

Justice to the Corporations

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"Let us begin anew, knowing that the corporations are to-day obeying the laws, and knowing also that the standards of honesty, honor, and fair dealing between man and man have been carefully studied and are higher than in the last century"

BY HENRY LEE HIGGINSON

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Lately our great public has been reflecting on the evil deeds of corporations and has been seeing them punished, and even threatened with destruction, until people have forgotten the great benefits which the corporations have brought to the country. Yet in our modern world men will combine in every way to accomplish their desired ends, whether to reach a fuller, larger service, or to win more happiness or power; in short, they combine to obtain what is otherwise impossible without combination, and the best form of combination for business is a corporation. Combination is but one phase of the advance of civilization, and must bring in its train benefits or hardships to some men and jealousy to many men.

Following the natural impulse of mankind, there springs up the wish to punish some one, either for losses borne or for riches gained by successful men; and corporations, becoming an entity in the eyes of the world, are attacked; therefore we hear much of past sins and are told that justice must be meted out to these corporations or, preferably, to the wicked corporation managers, for only the managers or officers can be blamed. But corporations are simply bodies of men and women who, busy with their own affairs, combine their capital and intrust to directors or officers the conduct of their business. The shareholders of these corporations have not sinned, yet they must suffer because, as we are told, juries will not punish the officers and, therefore, they punish the corporations. The logic is bad; one cannot punish the son because the father has done wrong.

These corporations have wrought great material benefits to every country which has used them, and every country which has not developed the system of corporations has been left far behind in material progress; for as a result of combining capital in corporations there follows work for the willing hungry men and women whose numbers increase fast and who flock to the workshops of these corporations. It would be a problem to feed and clothe this growing multitude of human beings if it were not for the corporations, and the pessimist meets this problem by a prayer for terrible plagues or bloody, useless wars as means for destroying the human race.

It is idle to reply that the corporation managers have done their great deeds from selfish motives, for the same is true of every living creature at every hour. We all ask both for enlightened selfishness and for thought and care of others; but, in order to win our bread, we must think and work for ourselves as well as for others. Yet it is true that in no age has organized altruism been so common as to-day, and it is a necessary consequence of good work that it perforce helps others. We are all bound together by the laws of nature, and help each other whether we will or not. The idea that "I can live by myself and need nothing from my fellow-men" is untenable and barbaric.

Who have built all the mills, the dams, the railroads, the tramways, the gas and electric works, and who have dug the mines? The corporations, made and managed by enterprising, able,

thoughtful, patient men. Have they failed or succeeded? They have done both in many, many cases. Would men undertake such tasks if warned at the outstart that they could reap but a portion of their success, and must bear the whole of their loss or their failure? Surely not. The nations which show the greatest energy, invention, resource, and patience, have won the great economic prizes, and we Americans have settled and developed our splendid country by virtue of these qualities. Who then is to judge what portion of gain is to come to the pioneers, and how did these judges learn their chosen high task, namely, to judge rightly?—for judgment is a great gift, which results from much knowledge, reflection, and high conduct.

To every man forty years old, remembering accurately his youth, the developments of the nineteenth century seem incredible. A group of men undertook to build a railroad into the wilderness where no house had ever stood, and settlers followed and built houses, barns, and presently towns and cities. These railroad pioneers struggled, failed, tried again, failed again, but in the mean time the homes for thousands were made. Crops, cattle, horses, schoolhouses, churches, and towns followed, and, lo, a new state was born! If, in the struggle for existence, bargains and railroad rates were made which seemed a hardship to the farmers, is it not fair to ask whence came these iron roadways and how the farmers would have marketed their crops without them? And, moreover, is there a railroad in our broad land that has not been forced to wade through dire distress, if not bankruptcy—bankruptcy often repeated several times?

The Union Pacific Railroad is a fair sample. The United States Government offered a large land grant in order to get a line connecting the East with the Pacific Coast, and, by adding a handsome subsidy in money and land, induced some bold—and we used to think foolish—men to build that railroad. It cost the leader of the group insolvency, and cost his associates great anxiety and loss. The burden crushed many partners in the enterprise, and the company was only saved in 1884 through the indorsement of its notes by all the directors. Eventually it was set on its feet through the assumption of great risks by the directors, great labor by its officers, and by the gradual growth of the country.

