-third of the weight of the animal consists of products that can be eaten, the question of utilizing the waste is a serious one. The blood is used in refining sugar and in sizing paper, or manufactured into door-knobs and buttons. The hide goes to the tanner; horns and hoofs are transformed into combs and buttons; thigh-bones, worth \$50 per ton, are cut into handles for clothes-brushes; fore-leg bones sell for \$30 per ton for collar buttons, parasol handles, and jewelry; the water in which bones are boiled is reduced to glue; the dust from sawing the bones is food for cattle and poultry; the smallest bones are made into boneblack. Each foot yields a quarter of a pint of neat’s-foot oil; the tail goes to the ‘soup,’ while the brush of hair at the end of the tail is sold to the mattressmaker. The choicer parts of the fat make the basis of butterine; the intestines are used for sausage casings or bought by gold beaters. The undigested food in the stomach which formerly cost the packers of Chicago \$30,000 a year to remove and destroy is now made into paper. These are but a few of the products of abattoirs. All scraps unfit for any other use find welcome in the glue-pot, or they do missionary work for farmers by acting as fertilizers.”

When the St. Paul stock-yards, who finally succumbed, found themselves in a death struggle with a Chicago packer, it was not a question of utilizing refuse: it was simply a question of a long bank account. The Chicago packer simply sold his meat at a loss until he had killed competition, and then he put it at a price that would return him his losses. This is the simplest kind of a game that is played by all the great trusts. It is the Standard Oil Company’s favorite program, and the Bell Telephone Company’s only method of crushing competition.

When the wealthiest and most aristocratic members of society are the greatest criminals under the statutes, it would seem to present an anomalous condition of affairs; yet such are the facts to-day. The greatest philanthropists are the greatest rogues; and colleges, hospitals, and churches reap the fruit of what the statutes define as crim-

inal acquisition. If trusts are a step upward in the history of industrial evolution, then it is manifestly unjust to brand as criminals those who form them.

Bryce's opinion of trusts may here be quoted:—

“Companies are in many ways so useful that any general diminution of the legal facilities for forming them seems improbable; but I conceive that they will be even more generally than hitherto subjected to special taxation; and that their power of taking and using public franchises will be further restricted. He who considers the irresponsible nature of the power which three or four men, or perhaps one man, can exercise through a great corporation, such as a railroad or telegraph company, the injury they can inflict on the public as well as on their competitors, the cynical audacity with which they have often used their wealth to seduce officials and legislators from the path of virtue, will find nothing unreasonable in the desire of the American masses to regulate the management of corporations and narrow the range of their action. The same remark applies, with even more force, to combinations of men not incorporated but acting together, the so-called trusts, i.e. commercial rings or syndicates. The next few years or even decades may be largely occupied with the effort to deal with these phenomena of a commercial system far more highly developed than the world has yet seen elsewhere. The economic advantages of the amalgamation of railroads and the tendency in all departments of trade for large concerns to absorb or supplant small ones, are both so marked that problems of this order seem likely to grow even larger and more urgent than they now are. Their solution will demand, not only great legal skill, but great economic wisdom.”¹

Professor Hadley says:—

“If the managers of a combination make it their chief concern to suppress competition, rather than to realize economics in production, their policy toward trade rivals results in violation of commercial morality, if not of commercial law.”²

The evils of vast aggregations of wealth in the hands of a few men are not difficult of discernment. Any one at all familiar with the history of such colossal frauds as the Standard Oil Company will need no enlightenment. To crush out competition by fair means or foul involves cruelty, bribery of legislatures, corrupting of public officials, evasion of interstate commerce laws, debauching of the

¹ American Commonwealth, Vol. ii. p. 705.

² Economics, p. 159.

public conscience, creating of false ideals for the young men of the country, wrong notions of what is true commercial success. Then follows the attempt to escape the just penalty of an immoral career by large gifts for philanthropic purposes. A cheap substitute for private virtue is public philanthropy to be seen of men. A host of evils follow in the train of a corporation owned and controlled by men of no moral character.

When the ninety and nine are industrious, the one may be supported in idleness; but when the one is the only producer, because he has a monopoly of patent, or tools, or capital, or rights, or land, then the many are robbed of their power to purchase at even reduced costs. The old song must then be revised to read:—

There was one fat sheep that safely lay,
Sheltered within the fold;
But the flock had wandered far away,
On the mountains bleak and cold.

The distribution of the means of production among the many, and a healthy rivalry to produce the best at the cheapest price, has been in the past the incentive to invention; and, notwithstanding the evils of the competitive warfare, it has been the one prolific source of cheapening cost by perfecting the individual arts. It would seem to be the natural *modus operandi* in a democracy, even if by large aggregations of wealth; and, unless state socialism shall supersede the competitive system, it is the plan that in some form or other must ultimately prevail; for the many must be industrious, not the few; the many must produce and profit by the production.

