THE
ONE BIG UNION
OF BUSINESS

By
SCOTT NEARING

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1919 - 1920

VOLUME III

Edited by
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The
ONE BIG UNION
OF BUSINESS

By SCOTT NEARING

Author of
"POVERTY AND RICHES"; "INCOME"; "FINANCING THE WAGE-EARNER'S FAMILY"; "WAGES IN THE UNITED STATES"; "ANTHRACITE"; ETC., ETC.
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I. EVERY MAN FOR HIMSELF

The development of American industry, during the hundred years that began the War of 1812, led inevitably to the unification of business control in the hands of a small group of wealth owners.

"Every man for himself" was the principle that the theorists of the eighteenth century bequeathed to the industrial pioneers of the nineteenth. The philosophy of individualism fitted well with the temperament and experience of the English speaking peoples; the practice of individualism under the formula "Every man for himself" seemed a divine ordination for the benefit of the new industry.

The eager American population adopted the slogan with enthusiasm. "Every man for himself" was the essence of their frontier lives; it was the breath of the wilderness.

But the idea failed in practice. Despite the assurances of its champions that individualism was necessary to preserve initiative and that progress was impossible without it, like many another principle—fine sounding in theory—it broke down in the application, and was at length abandoned by its staunchest advocates.

The first struggle that confronted the ambitious conqueror of the new world was the struggle with nature. Her stores were abundant, but they must be prepared for human
use. Timber must be sawed; soil tilled; fish caught; coal mined; iron smelted; gold extracted. Rivers must be bridged; mountains spanned; lines of communication maintained. The continent was a vast storehouse of riches—potential riches. Before they could be made of actual use, the hand of man must transform them and transport them.

These necessary industrial processes were impossible under the “Every man for himself” formula. Here was a vast continent, with boundless opportunities for supplying the necessaries and comforts of life—provided men were willing to come together; divide up the work; specialize; and exchange products.

Co-operation—alone—could conquer nature. The basis of this co-operation proved to be the machine. Its means was the system of production and transportation built upon the use of steam, electricity, gas, and labor saving appliances.

When the United States was discovered, the shuttle was thrown by hand; the hammer was wielded by human-arms; the millstones were turned by wind and water; the boxes and bales were carried by pack-animals or in sailing vessels—these processes of production and transportation were conducted in practically the same way as in the time of Pharaoh or of Alexander the Great. A series of discoveries and inventions, made in England between 1735 and 1784 substituted the machine for the tool; the power of steam for the power of wind, water or human muscle; and set up the factory to produce and the railroad and the steamboat to transport the factory product.

American industry, up to 1812, was still conducted on the old, individualistic lines. Factories were little known. Men worked singly, or by twos and threes in sheds or workrooms adjoining their homes. The people lived in small villages or on scattered farms. Within the century, American industry was transformed. Production shifted to the factory; about the factory grew up the industrial city in which lived the tens or hundreds of thousands of factory workers and their families.

The machine made a new society. The artisan could not compete with the products of the machine. The home work-
shop disappeared, and in its place rose the factory, with its tens, its hundreds and its thousands of operatives.*

Under the modern system of machine production, each person has his particular duty to perform. Each depends, for the success of his service, upon that performed by thousands of others.

All modern industry is organized on the principle of cooperation; division of labor, and specialization. Each has his task, and unless each task is performed the entire system breaks down.

Never were the various branches of a military organization more completely dependent upon one another than are the various departments of modern economic life. Take a simple product like a wire nail, purchased in a hardware store in Omaha. How did the nail get there? Originally, in the form of iron ore, it lay in a Lake Superior ore bed. The ore was shoveled onto cars; transported to the Lake; dumped into an ore steamer; taken down to Lake Erie; unloaded again into cars; pulled to Pittsburg; dumped into a blast furnace; converted into steel; drawn out into wire; run through the nail mill; packed; shipped to an Omaha jobber, and sold by him to the dealer. At each one of the stages in this economic progress, machines and tools were used that had been made, like the nail, by many processes and many journeyings. Likewise at each stage, and between each stage, are men and women, engaged in the one task of working an ore shovel; or cleaning and oiling switches; or firing a boiler, or doing some other unit job that takes all of the time and thought of the worker. Each of these men and women must be fed, clothed and housed. Since they are devoting all of their time to nail making,

*The Census of Manufactures for 1914 reports 275,791 manufacturing establishments in the United States. Two-thirds of these establishments employed five wage-earners, or less, but scarcely one-seventh of the total number of wage-earners were employed in them. Two-thirds of the wage-earners worked in establishments employing more than 100 persons; one-third worked in establishments employing more than 500 persons. There were 648 establishments in the country employing over 1,000 wage-earners, and the total number employed by them was 1,255,259, or one-sixth of all of the wage-earners in manufacturing industry.
they cannot make food nor clothes nor houses. It follows that other men and women, who want nails, must give their time to the preparation of food, the manufacture of clothes and the building of houses. The work of the modern world is done in certain main industries—agriculture, manufacturing, transportation and the like. Each one of these industries is divided into branches such as steel manufacturing, shoe manufacturing, textile manufacturing, furniture manufacturing. Taken together these industries make up the economic structure that feeds, clothes, houses and provides for the people. In this great economic society no man works alone.

