

Confessions of a Monopolist

By Frederic C. Howe



Introduction By Antony Sutton

THIS BOOK IS DEDICATED
TO THOSE TO WHOM
JUSTICE IS THE LAW OF LIFE,
MONOPOLY THE CREATURE OF LEGISLATION,
POVERTY THE PRODUCT OF PRIVILEGE
AND
LIBERTY A LIVING INSPIRATION.

INTRODUCTION

Frederic Howe's *Confessions of a Monopolist* is the story of a man who stumbles upon the secret of power politics and the modus operandi of the financial elite. Although written 71 years ago, Howe's book is as relevant and revealing today as the day it was written in 1906. This is the saga of the fascinating lure of something for nothing, of making the other fellow pay, a universally tempting creed polished by the corporate monopolists and adopted by the demagogues of all stripes and hues to capture the commanding heights of society. In sum, Howe portrays the art of making society work for the few.

The basic rules of the elitist game are simple: Achieve political influence. Get political power. All monopoly depends on legislation and politics. Without politics, there can be no monopoly. It's that simple says Frederic Howe.

So, from Howe in 1906, we can trace our developing problems of unemployment, the strangling of free enterprise, crippling taxation and lack of opportunities. Behind an only partly fictional cover Howe presents the root cause of the collapse of Britain and Italy today, and the coming financial collapse of the United States. Why? Because the credo of making the other fellow pay won't work when everyone tries to live at the expense of everyone else.

The voice of the 1906 Wall Street monopolist is reflected today in the voice of the liberal welfare-warfare establishment: A socialist monopoly now parallels the old corporate monopoly. The profiteers are always the boys running the operation at the top.

The sumptuous offices and chauffeured limousines of 1977 HEW bureaucrats have been built on the same principles as the sumptuous offices and horse drawn carriages of the 1906 municipal franchise operators.

Howe describes the way in which politics and politicians are manipulated by monopoly seekers, and the mutual backscratching of monopoly minded businessmen and influence peddling politicians. When these businessmen and politicians are accused of anti-social behavior, they trot out slogan retorts of "socialism" and "anarchy" - even while they themselves are creating corporate socialism.

A chapter entitled: "I am Shorn With the Lambs" describes Wall Street's promotion of stocks, when "young men and old men, women and trustees" put hard-won savings into stocks rotten at the core. (One example cited is the copper stock promotion of the Bolshevik promoting Federal Reserve Bank director William Boyce Thompson.) All our much vaunted government regulation to protect the consumer and the investor has not halted the "shearing of the lambs" but has merely institutionalized a SEC-Wall Street revolving door to perpetuate the shearing process.

Author Howe was different than millions of other shorn lambs. So we find the next chapter entitled "I Return to Wall Street and Join in the Shearing Process". Howe proceeded to master the rules of the game - to his own pecuniary advantage. The way to do it is simple: "It was a matter of being on the inside, and if you were fortunate enough to be there, it was a dead sure thing".

Who are these insiders? In 1906 and today they are almost all Wall Street bankers. If you control the Federal Reserve System you control Wall Street. If you control Wall Street, then you control sufficient elements in the political system to dominate American society. Wall Street makes the loans, Wall Street determines values of collateral, Wall Street knows the history of securities, and Wall Street can make the news.

Howe tells us how he learned the secrets of the insiders, made his own fortune and ventured into politics: "I Become a State Boss and Am Elected to the United States Senate" builds on an earlier chapter: "We Dethrone the Mayor and Obtain a Franchise". So politicians of all ideological shades are retained or dominated by financial interests. As elitist fortunes rise political skills, not business skills are required. The skills of entrepreneurial activity are replaced by the skills of political manipulation.

Have you ever wondered why the Rockefellers, the Roosevelts, the Harrimans, and even lesser lights as the J. Irwin Millers and the David Packards don't concentrate on business pure and simple? You will find the answer In Howe. Apparently, after a certain point in financial success, society has to be made to go to work for the monopolist, and political aptitudes are needed for this, not business aptitudes. Under the guise of "public service," the politicized businessman gets a crack at manipulating the political structure to his financial advantage. So in 1906 and 1976 the phenomenon of the politicized businessman, the revolving door between WashIng-

ton D.C. and the corporate head offices, is the key to our seemingly perennial economic and social problems. These problems are the spin-off from a politicized economy.

What then is this secret of great wealth? John D. Rockefeller may think he made his money by saving on his gas bills. He didn't, says Howe. No more than Nelson Rockefeller has spent his lifetime building the Rockefeller family business empire by entrepreneurial skill. Great wealth comes from politicizing your business. That is the secret of the Rockefeller success. Most enterprising merchants and manufacturers do not become men of great wealth because they stick to their business. The Napoleons of finance are the politicized businessmen who become the political insiders and political manipulators.