The ease with which the laws may be defied by wealthy corporations, and by large aggregations of capital when controlled by a few selfish men, is seen in a thousand ways. A democracy is peculiarly susceptible to the power of organized wealth; for the politician is apt to be a poor man

who is trying to better his financial condition through politics. This may not be true of the higher positions of trust, such as the Senate or the Cabinet, but it is true in legislatures and city councils. As an illustration of the power of money to corrupt public officials, the twelfth annual report of the Interstate Commerce Commission will reveal; for it is a clear admission of the failure of the interstate commerce law to bring about the results intended by its enactment. The report says:—

“The situation has become intolerable, both from the standpoint of the public and the railways. Tariffs are disregarded; discriminations constantly occur; the price at which transportation can be obtained is fluctuating and uncertain; railroad managers are distrustful of each other, and shippers all the while in doubt as to the rates secured by their competitors. The volume of traffic is so unusual as to frequently exceed the capacity of equipment, yet the contest for tonnage seems never relaxed. Enormous sums are spent in purchasing business, and secret rates accorded far below the standard of published charges. The general public gets very little benefit from these reductions, for concessions are mainly confined to the heavier shippers. All this augments the advantages of large capital, and tends to the injury, and often to the ruin, of smaller dealers.”

In another part of its report, the Commission says:—

“It is true that a great part of the competitive railway business at the present time is not done upon the published tariffs, but upon secret rates, which are less than those specified. It results, therefore, that, while discriminations and preferences have been ostensibly removed, or at least diminished, they still exist in a most aggravated form.”

And again:—

“A large part of the business at the present time is transacted upon illegal rates. Indeed, so general has this rule become that in certain quarters the exaction of the published rate is the exception. From this two things naturally and frequently result: First, gross discriminations between individuals and gross preferences between localities, and these discriminations and preferences are almost always in favor of the strong, and against the weak. There is probably no one thing to-day which does so much to force out the small operator, and to build up those trusts and monopolies against which law and public opinion alike beat in vain, as discrimination in freight rates. Second, the business of railroad transportation is, to a very large extent, in violation of the law. . . . This condition the present law is powerless to control. If it is asked why

criminal remedies are not applied, the answer is that they have been, and without success."

The ablest legal counsel now finds profitable employment in devising ways and means to defeat the will of the people as expressed in statutes. Corporate strength can retain the most distinguished names and ability to defend from too close a scrutiny and, if necessary, the books of the corporation can be burned, as in the case of the Standard Oil Company. Debs was punished for contempt of court, but it is needless to say no officer of the Standard Oil Company ever has suffered the loss of his freedom for one day because of acts of contempt that, compared with those of Debs, are far more subtle and far-reaching in their power to bring law and court procedure into derision. Public officials are the product of political parties, and large gifts for campaign purposes blind the eyes of many to overt acts, on the part of large corporations and business firms, that would not be tolerated in the humble citizen. A poor boy in Chicago, earning a few dollars a week and supporting his grandmother, took from a butcher's cart a small piece of meat to satisfy, perhaps, the cravings of hunger. He was arrested, thrown into jail with criminals and abandoned characters, and kept there six months awaiting trial. The owner of that piece of meat was a multi-millionaire who tapped the water-mains of the city of Chicago to go around the meter, and thus stole millions of gallons of water belonging to the public, evading the payment of large sums of money for water taxes. For that act of grand larceny he was never arrested, and never brought to trial. He fixed it with the boys! Such facts make anarchists by the wholesale; for they spread a contempt not only for court, but for the very foundations of our social fabric.

It is true that the margin of profit in most lines of business has been so small that constantly diminishing returns have forced competitors to combine and, in Massachusetts,

the constant and cruel strikes brought about by labor-unions is driving many an industry either into the trust fold, or out of the State for protection from the exorbitant demands of labor. The shoe business, the cotton-mills, are both in a death struggle with unlawful and tyrannical labor-unions, that are just as much a form of trust as combinations of capital. Between the upper and nether millstone the middle classes are ground to powder. Without determined and persistent efforts of the people to protect small proprietorships, concentration of industrial capital cannot go on indefinitely when its ostensible purpose is to reduce cost of production and distribution, while its real purpose is to increase the cost to the consumer. Lincoln affirmed that the will of the people must sooner or later assert itself. There are times when the voice of the people is the voice of God. It is idle to say that great trusts can permanently continue as the final and best form for productive forces. Human nature cannot yet be trusted to wield such power with motives and methods so unselfish as to command the confidence and respect of the people. Before many years there will be the greatest financial crash in trusts that this country has witnessed. Over-capitalization that represents the good-will of industries, and has been used by those who have formed the trusts to enrich themselves, must be settled with. The water will have to be let out. Men who have become enormously wealthy by permitting the use of their names to catch unwary investors in schemes that are incorporated and the stock then watered, must settle with the public. Universities that put the names of such men on the seals of their corporations, or that write their names over the portals of their doors, will yet be a hissing and a by-word with the people who have sons and daughters to educate.