All are associated more or less intimately with the activities of thousands and millions of their fellows, until the failure of one is the failure of all, and the success of one is the success of all.

Such a development could have only one result—people who worked together must live together. Scattered villages gave place to industrial towns and cities. People were compelled to co-operate in their lives as well as in their labor.*

The theory under which the new industrial society began its operations was, "Every man for himself." The development of the system has made every man dependent upon his fellows. The principle demanded an extreme individualism. The practice has created a vast net-work of interrelations, that leads the cotton spinner of Massachusetts to eat the meat prepared by the packing-house operative in Omaha, while the pottery of Trenton and the clothing of New York are sent to the Yukon in exchange for fish and to the Golden Gate for fruit. Inside as well as outside the nation, the world is united by the strong bonds of economic necessity. None can live to himself, alone. Each depends upon the labor of myriads whom he has never seen and of

*By 1910 the percentage of people living in cities was, for the whole country, 46.3 per cent. For Massachusetts, it was 92.8 per cent; for Rhode Island, 96.7 per cent; for New York, 78.8 per cent; for Ohio, 55.9 per cent; for Illinois, 61.7 per cent.

The Census of Manufactures for 1914 shows only one-tenth of the value of manufactured products produced in cities of 10,000 to 25,000, while two-fifths was produced in cities with a population of 100,000 or over.
whom he has never heard. Whether we will or no, they are his brothers-in-labor—united in the Atlas fellowship of those who carry the world upon their shoulders.

The theory of "Every man for himself" failed. The practical exigencies involved in subjugating a continent and in wresting from nature the means of livelihood made it necessary to introduce the opposite principle—"In union there is strength; co-operation achieves all things."

II. THE STRUGGLE FOR ORGANIZATION

The technical difficulties involved in the mechanical production of wealth compelled the strongest individualists to work together. The requirements of industrial organization drove them in the same direction.

The first great problem before the early Americans was the conquest of nature. To this problem the machine was the answer. The second problem was the building of an organization capable of handling the new mechanism of production—an organization large enough, elastic enough, stable enough and durable enough—to this problem the corporation was the answer.

The machine produced the goods. The corporation directed the production, marketed the products and financed both operations.

The corporation, as a means of organizing and directing business enterprise, is a product of the last hundred years. A century ago the business of the United States was carried on by individuals, partnerships, and a very few joint stock companies. At the time of the last census more than four-fifths of the manufactured products were turned out under corporate direction; most of the important mining enterprises were corporate, and the railroads, public utilities, banks and insurance companies were virtually all under the corporate form of organization. Thus the passage of a century has witnessed a complete revolution in the form of organizing and directing business enterprise.

The corporation, as a form of business organization, is immensely superior to individual management and the partnership.
1. The corporation is permanent. In the eyes of the law it is a person that lives as long as the charter is granted. Thus the corporation has a perpetual life. Individuals die; partnerships are dissolved; but the corporation, with its unbroken existence, possesses a continuity and a permanence that are impossible of attainment under the earlier forms of business organization.

2. Liability, under the corporation, is limited by the amount of the investment. The liability of an individual or a partner engaged in business was as great as his ability to pay. The investor in a corporation cannot lose a sum larger than that represented by his investment.

3. The corporation, through the issuing of stocks and bonds, makes it possible to subdivide the total amount invested in one enterprise into many small units.* These chances for small investment mean that a large number of persons may join in subscribing the capital for a business enterprise. They also mean that one well-to-do person may invest his wealth in a score or a hundred enterprises, thus reducing the risk of heavy losses to a minimum.

4. The corporation is not, as were the earlier forms of organization, necessarily a "one man" concern. Many corporations have upon their boards of directors the leading business men, merchants, bankers and financiers. In this way the investing public has the assurance that the enterprise will be conducted along business lines, while the business men on the board have an opportunity to get in on the "ground floor."

The corporation has a permanence, a stability, and a breadth of financial support that are quite impossible in the case of the private venture or of the partnership. It does for business organization what the machine did for production.

The corporation came into favor at a time when business was expanding rapidly. Surplus was growing. Wealth

*The 169 largest railroads in the United States have issued 84,418,796 shares of stock. (American Labor Year Book 1917-18, p. 169.) Theoretically, therefore, there might be eighty-four millions of owners of the American railroads.
and capital were accumulating. Industrial units were increasing in size. It was necessary to find some means by which the surplus wealth in the hands of many individuals could be brought together; large sums of capital concentrated under one unified control; the investments, thus secured, safeguarded against untoward losses, and the business conservatively and efficiently directed. The corporation was the answer to these needs.

"United we stand" proved to be as true of organizers and investors as it was of producers. The corporation was the common denominator of people with various industrial and financial interests.

Like every other social mechanism that attempts to work on a large scale, business has been forced to institutionalize itself. The corporation is the means by which this process has been carried forward.

The corporation played another rôle of vital consequence. It enabled the banker to dominate the business world. Heretofore, the banker had dealt largely with exchange. The industrial leader was his equal if not his superior. The organization of the corporation put the supreme power in the hands of the banker, who as the intermediary between investor and producer, held the purse strings.