The Boston & Lowell Railroad was built early and the rails were laid on stone ties, as more steady and lasting than wood. Every tie had to be taken out because they were too rigid, and the shareholders bought this experience and bore this loss. For years our Massachusetts roads struggled to maintain themselves and to pay to the shareholders a decent rate on the money invested. The Rutland Railroad has been but a sink for money poured in again and again during fifty years, in the vain hope of a return, and in a degree this is true of all the Vermont railroads.

One short piece of railroad in Iowa was in the hands of a friend in 1858 who, writing about it at that time, spoke slightly of it. The shares cost \$100 (full paid) in 1857 and made no return until 1880. Yet now it is a link in the main line of the Chicago, Burlington & Quincy Railroad. The original stockholder, reckoning interest on his money, found the shares costing him \$400 a share, and to this day he has never received a decent return on his money. No doubt he sold his shares long before 1880 because he needed the money.

The Northern Pacific Railroad was a case of failure and success. About 1870 Jay Cooke undertook to build that line in an unknown region where snow came early and stayed late. Men laughed at him but he persisted, issued his bonds, and in 1873 came down with a crash. Presently, as years went on, Villard proposed the scheme to Morgan and was met with approval. The work was taken up with great determination, the public lent its money freely, and in 1883-84 another failure came. But a railroad once built must run. Little by little, the country filled up with busy immigrants, the railroad officers persevered, the owners were patient, and the result is before us—a fine, modern railroad through a splendid country populated by a busy people who are efficiently served by this railroad; but forty years have been needed to achieve this result, and it might be well to count the hearts broken and the fortunes lost in the struggle.

What is the usual comment of experienced men about the investment of capital in these new companies? "Wait until that railroad has had the childish diseases—mumps, scarlet fever, measles, and the like, and be grateful if you don't get a case of cancer." What is true of the railroads is true of the factories, oil-wells, and mines. In almost every case our cotton mills have been forced to reduce their capital (always full paid at the outstart) because of losses by bad debts, mistakes of judgment, changes of tariff, and the need of new machinery. Woolen mills have had much harder luck from the difficulty of meeting the unsuspected problems, and yet their product has clothed many of us at half the cost of the goods. The same is true of the iron mills near Boston, which were once of so much importance and have now disappeared—their owners impoverished or ruined. Innumerable iron mines have been opened with skill and managed with ability; the miners have been paid and the owners have been ruined.

The wrecks of cattle companies in our western states are laughing-stocks because a laugh is the sole return which the owners have ever had; yet the cowboys were paid their wages and the country ate the beef. If the truth were known, very many successful corporations have been built on the ruins of others, and, because the successors have reaped the harvest sown by the original men, they have prospered, but the return on the first and second capital taken together is not large.

The Bell Telephone Company struggled for years to get a footing. Luckily it was taken in hand by some young and energetic men of means who, after risking their first money, found that it was insolvent; then had to meet a very powerful corporation in mortal combat; lastly, had to overcome a fierce, long fight about the patents; and, finally, by the incredible ability and industry of their counsel and the unyielding courage of the managers and stockholders, won. We all know the unspeakable gain to the world from this company, and do we remember that this work has killed the leaders in the struggle? Whatever gain in money has come to the original men of this company, it is none too much to compensate the founders for their work and sacrifice. Their great counselor never owned a share of stock because he wished to keep his nerve steady and his eyes clear to the good of his company. Is it a question whether the world or the telephone managers have made the greater gain?

Lastly, the United States Steel Company was organized to avoid the fatal quarrels and to combine the advantages of several steel companies which made many kinds of articles and which could manufacture better and more economically under one head. A cardinal principle of the United States Steel Company was to prevent extreme fluctuations between high and low prices, such as had formerly prevailed in the iron and steel industries. Always a feast or a famine had been the rule, and such a rule is most injurious to the workmen, who need steady wages, and to the owners, who need steady returns. The company has asked the workmen to become shareholders of preferred stock, and has conducted its affairs wisely, bettering its plants and increasing its cash in bank. The United States Steel Company has lived up to its principles and to-day stands like a rock in the storm. It is a corporation which has set to all manufacturers a wholesome example of well conducted business, giving a reasonable, steady return and steady work.