The great value of Howe's book lies in the clues it provides to what we must do to reverse the trend towards complete monopoly control by the few. The power of our financial elite is vulnerable. Once the elementary principles of political business are known, then those outside the charmed circle of predators can look to their own lesser wealth, substance and talents to devise ways to halt the slide into the maw of complete totalitarian control. Where Howe joined the shearing process, we can learn the lesson and end the shearing process.

The answer does not lie in rebellious taxpayers electing independently minded politicians. If by chance one does get elected, he certainly won't stay in office - and we can all think of independently

minded politicians who failed to make it to a second term under the weight of pressure from entrenched special interests.

If we all continue looking for something for nothing we will all end up losing our shirts, and our liberties to boot. On the other hand, give an honest day's work for an honest wage, offer an honest product in a free market, ask for nothing without offering recompense, and, then, no man can take away your liberty.

That is the crux of Frederic Howe's lesson.

Antony Sutton

Aptos, California 1977

PREFACE

THIS is the story of something for nothing—of making the other fellow pay. This making the other fellow pay, of getting something for nothing, explains the lust for franchises, mining rights, tariff privileges, railway control, tax evasions. All these things mean monopoly, and all monopoly is bottomed on legislation.

And monopoly laws are born in corruption. The commercialism of the press, of education, even of sweet charity, is part of the price we pay for the special privileges created by law. The desire of something for nothing, of making the other fellow pay, of monopoly in some form or other, is the cause of corruption. Monopoly and corruption are cause and effect. Together, they work in Congress, in our Commonwealths, in our municipalities. It is always so. It always has been so. Privilege gives birth to corruption, just as the poisonous sewer breeds disease. Equal chance, a fair field and no favors, the "square deal," are never corrupt. They do not appear in legislative halls nor in Council Chambers. For these things mean labor for labor, value for value, something for something. This

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is why the little business man, the retail and wholesale dealer, the jobber, and the manufacturer are not the business men whose business corrupts politics.

No law can create labor value. But laws can unjustly distribute labor value; they can create privilege, and privilege despoils labor of its product. Laws pass on to monopoly the pennies, dimes and dollars of labor.

Monopoly, too, means millions for the few, taken from the dollars of the many. It may be in city franchises, it may be in mining royalties, it may be in railway rates, it may be in tariff monopolies. The motive is something for nothing—make the other fellow pay.

But monopoly does not end here. Even the sacrifice of our political institutions, even the shifting of taxes to the defenseless many, even the control of all life and industry by privilege, do not measure the whole cost of monopoly. These are but the palpable losses, the openly manifest ones. Monopoly palsies industry, trade, life itself. It encloses the land and the nation's resources. It limits opportunity to work. It erects its barriers about our resources; not to use them, but to exact a monopoly price from those who do. Monopoly denies to man opportunity. It fences in millions of acres of soil, of coal and iron mines, and of city lots. It closes the door to competition and to labor. This is why America is not only the richest, but in some respects the most poverty marked

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of nations. This is why enterprise is strangled, and labor walks the streets looking for a job.

Here is the confession of a monopolist. It is the story of no one monopolist, but of all monopolists. It shows the rules of the game. The portrait presented is not the portrait of any one monopolist Senator; it is the composite of many, and the setting may be laid in any one of the Northern States. For the United States Senate is the refuge of monopoly. Its members no longer are representatives of the Commonwealths which name them, but of the big business interests whose directors, attorneys and agents they are.

FREDERIC C. HOWE.

Cleveland, Ohio.

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Author's Note

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CHAPTER I

The Boy the Father of the Man

DO not recall that there was anything remarkable about my boyhood. My father was a merchant in a small town not very far from New York. He was honest to the point of personal sacrifice, indulgent and with an easy tolerance of boyish mischief. I grew up almost unreprieved and very seldom punished. Even as a child my life was in my own keeping. I was free to work or to play. The teachings of Poor Richard's Almanac, if quoted in our house, were not enforced by authority. There was a sweet, Quaker spirit of goodness in my father's attitude towards his family. When he departed the world at sixty he left his family the possession of his good name, a shining black "strong box" filled with the promissory notes of his neighbors, and a declining business ruined by the more energetic competition of a younger and more easily satisfied generation. His estate did not pay his creditors, but his name is one of the few things that sings to me yet in the sterner life of a harder generation.

From my father I inherited a zeal for trade. I had a passion for making money. It was easy to me. I was always swapping things—my pockets were

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filled with the spoils of trade like a pedlar's pack. Even then I disliked gambling. I did not gamble even as boys do, but at the end of the marble season I had the choicest collection of alleys in the town. My first business venture was a lemonade stand on a circus day. I formed a partnership on equal terms with a neighbor boy. He supplied the location, the equipment, the lemons and tended bar, and got half of the profits. There were many other such ventures.