III. CAPITALIST AGAINST CAPITALIST

The early American enterprisers—the pioneers—began a single-handed struggle with nature. Necessity forced them to co-operate. They established a new industry. The factory brought them together. They organized their system of industrial direction and control. The corporation united them. They turned on one another in mortal combat, and the frightfulness of their losses forced them to join hands.

The business men of the late nineteenth century had been nurtured upon the idea of competition. "Every man for himself and the devil take the hindermost" summed up their philosophy. Each person who entered the business arena was met by an array of savage competitors whose motto
was "Victory or Death." In the struggle that followed, most of them suffered death.

Capitalist set himself up against capitalist in bitter strife. The railroads gouged the farmers, the manufacturers and the merchants and fought one another. The big business organizations drove the little man to the wall and then attacked their larger rivals. It was a fight to the finish with no quarter asked or given.

"The finish" came with periodic regularity in the seventies, the eighties and the nineties. The number of commercial failures in 1875 was double the number of 1872. The number of failures in 1878 was over three times that of 1871. The same thing happened in the eighties. The liabilities of concerns failing in 1884 were nearly four times the liabilities of those failing in 1880. The climax came in the nineties, after a period of comparative prosperity. Hard times began in 1893. Demand dropped off. Production decreased. Unemployment was wide-spread. Wages fell. Prices went down, down, under bitter competitive selling, to touch rock bottom in 1896. Business concerns continued to fight one another, though both were going to the wall. Weakened by the struggle, unable to meet the competitive price cutting that was all but the universal business practice of the time, thousands of business houses closed their doors. The effect was cumulative; the fabric of credit, broken at one point was weakened correspondingly in other places and the guilty and the innocent alike plunged into the morass of bankruptcy.

The destruction wrought in the business world by the panic of 1893 was enormous. During the years immediately preceding 1893, the number of commercial failures in the United States was about ten thousand a year. In 1893 the number jumped to 15,242. The amount of liabilities involved in these failures had not passed the two hundred million mark since 1884. The total liabilities of failed concerns in 1893 was $346,780,000. During the next two years it ran over one hundred and seventy millions each year. In 1896 it jumped to $226,000,000. (Statistical Abstract, 1917, p. 759). Normal conditions were not restored until 1899, when the boom that accompanied the Spanish War put business again on its feet.
The catastrophe of the nineties coming as it did so close upon the heels of the panics that had immediately preceded it, could not fail to teach its lesson. Competition was not the life, but the death of trade. "Every man for himself" as a policy applied to the business world, led most of those engaged in the struggle over the brink of destruction. There was but one way out—through united action.

The period between 1897 and 1902 was one of feverish activity directed to co-ordinating the affairs of the business world. Trusts were formed in all of the important branches of industry and trade. The public looked upon the trust as a means of picking pockets through trade conspiracies and the boosting of prices. The Sherman Anti-Trust Law had been passed on that assumption. In reality the trusts were organized by far seeing men who realized that competition was wasteful in practice and unsound in theory. The idea that the failure of one bank or shoe factory was of advantage to other banks and shoe factories, had not stood the test of experience. The tragedies of the nineties had showed conclusively that an injury to one part of the commercial fabric was an injury to all of its parts.

There were other reasons, of course, for the formation of the trusts, but the rapid move away from competition and toward combination, was made by men whose experience had taught them the wastefulness of competition.

The generation of business men trained since 1900 has had no illusions about competition. Rather, it has had as its object the successful combination of various forms of business enterprise into ever larger units. First there was the uniting of like industries—cotton mills were linked with cotton mills; mines with mines. Then came the integration of industry—the concentration under one control of all of the steps in the industrial process from the raw material to the finished product—iron mines, coal mines, blast furnaces, converters, and rail mills united in one organization to take the raw material from the ground and to turn out the finished steel product. Last of all there was the union of unlike industries—the control, by one group of interests of as many and as varied activities as could be brought together and operated at a profit. The lengths
to which business men have gone in combining various industries is well shown by the recent investigation of the meat packing industry. In the course of that investigation, the Federal Trade Commission was able to show that the five great packers (Wilson, Armour, Swift, Morris and Cudahy) were directly affiliated with 108 business enterprises, including 12 rendering companies; 18 stockyard companies; 8 terminal railway companies; 9 manufacturers of packers' machinery and supplies; 6 cattle loan companies; 4 public service corporations; 18 banks, and a number of miscellaneous companies, and that they controlled 2,000 food products not immediately related to the packing industry.*

It was in the consummation of these combinations, integrations and consolidations that the investment banker came into his own as the key-stone in the modern industrial arch.

Business is consolidated because consolidation pays—not primarily, through the increase of prices, but through the greater stability, the lessened costs, and the growing security that has accompanied the abolition of competition.

Again the forces of social organization have triumphed in the face of an almost universal opposition. American business men practiced competition until they found that co-operation was the only possible means of conducting large affairs. The business experiences of the past fifty years have added another to the many causes that were forcing the business individualist to unite with his fellows. Theory advised, "Compete!" Experienced warned, "Combine!" Business men—like all other practical people—accepted the dictates of experience as the only sound basis for procedure. They combined because their competitive struggles had pointed out to them the direction in which lay their common salvation. Their combination solidified their ranks, preparing them to take their places in a closely knit, dominant class, with clearly marked interests, and a strong feeling of class consciousness and solidarity.