To all these tasks from the beginning to the end went wonderful energy, resource, and patient industry—the same qualities, although in a greater degree, which have turned our great western states into granaries and homes, and wrought out civilization of a certain kind. Most of our great railroads and industrial enterprises have had the same history; and now to us older men who have seen money and hope and life sunk in these colossal tasks, arises strongly the wish that justice should be done to these men and to their numerous supporters, who have bought their bonds and shares, and have waited for returns—too often in vain.

Now what does all this preface mean? Simply that if justice is to be done, we must remember the

childish diseases which mark the early history of all these great corporations, and the agony going with them, and that the efforts, the struggles, the sufferings, the genius of the pioneers are not to be disregarded. Of course these pioneers and their successors may have sometimes gone too far in their efforts and have made too hard bargains after they had achieved success. But does the farmer who paid \$1.25 or \$2.50 an acre for his land demand anything less than the utmost price for his crops or his cattle, and does he not sometimes sell his goods as first-rate even when they are damaged? And to-day, when a newcomer asks for a price on the \$1.25 per acre farm, does the owner blush as he names \$50 an acre for land which has already enriched him even to the extent of a handsome bank account? He has taken his risk, has worked very hard, has succeeded, has earned and fairly deserves his profit, and why should he hesitate to take all that he can get? Often he has bought his land of the railroad, which owned it in fee and which has served him well, but now has he the right to turn and rend his maker? The benefit has been and is mutual, and this fact he and his countrymen should remember. Therein lies the basis of his prosperity and of honor and fair dealing between man and man; in short, the foundation for a civilized community. We, as a nation, rejoice in this splendid agricultural population, but we ask the agricultural population to remember the men who helped to make the land and its great prosperity; and we ask our rulers to be mindful of the facts. We ask the farmers to remember their own dark days of short crops and of low prices, and then to reflect on their later results which appear in the farmers' deposits of cash in banks—\$225,000,000 in one new western state, \$300,000,000 in another. These farmers always have shelter and food and, so far, stand better in the world than many of their fellow-countrymen. They have fought and won their own deserved success, but they cannot fairly carp at the success of other men who have worked as hard and borne as much as they. The great officers of great corporations, who have brought untold blessings to many people, are not to be lightly censured. They and such as they have grown up under different conditions from those now existing. They have lived under the high pressure of new and difficult enterprises; under the powerful influences of the greatest and the worst trust in existence,—our United States Tariff, —which has given to our nation great wealth and has also been the source of great corruption.

Thinking of these great pioneers three cases among many loom up in the writer's memory. One, of a poor boy who passed through one stage of honest industry after another, never flagged in his task and, while intent on the day's work, saw his chance to acquire a piece of bankrupt railroad, and built it on until he had reached the Pacific Ocean, using his knowledge and skill to win success; who has toiled without salary, allowing neither to himself nor any of his officials side profits or interest in adjoining lands, factories, or mines, contributing business to his railroad; who has distributed throughout his country, at his own cost, the best live stock, and has helped in divers ways everybody within his domain.

Another man, beginning without money and with only his own education and right arm, has built up a colossal mining property, has seen to it that the miners should have excellent homes, hospitals, churches, schoolhouses and clubhouses, to say nothing of a dozen physicians and a large fund for the relief of the sick and the wounded. One staunch and able friend bore his full share of the labor and went through very deep water before, at the end of five years of great labor and anxiety, the first money return came. During this period the shares sold for five dollars and people did not like to acknowledge their ownership. Since that day the shares have sold at one thousand dollars, and the price was not too high for their intrinsic value. Some friends were always ready to help the officers of the company, and the end was a great victory. It would be very hard to estimate the material and educational benefits which have come to the world from this company's great wealth. When the mine was opened it was in a wilderness where now stand several towns, aggregating forty thousand people, dependent for their livelihood on this enterprise.

The third instance is most remarkable. In 1858 Charles Elliott Perkins took service as a clerk in a

railroad office and from that time stayed in the same service until his death on November 8 of this year. He was the chief factor in building up and managing the Chicago, Burlington & Quincy Railroad, 8,700 miles long, thereby opening to our agricultural population new farms and homes in fourteen states. He inspired the people of these states and the men of his company with great respect and liking. In a period of great distress and distrust throughout our whole land he deliberately, with a full knowledge of the facts and against strong remonstrance, put his shoulders under a bank in which he had but a very slight interest and no responsibility, rescued it from insolvency by a sacrifice of the larger part of the fortune which he had earned, and saved it and his state from serious embarrassment. His only wish was that he should not be known in the matter.