One thing is certain: without determined and persistent efforts of the people to protect the individual and small

proprietorships, the concentration of industrial capital cannot go on indefinitely. The people will surely find a way to control them, for men are simply getting mad in their haste to be rich, and already the wind is driving the ship beyond all bounds of reason. Where shall the end be? This article is not written to forecast with any pretense of accuracy the future of trusts, but only to hint a word or two at what cannot be, and what may be.

It is idle to think of returning to those methods of production that have gone by. The cobbler will never again make our shoes, nor the blacksmith the horse-shoe nails. The sailing vessel must go with the ox, with the churn, and the horse-car. It is useless to cry, "Backward, turn backward, O Time, in your flight." The modern factory with its thousand advantages has the law of evolution for its justification. Despite all its faults, it has sufficient merit to warrant us in believing that it has come to stay.

The alternative of trusts cannot be state socialism. State socialism is the control by the state of *all* the means of production. The remedy is worse than the disease. It is a total misconception of the duties and functions of the state. For the state to deny to individuals, or even to corporations, the right to produce, is such an interference with the rights of the individual, that the American people would not tolerate it, nor even the serious discussion of it. The intelligent laboring classes themselves would resent the intrusion upon their personal liberty and rights.

State socialism is not the control by the state of the public-service corporations; such as, electric lighting, gas, waterworks, trolley lines, etc. For the state to keep within its own control the public utilities or public franchises, and even to enlarge the scope of its duties, such as stocking streams, protecting forests, providing for the dependents, deficients, and delinquents of society in a more careful and tender way,—all this is not state socialism, nor

a step in that direction. There is no marked advance toward state socialism in any civilized nation on earth. No one should confuse state socialism and Christian socialism. When Christian good-will becomes economic good-will, state socialism will not be needed; and until such time, state socialism could never be made operative. Every attempt to make people righteous by legislative enactment or sober by act of parliament must fail as signally as the attempt to make them holy by ecclesiastical machinery. Good-will is not the fruitage of force power.

For the state to assume control of public-service corporations or *quasi-public* corporations is not socialism, for the simple reason that the duties and functions of the state may be indefinitely enlarged without denying to the individual the right to his own self-support by producing through individual effort. When the state assumes control of *all* of the means of production, that is state socialism. Mayor Quincy of Boston is not a socialist, even if he has established some public baths. Mayors Chase of Haverhill, Mass., and Jones of Toledo, Ohio, are state socialists, if one may judge from their public utterances; and both of them are men of high purposes and noble character. Both of them are economically unsound. Individual rights are fundamental in this republic, and their protection is guaranteed by the Constitution. The state did not give them, and the state cannot take them away. It is not encouraging to socialists to note that the laws which are proposed annually in the legislatures of the different States, and that are denials of individual rights, or that would burden the state with such unnatural duties as clearly lie without its province, are either ignored or, if passed by demagogic or ignorant legislators, are then declared unconstitutional when referred to the courts.

The alternative of trusts cannot be state socialism in a democracy like our own. A plan that has never been made

to work anywhere, not even when practiced by a few select persons who had every motive to prove it successful, will never be adopted by a great nation. Especially is this true when revolution, and not evolution, is the highway over which it must pass before it can enter the triumphal arch, and ascend the hill to the palace of the Cæsars.

If the alternative of trusts is not state socialism, will it be municipal socialism? It cannot be denied that there has been a great growth in the study of the development of the municipality—its scope and functions. The city of to-day is a subject of deepest import and widest significance. The preservation of order, the detection and prevention of crime, the enforcement of law are clearly, as they always have been, the functions of government; but to these have been added some municipal functions that, in this country at least, are new. Public charities are widening out to include public baths, poor relief, care of dependent children, hospitals and medical aid, free lodging-houses, labor bureaus, potato farms. Education is enlarged to include persons of all ages, and technical schools must be supported. Recreation demands public parks and bands of music as well as public schools, libraries, art galleries. The industrial functions of the municipality may extend to pawn shops, to street railways, electric lighting, savings-banks, and even to restaurants; but we shall not even then have passed under the power and dominion of scientific socialism. Municipal socialism must ever be limited by the only legal limitations of the municipality. As a center for economic forces or social forces that are unique in comparison with rural communities, the city, as the legal and local agent of the state, must not be lost sight of. The farmer will not enact laws that the city council or board of aldermen would favor; hence municipal socialism cannot exist apart from state socialism, and independent of it. When the city was the state, it might have been different, for the

city had no legal superior; but now the city derives its charter rights from the state, and, unless state socialism is an accomplished fact, municipal socialism is a dream.