The investment banker is the directing and co-ordinating force in the modern business world. The manufacturer who wishes to enlarge his factory borrows, from the banker, the necessary capital for the enterprise. The merchant buys a bill of goods, pays them, and then from the banker borrows money on the goods and is thus able to enlarge his business. The corporation, desiring to launch a new venture, issues stocks and bonds. These are taken by the banker and sold to investors. Each dollar deposited in a bank makes that bank a dollar stronger—gives the banker a chance to make money by lending the dollar at a higher rate of interest than he pays the depositor. Those who wish to borrow money and those who have money to invest go to the banker. He holds the purse strings—the crown and scepter of economic power.

Every city and town has its bank. There are almost 30,000 banks in the United States. Under the present law, most of these banks are held together in the Federal Reserve System with its twelve regional banks located in twelve of the leading business centers.

The necessities of factory production demanding great outlays of capital; the immense financial necessities of corporations; the consolidation of business ventures on a huge scale; the broadened use of corporate securities as investments—all brought the investment banker into the foreground. During the last generation the great executives and enterprisers went into the field of production—building factories, constructing railroads, uniting industries. The “born generals” of the present generation are devoting themselves to the problems of finance, because it is with financial cords that the structure of the modern business world is bound together.

Before the Spanish War, the investment banker financed the trusts. After the war he was entrusted with the vast surpluses which the concentration of business control had placed in a few hands. Business consolidation had given the banker position. The control of the surplus brought him power. Henceforth, all who wished access to the
world of great industrial and commercial affairs must knock at his door.

This concentration of economic control in the hands of a relatively small number of investment bankers has been referred to frequently as the "Money Trust."

Investment banking monopoly, or as it is sometimes called, the "Money Trust" was examined in detail by the Pujo Committee of the House of Representatives, which presented a summary of its report on February 28, 1913. The Committee placed, at the center of its diagram of financial power, J. P. Morgan & Co., the National City Bank, the First National Bank, The Guaranty Trust Co., and the Bankers Trust Co., all of New York. The report refers to Lee, Higginson and Co., of Boston and New York; to Kidder, Peabody & Co., of Boston and New York and to Kuhn, Loeb & Co., of New York, together with the Morgan affiliations, as being "the most active agents in forwarding and bringing about the concentration of control of money and credit" (p. 56).

The methods by which this control was effected are classed by the Committee under five heads:

1. "Through consolidations of competitive or potentially competitive banks and trust companies which consolidations in turn have recently been brought under sympathetic management" (p. 56).

2. Through the purchase, by the same interests of the stock of competitive institutions.

3. Through interlocking directorates.

4. "Through the influence which the more powerful banking houses, banks, and trust companies, have secured in the management of insurance companies, railroads, producing and trading corporations and public utility corporations, by means of stock holding, voting trusts, fiscal agency contracts, or representation upon their boards of directors, or through supplying the money requirements of railway, industrial, and public utility corporations and thereby being enabled to participate in the determination of their financial and business policies" (p. 56).

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5. "Through partnership or joint account arrangements between a few of the leading banking houses, banks, and trust companies in the purchase of security issues of the great interstate corporations, accompanied by understandings of recent growth—sometimes called 'banking ethics'—which have had the effect of effectually destroying competition between such banking houses, banks, and trust companies in the struggle for business or in the purchase and sale of large issues of such securities" (p. 56).

The completeness of the control which was exercised by the powerful banking houses at the time of the investigation, is indicated in the affiliations of J. P. Morgan & Co.*

J. P. Morgan & Co. of New York and Drexel & Co. of Philadelphia was one firm composed of eleven partners. The firm was also a partner in a London and in a Paris banking house. The firm did a general banking business, lending money, issuing and floating securities, etc. The Pujo Committee was unable to get any statement showing the resources or profits of the firm. On Nov. 1, 1912 "it held deposits of $162,491,819." Between 1902 and 1912 the firm marketed security issues of corporations "amounting in round numbers to $1,950,000,000 including only issues of interstate corporations" (p. 57).

The Morgan firm had extensive affiliations. Through a voting trust, Morgan & Co. had the selection of the entire board of directors of the Bankers Trust Co. The Morgan Company had a similar control over the Guaranty Trust Co. Through interlocking directorates, the Company controlled the Astor Trust Co., the National Bank of Commerce, the Liberty National Bank, and the Chemical National Bank. "Morgan & Co. and their nominees thus control or have a powerful voice in banks and trust companies in the city of New York with resources of $723,-000,000" (p. 60). The Morgan firm had affiliations with the following railroads—New York Central, New Haven, Southern, Reading, Erie, Lehigh Valley, Chicago Great Western, Atchison, Topeka & Santa Fe, Pere Marquette,

*These facts are taken from the summary, Report of the Pujo Committee. (pp. 57 ff.)
and four smaller rail systems. The firm organized the United States Steel Corporation, the International Harvester Co. and the General Electric Co. The firm was connected through membership on the boards of directors, with the American Telephone and Telegraph Co., the Western Union Telegraph Co., the Interborough Rapid Transit Co., the Hudson and Manhattan Co., the Philadelphia Rapid Transit Co., and a large number of less important organizations.