When the corporations became self-supporting and powerful, they were met by the Sherman Anti-Trust Act, an act loosely framed and drawn. This act was intended to prevent monopolies and also combinations in restraint of trade. It is not clear what either of these things is. Many combinations of railroads are most beneficial to the public and are welcomed by them. If several corporations aim to keep steady the prices of commodities much used by our people and to prevent great fluctuations, they thereby antagonize speculation. Here is what Judge Taft, now Secretary of War, says about that act: "The Sherman Anti-Trust Act is one which might have been made much more definite, in justice to the business community, in justice to the executive and other courts required to enforce it, and a large share of the difficulty which has been experienced in attempted execution of that act is due, not at all to the lack of energy and courage on the part of the executive, or courts in enforcing it, but to the indefiniteness of the act and the necessity for mending it or rendering it specific by judicial decision in such a way that it may become of practical use. The first section against conspiracies in restraint of trade is perhaps not so difficult to construe, but when it comes to the definition of what an unlawful monopoly is in interstate trade, it is no wonder that even at this late day there has been no satisfactory judicial decision which can be used as a guide by those charged with the immediate execution of the law." No wonder that men were puzzled by an act which even our learned lawyers could not understand and which our courts could not construe. These corporation officers had grown up under another system and were astonished at a law which was neither well-considered nor well-expressed and which fettered their action; and, although willing to be ruled justly, they chafed under unknown restriction.

After the Sherman Act came the Elkins Act, which was but feebly enforced. As a result, men made light of it. Now we have reached a different and more difficult stage, and the railroad man has noted well that his franchise was granted by the territory—now state—to which he owes allegiance and obedience. If the inhabitants of his state forget the past and enact laws too stringent and unjust, the railroad man must nevertheless obey them and serve his public as well as the railroad rates will allow; but the inhabitants of the state on their side would do well to remember how shy of railroad securities the great body of investors has been at times, because of bad crops and floods and of the fear born of granger threats, and they should not forget that if investors will not buy railroad bonds the railroads have only their earnings for improvements.

And here another aspect of affairs presents itself. It is to be borne in mind that the great body of investors, whether individuals or institutions, are cautious and often timid, buy only investments of an established character, and do not touch the new ventures, which must, therefore, rely on the good-will and the pockets of the pioneers. The pioneers know that they must bear the delays invariably accompanying new ventures, and must meet frequent losses; therefore they ask for handsome returns. If these men think the laws or the restrictions too severe, and fear that they will be attacked hereafter on account of large profits, they will undertake nothing new and will even let incomplete ventures rest. It is these men who give employment to millions of wage-earners, and they must be tempted by the chance of good profits, else they will remain passive.

Already we see the beginning of dull times, for many enterprises are halting and many factories are curtailing work because of the extreme difficulty of getting the needed capital. The whole world has been developing manufactures and trade too fast and must suffer for a time from the effects of undue enterprise. It is a mistake in which we all have shared and which, having brought benefits to the world, will now bring temporary losses. This condition of affairs seems strange, for trade can hardly be too good, crops too fine, railroad traffic too large, factory products excessive. Yet such is the case to-day, for we need capital and ready money. When the pressure for ready money becomes too severe, some large house or some bank fails and then fright seizes people who, otherwise reasonable, fear the loss of their money on deposit, and, forgetting all common-sense arguments, withdraw it and hide it in stockings or boxes, thereby greatly increasing the difficulties of the borrowers. Such action is natural, childish, selfish, for the lender has been glad to lend his money and, therefore, to receive interest for it; and he cannot fairly at a critical moment ruin the borrower or inflict on him heavy loss. In such days who is it that saves the situation? It is the business men of nerve and experience, the founders and managers of great enterprises, because they know that this same law of combination, of manful and resourceful teamplay, is effective and sure of success in the end. See what a few determined, thoughtful men have lately done in New York; simply by joining hands all around, they help the men temporarily embarrassed, and keep cool, because they know the true course to be taken and think of the great public rather than of themselves. They know that our financial institutions are sound and well conducted, and, if a weak spot is seen, they repair it for the moment and later on cure it. They fully recognize the need of prompt action and few words.

