

**TRUSTS OF TO-DAY; FACTS
RELATING TO THEIR PROMOTION,
FINANCIAL MANAGEMENT AND
THE ATTEMPTS AT STATE
CONTROL**

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Trusts of to-day; facts relating to their promotion, financial management and the attempts at state control by Gilbert Holland Montague

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GILBERT HOLLAND MONTAGUE

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AND THE ATTEMPTS AT STATE
CONTROL

BY

GILBERT HOLLAND MONTAGUE, A.M.

OF THE DEPARTMENT
OF ECONOMICS, AND SOMETIME RICARDO
PRIZE SCHOLAR IN ECONOMICS AT
HARVARD UNIVERSITY



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PREFACE

The speculative period of combination, during which one-seventh of the manufacturing business of the United States organised into consolidations, and four billion dollars of securities was marketed by the new industrial trusts, has entirely spent itself. Since 1898, the industrial stocks listed on the New York Stock Exchange have declined sixty-five per cent. The depreciation in the twenty-one leading industrial stocks has inflicted during this period a loss on the community of a billion of dollars. The precipitate decline of stocks during the summer and fall of 1903, the recklessness of unskilful promoters exposed in the hearings of the Shipbuilding Trust, and the passing of the common stock dividends by the United States Steel Corporation have completed the disillusionment of the investor. In the meantime, the Attorney-General's activity in the enforcement of the Sherman Anti-Trust Act, and the decision of the federal courts in the case of the Northern Securities Company have

called into greater prominence the regulation of trusts by the law. Economists and legislators have suggested a multitude of statutory remedies. The Industrial Commission, after careful investigation and criticism, recommended in its Final Report to Congress in 1902 certain specific measures. In 1903 Congress enacted, in the Elkins Law and in the Nelson Amendment to the Department of Commerce Act, two of the better recommended and less radical of these remedies. The acute realisation among investors of the real evils of trusts, and the sober criticism everywhere passed upon all suggestions of remedy mark the new phase of the trust situation.

The issues of the trust question are clear. If the trusts deserve to live, they must show that their economies are real; and that their evils—those resulting from monopoly, and also those resulting from the present trust management—can cure themselves or be cured by statute. Some of the facts, also, are clear. Economies arising from the control of resources—such as the International Paper Company expected from its monopoly of timber-land—have generally proved illusory. Combination as a relief from industrial warfare, however,—such as the United States Steel Corporation has been shown to be,—

has more firmly established itself as a natural economic evolution. Certain of the evils expected from monopoly, such as the discouragement of individual initiative, have not been realised. Certain other evils of monopoly, however, such as unreasonable prices and the extortion of discriminations from the railways, have grown more conspicuous. The evils of present trust management, moreover, which have brought discredit on a great field of industry have attained an importance transcending all other evils. How far these evils can cure themselves is now becoming evident. How far they can be cured by statute appears in the progress of the law from the overthrow of "trust agreements" to the case of the Northern Securities Company.

The facts of the trusts of to-day clearly define the trust problem. Most of the facts here given have been drawn from the Report of the Industrial Commission. A few illustrations of recent trust finance have been taken from the market reports and annual balance-sheets, published from time to time in the trade journals and in the *Commercial and Financial Chronicle*. The findings of fact in judicial hearings—especially in the suits to enjoin the bond conversion of the United States Steel Corporation—were freely

drawn upon for material. The utmost pains has been taken to exclude mere newspaper reports and magazine hearsay. Official and semi-official sources, though not abounding in startling generalisations, compensate in reliability for what they lack in picturesqueness. Wherever practicable, in the index, statements occurring in these chapters have been referred to the authorities. Certainly, the difficulties of the problem appear clearest in an impartial statement of the economies and the evils of trusts, and in a plain explanation of the legal regulation of trusts. If, indeed, from this treatment of the subject, certain critical conclusions seem reached, or some possible solutions seem evident, they result from the simple candour of the facts, and not from any conscious argument of the author.

GILBERT HOLLAND MONTAGUE.

CAMBRIDGE, MASSACHUSETTS.

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