Morgan & Co., the First National Bank, the National City Bank, the Bankers Trust Co., and the Guaranty Trust Co., which were all closely affiliated, had extended their control until they held:

118 directorships in 34 banks with combined resources of $2,679,000,000.

30 directorships in 10 insurance companies with total assets of $2,293,000,000.

105 directorships in 32 transportation systems.

63 directorships in 24 producing and trading companies having a total capitalization of $3,339,000,000.

25 directorships in 12 public utility corporations with a total capitalization of $2,150,000,000.

The investment banker had become, what he was ultimately bound to be, the center of the system built upon the century-long struggle to control the wealth of the continent in the interest of the favored few who happened to own the choicest natural gifts.

The power of the business world was centered about the element that dealt in surplus. This element—the investment banker—is the nucleus of the economic group that is the plutocracy.

V. THE COHESION OF WEALTH

The struggle for wealth and power, actively waged among the business men of the United States for more than a
century, has, by a process of elimination, subordination and survival, placed a few small groups of strong men in a position of immense economic power. The growth of surplus, and its importance in the world of affairs has made the investment banker the logical center of this business leadership. He, with his immediate associates directs and controls the affairs of the economic world.

The spirit of competition ruled the American business world at the beginning of the last century; the forces of combination dominated at its close. Years of experience; the bitter price paid during the periods of depression; the instability of competitive business; the growing demand for safe investments—all of these factors played their part in forcing the American business man into a position where he was compelled to admit that competition was a disastrous experiment; that it cost far more than it was worth and that the business of the future must be founded upon other and sounder principles.

The new order was the product of necessity, not of choice. The life of the frontier had ingrained in men an individualism that chafed under the restraints of combination. It was the compelling forces of impending calamity and the opportunity for greater economic advantage—not the traditions or accepted standards of the business world—that led to the establishment of the centralized wealth power. American business interests were driven together by the battering of economic loss and lured by the hope of greater economic gains.

Years of struggle and experience, by converting a scattered, individualistic, wealth-owning class into a highly organized, closely knit, homogeneous group with its common interests in the development of industry and the safeguarding of property rights, have brought unity and power to the business world.

Individually the members of the wealth-controlling class have learned that “in union there is strength;” collectively they are controlled by the “cohesion of wealth”—the class conscious instinct of an associated group of human beings who have much to gain and everything to lose.
VI. LAND OWNERSHIP AND LIBERTY

The owners of American wealth have been molded gradually into a ruling class. Years of brutal, competitive, economic struggle solidified their ranks—distinguishing friend from enemy, clarifying economic laws, and demonstrating the importance of co-ordination in economic affairs. Economic control, once firmly established, opened before the wealth owning class an opportunity to dominate the entire field of public life.

Before the property owners could feel secure in their possessions, steps must be taken to transmute the popular ideas regarding “property rights” into a public opinion that would permit the concentration of important property in the hands of a small owning class, at the same time that it held to the conviction that society, without privately owned land and machinery was unthinkable.

Many of the leading spirits among the colonists had come to America in the hope of realizing the ideals of, “Every man a farm and every farm a man.” Upon this principle they believed that it would be possible to set up the free government which so many were seeking in those dark days of the divine right of Kings.

For many years after the organization of the Federal Government men spoke of the public domain as if it were to last indefinitely. As late as 1832 Henry Clay, in a discussion of the public lands, could say: “We should rejoice that this bountiful resource possessed by our country, remains in almost undiminished quantity.” Later in the same speech he referred to the public lands as being “liberally offered—in exhaustless quantities, and at moderate prices, enriching individuals and tending to the rapid improvement of the country.” *

The land rose in price as settlers came in greater numbers. Land booms developed. Speculation was rife. Efforts were made to secure additional concessions from the Government. It was in this debate, where the public land

was referred to as "refuse land" that Henry Clay felt called upon to remind his fellow-legislators of the significance and growing value of the public land. He said: "A friend of mine in this city bought in Illinois last fall about two thousand acres of this refuse land at the minimum price, for which he has lately refused six dollars per acre. . . . It is a business, a very profitable business, at which fortunes are made in the new states, to purchase these refuse lands and without improving them to sell them at large advances." *

A century ago, while it was still almost a wilderness, Illinois began to feel the pressure of limited resources—a pressure which has increased to such a point that it has completely revolutionized the system of society that was known to the men who established the Government of the United States.

This early record of a mid-western land boom, with Illinois land at six dollars an acre, tells the story of everything that was to follow. Even in 1832 there was not enough of the good land to go around. Already the community was dividing itself into two classes—those who could get good land and those who could not. A wise man, understanding the part played by economic forces in determining the fate of a people might have said to Henry Clay on that June day in 1832: "Friend, you have pronounced the obituary of American liberty."

Some wise man might have spoken thus, but how strange the utterance would have sounded! There was so much land, and all history seemed to guarantee the beneficial results that are derived from individual land ownership. The democracies of Greece and Rome were built upon such a foundation. The yeomanry of England had proved her pride and stay. In Europe the free workers in the towns had been the guardians of the rights of the people. Throughout historic times, liberty has taken root where there is an economic foundation for the freedom which each man feels he has a right to demand.