If the new president of France, M. Loubet, was elected as a coalition between the majority of the Senate and the radicals and socialists of the Chamber of Deputies, it might be profitable to inquire into the character of this socialistic sentiment in France, and the probability of its permeating American thought and institutions. It may be dismissed with a word, that it is insignificant, illogical, and unintelligent. In Roubaix, where the socialists have had control of the council for over six years, the results accomplished are paltry and its platform is even weaker.¹ The principles of municipal socialism as formulated by the Lyons convention were a strange conglomeration for an intelligent body. Their sins of omission were as great as their sins of commission!

The one piece of legal machinery that is supposed to be always in working order is the right of the state to tax; and this is so naturally destructive, that even Bryce imagined it could be brought into requisition at any moment as an effective means of leveling large mounds of property, and of dissipating them quicker than by the slow laws of nature. This is theoretically true; but practically quite the opposite is the fact. Practical politics in cities uses every available means for campaign funds. It is quick to discover a rich lead, and no source of money is overlooked. One assessor in Chicago paid \$20,000 to be elected; his remuneration from the city, county, and state was \$5.00 per day for less than four months. The deficit and a large additional sum was made up by contributions from large taxpayers, and the contribution was to both parties equally.

What the large taxpayer fails to secure in reductions in ~~this~~ way, he accomplishes later with the successful candi-

¹ *Yale Review*, Feb. 1899, p. 366.

date, the assessor-elect, through his eminent legal counsel and adviser. The article on taxation in Chicago, and on Pullman, in a former number of this magazine,¹ will reveal the true state of affairs in Chicago. The taxation of large corporations, apartment stores, business firms, and estates is not, on an average, one-fifth of what the small merchant is compelled to pay. The largest dry goods house in Chicago, managed by Christians and church-goers, and quite exemplary in all other respects, is a systematic and unscrupulous tax-dodger. Out of its savings in taxes from what it owes city, county, and state, it could found a Columbian museum every four years. The Pullman Palace Car Company is taxed on its houses, buildings, and public streets as acre property. The record of the beef packers, of some of the banks, of the trusts and monopolies, will not bear investigation at the assessor's office. Theoretically, the power to tax in a democracy will control unjust acquisitions in corporate hands; practically it will do nothing of the sort until the millennium comes or until politics is converted and joins the church.

The desire to acquire is a motive of action that is worthy and honorable. When it passes over into avarice, it is like any over-ripe fruit,—it is rotten. The love of acquisition becomes the lust of acquisition; the love of money as a means is transformed, and the lust of money as an end is the result. Then Satan appears as an angel of light. Christianity does not furnish new motives of action in the economic sphere so much as it regulates, controls, and sanctifies the motives that are. The will acts in accordance with the reason that is illumined by a conscience that has been sensitized by the divine presence. It is eminently fitting and proper to give fullest play to the love of acquisition. The rights of neighbor in such a love are always as clearly in view as the rights of self. Monopolies and

¹ Oct., 1897, pp. 745-758, 775-782.

trusts are the product of a perverted love, and as such are doomed. The mills of the gods grind slowly, but they grind exceeding sure.

The future of trusts must be along the same line of evolution that gave them birth; but they may pass out of the hands of the few into the control of the many; from under the dominion of selfish men into the power of men with consciences. The spirit of coöperation gave them birth as a means of self-preservation, but its motive has become selfish, its means are illegal, and its methods are criminal. Christianity is established, and theoretically at least we are a Christian nation. The people's voice must be heard. The industrial system of the twentieth century is now in its vealy condition. It is disturbed with the ills that beset all new things. The mumps and the measles and chicken-pox are incident to childhood; and the same is true of corporations, of business enterprises, and of industrial systems.

Large coöperative and competitive corporations whose profits accrue in part to the workers as an incentive to industry, whose stock is owned by the producers themselves, not by the idle and investing classes alone, may succeed the present trust system. England is making already a marvelous headway in this direction that is a prophecy of the future. Coöperation that reduces costs to consumers; removes the most hateful features of competition, but preserves its advantages; rewards the producers and incites them to their best effort, and that asks for no intervention of state or municipality for an artificial prop, but gives free play to the individual:—such an industrial system must surely come, and it will be the dawn of a new era in production. Work will be honorable; the producers of material things will be esteemed equally with the thought-makers; there will be an open field for all. This, at least, is a healthy hope for the future of America's industries.