At such times as we have lately been through some honest men, wishing to meet their obligations, are prone to lose their nerve, and any relief, any assurance which can quiet them, is wise. At such times hard words and harsh legislation are dangerous because they may easily lead to the long depression usually following panics, and to the consequent idleness of many wage-earners. If, on the other hand, these pioneers and capitalists are not harshly treated, probably after a period of adjustment the corporations will go on and presently flourish; but several remedies for the existing troubles may be applied to-day.

It may never be forgotten that we are all in the same boat, that we must help or hurt one another, and that it is idle to call Wall Street hard names or to speak of serious troubles there as a "Wall Street flurry." Wall Street is the money shop of our country, to which the man who would build a railroad or a factory or open a mine comes for his capital. He comes at first when he begins or he comes at last when he needs more capital. In this same street live and labor a large number of able, wise, courageous men who are ready for any enterprise which is promising and well considered. They are not gamblers or thieves as is sometimes said, but men who know that ability, knowledge, and chiefly character, are the needed elements of success. Nowhere in the world is character more highly valued or relied on than in the great marts of commerce. The nation and our legislators can safely trust the ruling Wall Street men and expect great results from them. Any nation is fortunate if its public men average as well as they do.

Interdependence of the farmer, the wage-earner, the manufacturer, the railroad manager, the miner, the banker, the schoolteacher, the seamstress, the professional man is essential; is, in short, the essence of all society, all nations. To-day the farmer and the planter assert their independence of banks and rely on their real riches, the crops; but they can hardly move their crops to market, because, through foolish fear, money is hard to find, and yet the money of the last month or last year is all in existence and has not been eaten up. It is simply hidden by foolish people who presently will recover their senses, deposit their money in the banks, which will send it to the farmers, who then will return bread and meat to feed us. It is a circle which must exist, and he who breaks it even for a minute injures us all. The farmer depends on the banker and the banker on the farmer, and so on,—it is a law of God, for which we may all be grateful. The laws of the world which have sprung from human usage, from the struggles and

habits of men, from the thought and high purpose of great statesmen, in short, the unchangeable laws of the world, may well be deemed better guides than the laws occasionally enacted by legislators who often do not understand their subject and still more often do not express themselves clearly, —vide the Sherman Law.

Punish future infractions of the laws by the corporations, but punish the officials and not the stockholders. If juries hesitate and fine the corporations, it is an act of great injustice; in short, it is an outrage. Let the present laws stand and watch their result, for the wise physician prescribes one medicine and watches its effect before prescribing another. Cease all threats or hard words about the corporations and capitalists, for such words are only idle and frighten a public already scared. And one may not forget that the savings banks are the great owners of corporation bonds and notes, are, in short, the trustees of the wages of the great wage-earning public; for the poor men lend to the rich corporations because they know that the notes of the rich corporations have always been their safest investment.

Let bygones be bygones. Past offenses against laws which have not been diligently enforced may safely be regarded with leniency, for the offenders have performed their habits of business long ago and have not believed that the government really "meant it." Now they are sure that the government "means it." The old Saturday night spanking for faults which the children may have committed without the knowledge of their parents has been given up. Let us begin anew, knowing that the corporations are to-day obeying the laws, and knowing also that the standards of honesty, honor, and fair dealing between man and man have been carefully studied and are higher than in the last century. We live in a busy day, and so let us busy ourselves with the future and try to fit our acts to the newer standards.

Finally, the power to see the truth and to deal out justice to many men of many virtues and faults is difficult, and humility in the face of great problems as yet unsolved is needed if our rulers, wishing to do their full duty and to be honored in the future, are to be called not only able but wise. Our rulers of nation and of state are our servants also, and we expect of them trust and belief in our citizens, just as we trust them, and we ask them to recognize that the highest, largest virtue is wisdom—wisdom in the administration of human affairs.

[Since writing this article I have seen the noble words of the late Mr. James C. Carter, and I add them (with deep gratitude to him) to my own words: "I hope at least that I have done something to convince my hearers that while Legislation is a command of the Sovereign, the unwritten Law is not a command at all; that it is not the dictate of Force but an emanation from Order."]