VII. SECURITY OF "ACQUISITIONS"

Feudal Europe depended for its living upon agriculture. The Feudal System had concentrated the ownership of practically all of the valuable agricultural land in the hands of the small group of persons which ruled because it controlled economic opportunity. The power of this class rested on its ownership of the resource upon which the majority of the people depended for a livelihood.

An attempt was made to transplant the Feudal System to England, but it was not successful. When in 1215 A.D. (only a century and a half after the Great William had made his effort to feudalize England) King John signed the Magna Charta, the principles of Feudalism gave way to landlordism—the basis of English economic life from that time to this.

The system of English landlordism (which showed itself at its worst in the absentee landlordism of Ireland) differed from Feudalism in this essential respect—Feudalism found its expression in the idea of the divine right of kings. English landlordism found its expression in the idea of divine right of property. English landlordism is the immediate ancestor of the property concept that is universally accepted in the business world of today.

The evils of Feudalism and of landlordism were well known to the American colonists who were under the impression that they arose not from the fact of ownership, but from the concentration of ownership. The resources of the new world seemed limitless, and the possibility that landlordism might show its ugly head on this side of the Atlantic was too remote for serious consideration.

With the independence of the United States assured after the War of 1812, with the growth of industry, and the coming of tens of thousands of new settlers, the future of democracy seemed bright.

Daniel Webster characterized the outlook in 1821 by saying: "A country of such vast extent, with such varieties of soil and climate, with so much public spirit and private enterprise, with a population increasing so much beyond
former examples . . . so free in its institutions, so mild in its laws, so secure in the title it confers on every man to his own acquisitions—needs nothing but time and peace to carry it forward to almost any point of advancement.”

“So free in its institutions, so mild in its laws, so secure in the title it confers on every man to his own acquisitions”—the words were prophetic. At the moment when they were uttered the forces were busy that were destined to realize Webster’s dream, on an imperial scale, at the expense of the freedom which he prized so highly. Men were free to get what they could, and once having secured it, they were safeguarded in its possession. Property ownership was a virtue universally commended. Constitutions were drawn and laws were framed to guarantee to property owners the rights to their property, even in cases where this property consisted of the bodies of their fellow men.

The movement toward the protection of property rights has been progressive. Webster as a representative of the dominant interests of the country a hundred years ago, rejoiced that every man had a secure title to “his own acquisitions,” at a time when the property of the country was generally owned by those who had expended some personal effort in acquiring it. It was a long step from these personal acquisitions to the tens of billions of wealth in the hands of twentieth century American corporations. Daniel Webster helped to bridge the gap. He was responsible, at least in part, for the Dartmouth College Decision (1816) in which the Supreme Court ruled that a charter, granted by a state, is a contract that cannot be modified at will by the state. This decision made the corporation, once created and chartered, a free agent. Then came the Fourteenth Amendment (1868) with its provision that “no state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty or property, without due process of law.” The amendment was intended to benefit negroes. It has been used to place property ownership first among the American beatitudes.

Corporations are "persons" in the eyes of the law. When the state of California tried to tax the property of the Southern Pacific Railroad at a rate different from that which it imposed on persons, the Supreme Court declared the law unconstitutional. This decision, coupled with that in the Dartmouth College case, secured for a corporation "the same immunities as any other person; and since the charter creating a corporation is a contract, whose obligation cannot be impaired by the one-sided act of a legislature, its constitutional position, as property holder, is much stronger than anywhere in Europe." These decisions "have had the effect of placing the modern industrial corporation in an almost impregnable constitutional position."

Surrounded by constitutional guarantees, armed with legal privileges and prerogatives and employing the language of liberty, the private property interests in the United States have come forward from victory to victory, extending their power as they increased and concentrated their possessions.

VIII. SAFEGUARDING PROPERTY RIGHTS

The efforts of Daniel Webster and his contemporaries to protect "acquisitions" have been seconded, with extraordinary ability, by business organizers, accountants, lawyers and bankers, who have broadened the field of their endeavors until it includes not merely "acquisitions," but all "property rights." Daniel Webster lived before the era of corporations. He thought of "acquisitions" as property secured through the personal efforts of the human being who possessed it. Today more than half of the total property and probably more than three quarters of productive wealth of the United States is owned by corporations. It required ability and foresight to extend the right of "acquisitions" to the rights of corporate stocks and bonds. The leaders among the property owners possessed the necessary qualifications. They did their work masterfully, and today cor-

porate property rights are more securely protected than were the rights of acquisitions a hundred years ago.

The safeguards that have been thrown about property are simple and effective. They arose quite naturally out of the rapidly developing structure of industrialism.

First—There was an immense increase in the amount of property and of surplus under the control of the wealthowning class. The new industry that came into being with the Industrial Revolution was an immense improvement on the old system in many ways. Economic life no longer depended so exclusively upon agricultural land. Coal, iron, copper, cement, and many other resources now could be utilized. This made possible a wider field for property rights. Again, the amount of surplus that could be produced by one worker, with the assistance of a machine, was immensely greater than under the agricultural system.

Second—The new method of conducting economic affairs gave the property owners greater security of possession. Property holders always have been fearful that some fate might overtake their property, forcing them into the ranks of the non-possessors. This terror of the loss of property is the specter that stalks through the lives of the propertied classes everywhere.

When property was in the form of bullion or jewels, the danger of loss was comparatively great, since a robber might get away with a whole fortune in a night. The Feudal aristocracy, with its land-holdings, was more secure. Landholdings were also more satisfactory. Jewels and plate do not pay any rent but tenants do. Thus the owner of land had security plus a regular income.

The corporation facilitated possession by providing a means (stocks and bonds) whereby the property owner was under no obligation other than that of clipping coupons or cashing interest checks upon "securities" that are matters of public record; issued by corporations that make detailed financial reports; and that are subject to vigorous public inspection and in the cases of banks and other financial organizations of the most stringent regulation.
Third—Greater permanence has been secured for property advantages. Corporations have perpetual, uninterrupted life. The deaths of persons do not affect them. The corporation also overcame the danger of the dissipation of property in the process of “three generations from shirt sleeves to shirt sleeves.” The worthless son of the thrifty parent may still be able to squander his inheritance, but that simply means a transfer of the title to his stocks and bonds. The property itself remains intact.

Fourth—Property has secured a claim on income that is, in the last analysis, prior to the claim of the worker.

When a man ran his own business, investing his capital, putting back part of his earnings, and taking from the business only what he needed for his personal expenses, “profits” were a matter of good fortune. There were “good years” and “bad years,” when profits were high or low. Many years closed with no profit at all. The average farmer still handles his business in that way.

The incorporation of business, and the issuing of bonds and stocks has revolutionized this situation. It is no longer possible to “wait till things pick up.” If the business had issued a million in bonds, at five per cent, there is an interest charge of $50,000 that must be met each year. There may be no money to lay out for repairs and needed improvements, but if the business is to remain solvent, it must pay the interest on its bonds.

Businesses that are issuing securities to the public face the same situation with regard to their stocks. Wise directors see to it that a regular rate of dividends is paid. Regularity means greater certainty, and stability, hence better consideration from the investing public.

Fifth—The practices of the modern economic world have gone far to increase the security of property rights.

Business men have worked ardently to “stabilize” business. They have insisted upon the importance of “business sanity,” of conservatism in finance; of the returns due a man who risks his wealth in a business venture; and of the fundamental necessity of maintaining business on a sound basis. After centuries of experiment they have
evolved what they regard as a safe and sane method of financial business procedure. Every successful business man tries to live up to the following well-established formula.

First, he pays out of his total returns, or gross receipts, the ordinary costs of doing business—materials, labor, repairs and the like. These payments are known as running expenses or up-keep.

Second, after up-keep charges are paid he takes the remainder, called gross income, and pays out of it the fixed charges—taxes, insurance, interest and depreciation.*

Third, the business man, having paid all of the necessary expenses of doing business (the running expenses and the fixed charges), has left a fund (net income) which, roughly speaking, is the profits of the business. Out of this net income, dividends are paid, improvements and extensions of the plant are divided for.

Fourth, the careful business man increases the stability of his business by adding something to his surplus or undivided profits.

The operating statistics of the United Steel Corporation for 1918 illustrates the principle.

1. Gross Receipts .................. $1,744,321,632
   Mfg. & Operating expenses including ordinary repairs ................. 1,178,032,665
   Gross earnings .................. 566,279,498
   Other income .................. 40,474,823

* A depreciation charge is one that is made against the wearing out of capital. A paper manufacturer buys a machine for which he pays $1,000. Experience tells him that this machine will wear out in ten years. Therefore, the manufacturer sets aside each year a sum which at the end of ten years will equal $1,000 (a new machine). In this way the business man keeps his capital intact. While the individual machines, tools and the like do wear out, the accounts of the business are so kept that these pieces of capital will automatically be replaced when they are too old for use. The depreciation charge is recognized everywhere as a legitimate and necessary fixed charge on business.
2. Gross income .................................... $606,754,321
   General expense (including adm. and selling exp., taxes, etc.) ............. 337,077,986
   Interest, deprec., sinking fund, etc. ......................................... 144,358,958

3. Net income .......................................... 125,317,377
   Dividends .................................................. 96,382,027

4. Surplus for the year .................................. 28,935,350
   Total surplus .............................................. 460,596,154

Like every carefully handled business, the Steel Corporation,

1. Paid its running expenses.
2. Paid its fixed obligations.
3. Divided up its profits.
4. And kept a nest egg.

The effectiveness of such means of stabilizing property income is illustrated by a compilation (published in the Wall Street Journal for August 7th, 1919) of the business of 104 American corporations December 31, 1914, and December 31, 1918. The inventories—value of property owned—had increased from 1,192 millions to 2,624 millions of dollars; the gain in surplus, during the four years was 1,941 millions; the increase in "working capital" was 1,876 millions. These corporations, representing only a small fraction of the total business of the country, had added billions to their property values during these four years.

These various items—upkeep; depreciation; insurance; taxes; interest; dividends and surplus—are recognized universally by legislatures and courts as "legitimate" expenses. They, therefore, are elements that are always present in the computation of a "fair" price. The cost to the consumer of coffee, shoes, meat, blankets, coal and transportation are all figured on such a basis. Hence, it will be seen that each time the consumer buys a pair of shoes or a pound of meat, he is paying, with part of his money, for the stabilizing of property.
Sixth. Property titles under this system are rendered immortal. A thousand dollars, invested in 1880 in 5 per cent. 40 year bonds, will pay to the owner $2,000 in interest by 1920, at which time the owner gets his original thousand back again to be re-invested so long as he and his descendants care to do so. The dollar, invested in the business of the steel corporation, by the technical processes of bookkeeping, is constantly renewed. Not only does it pay a return to the owner, but literally, it never dies.

The community is built upon labor. Its processes are continued and its wealth is recreated by labor. The men who work on the railroads keep the road operating; those who own the railroad owe to it no personal fealty, and perform upon it no personal service. If the worker dies, the train must stop until he is replaced; if the owner dies, the clerk records a change of name in the registry books.

The well-ordered society will encourage work. It will aim to develop enthusiasm, to stimulate activity. Nevertheless, in “practical America” a scheme of economic organization is being perfected under which the cream of life goes to the owners. They have the amplest opportunities. They enjoy the first fruits.

IX. PLUTOCRACY

The owning class in the United States is established on an economic basis—the private ownership of the earth. No more solid foundation for class integrity and class power has ever been discovered.

The owners of the United States are powerfully entrenched. Operating through the corporation, its members have secured possession of the bulk of the more useful resources, the important franchises and the productive capital. Where they do not own outright, they control. The earth, in America, is the landlord’s and the fullness thereof. They own they are able to secure a vast annual income—from 15 to 20 billions a year—in return for their bare ownership.
The possibility of living without working, by ownership alone, and of passing on this right to succeeding generations enables families to perpetuate themselves on a plane different from that occupied by the remainder of the community.

Families which enjoy property income have one great common interest—that of perpetuating and continuing the property income; hence the "cohesion of wealth." "The cohesion of wealth" is a force that welds individuals and families who receive property income into a unified group or class.

The cohesion of wealth is a force of peculiar social significance. It might perhaps be referred to as the class consciousness of the wealthy except that it manifests itself among people who have recently acquired wealth, more violently, in some cases, than it appears among those whose families have possessed wealth for generations. Then, the cohesion of wealth is not always an intelligent force. In the case of some persons it is largely instructive.

Originally, the cohesion of wealth expressed itself instinctively among a group of wealth owners. They may be competing fiercely as in the case of a group of local banks, department stores, or landlords, but let a common enemy appear, with a proposition for currency reform, labor legislation or land taxation and in a twinkling the conflicting interests are welded into a coherent, unified mass. This is the beginning of wealth cohesion. It develops rapidly into a wealth consciousness.

American business, a generation ago, was highly competitive. Each business man's hand was raised against his neighbor and the downfall of one was a matter of rejoicing for all. The bitter experience of the nineties drove home some lessons; the struggle with labor brought some more; the efforts at government regulations had their effect; but most of all, the experience of meeting with men in various lines of business and discussing the common problems through the city, state and national and business organizations led to a realization of the fact that those who owned and managed business had more in common than they had
in antagonism. By knifing one another they made themselves an easy prey for the unions and the government. By pooling ideas and interests they presented a solid front to the demands of organized labor and the efforts of the public to enforce regulation.

The thorough-going organization of business men in all kinds of associations designed to promote their common interests is one of the most significant phenomena of the age. Business men have learned that in union there is strength.

"Plutocracy" means control by those who own wealth. The "plutocratic class" consists of that group of persons who control community affairs because they own property.

The plutocracy is the logical outcome of the private ownership of the means of production. The private owners, having a special privilege which they seek to perpetuate, unite their interests for the purpose of attaining their ends. Such a result must follow from the very existence of a group of professional parasites.

X. BANKERS OF THE WORLD UNITE!

The capitalists of the United States have blazed the trail in the field of economic organization by establishing the One Big Union of business interest. It is more than half a century since Karl Marx wrote—Workers of the World, Unite! The American plutocrats have recognized the wisdom of the advice and have followed it first. John D. Rockefeller is the most consistent practitioner of the teachings of Karl Marx that there is at the present time in the United States. To be sure he modified the formula by substituting "Bankers" for "Workers" but he understood and accepted the principle.

The class solidarity of the American plutocracy is the result of long years of bitter experience. It required generations of hardship before they realized the needless expenses involved in competition and the immense advantages that may be derived from co-operative effort. Ultimately
they learned their lesson and during the past fifty years they have been putting it more and more successfully into the daily practices of business life.

Strength comes through unity. The strength of the American plutocracy is due to the effectiveness with which the manufacturers, merchants, brokers, bankers and lawyers stand by one another in their efforts to conserve and protect property. They have given one of the most effective demonstrations that has ever been staged in a short time of the extraordinary results that may be expected to follow from a well-conceived policy of social co-operation.

Heretofore the ruling class has acquired its solidarity after generations or centuries of struggle. The ruling class in the United States has built up its newer concepts of business unity almost over night.

The lesson is there, written upon the pages of American economic history in words so simple that even those who have little learning may read and understand. Sooner or later the American workers will follow the example set by the American capitalists. They too will have their standards of intelligent solidarity, designed to protect human rights in exactly the same way that the solidarity of business protects the rights of property.
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