Finally I drifted into my father's store, where I spent Saturdays and holidays when away from school. I worked about the shop, in the office and on the delivery wagon. But in each I failed in turn. The men said I was lazy. I can now see that I was. I had no mind for the thing. I never could get down to work on time, and a certain disorderliness marked all of my habits. Not but that I tried hard enough, but in every position I seemed marked for failure. I was forever trying to get some one else to do my work for me, or else I forgot the most important matters. There were certain rules of thumb to which my grandfather and maiden aunts were forever calling my attention, but the virtues of early rising, hard work and business thrift were not in me. I knew that I was held up as a sort of ne'er-do-well. How this hurt me in those early days! I did not seem to be able to do the things other people set me at or to do them in their way. I took these matters seriously, and I suffered

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because of them! The things which were difficult to me then have remained impossible to me to this day. I think I was about fourteen years old when I began to redeem myself. I was then in the grammar school. It was about this time that the New York dailies began to reach the smaller inland towns. Early trains brought in the morning editions about seven o'clock, and the afternoon papers about four. At that time they were very little read. The local papers with their patent insides satisfied the local demands. Everything I had turned my hand to in my father's business had gone wrong, and in a sort of desperation I started out to work up a route for the delivery of metropolitan papers. It occurred to my father that a distant relative of his, who had left the city some years before, was connected with a news agency in New York City which handled the papers, and the next time he went to New York he took me with him. He thought he might give me some pointers. We called upon his friend, and in some way or other, either by chance or design, he told me that if I would undertake to work up the town, he would arrange to let me have the exclusive right of selling the papers for a certain period. This was arranged in some way with the railroads, who were identified with the news agency. On my return I set resolutely to work to carry this out and soon had quite a route. In the following month those boys who had been selling

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papers found their supply cut off. They were not able to understand it, and I did not enlighten them. Soon I had the other boys working for me, and in a short time was making what seemed to me to be a princely income, even though it were but a few dollars a week. But my easy gains came near being my ruin. My old habits of indolence got the better of me. I hated to get up at dawn to meet the early train and make my deliveries, and on several occasions papers were carried past the station and the people complained about not getting them until afternoon. I then employed two boys younger than myself to do this work for me. There were any number eager for the job, and I think I paid competitive wages. On Saturday afternoons I made collections and my father sent on the remittances to the news agency in New York.

My easy success was re-establishing my self-respect. But at the same time my lazy habits were distressing my solicitous Puritan-minded aunts and relatives. I violated all the rules of business and still succeeded. Such habits, they thought, were flying in the face of Providence. They did not conform to those steady-going ideas of attention to business that were held up as the secret of success. And yet, as I now look back on them, I can see that for some reason or other the same rules of business brought one after another of the men whom I knew into the insolvency court. So I loafed and fished and made my weekly

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collections, and succeeded in spite of the predictions of my relatives. For so long as I had an exclusive contract with the news agency, which evidently had a similar one with the railroads, I could do as I pleased. No one else could secure the papers and hence no one could either cut the price or improve the service. I was free from the fear of competition, and so long as I served the people sufficiently well to prevent any serious complaint from being carried to New York, I was secure.

I dimly appreciated the situation even then. And partly by chance, partly by design, I have pursued the same policy in my business ever since. I kept out of competitive business, that is, business which anyone could do or in which there was any risk. And if I did enter some competitive business, I tied it up with something else so as to make a monopoly out of it. Years later I did this with some coal mines, and thus controlled the entire market. And the principle underlying my first boyish business venture has been the secret of all my subsequent success. This was true of the gas and street railway business; it was true of the coal mining and steam railroad undertakings. In the financing of the immense business ventures which were placed on the market in 1899 and 1900 the same policy was followed. Opportunities were offered me to go into the combination of many industries, such as baking and furniture manufacture, machine shop and

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pipe consolidations, brick-making and sewer pipe companies. Some of them have been a success, but the majority failed. Others there were, like coal mining and iron ore, gas, electric lighting and street railways that I knew were safe. For they could not be duplicated. They were natural monopolies. And while many of my friends who went into these trusts against my advice lost the plants they had spent their lives in up-building, the consolidations which I carried through, those which were "bottomed on the land," have all made big money. For labor can always build factories, plants and machine shops, but all the labor in the world will not duplicate a coal or an iron mine, and nothing short of an exodus of all the people could destroy the value of a city franchise.

Those days of my boyhood still stand out in my mind. Never since have I enjoyed such unquestioned pre-eminence as I did in the days when all the boys at School Number III begged for the privilege of employment and treated me as a young captain of industry. For I always had dimes where they had pennies. I always had candy where they had none. And better still, I always had excuses to explain my absence from school, while they labored over the things we all hated.

In the summer vacations I employed a number of boys to canvass the town. They went to the stores and homes of the people. I began to handle maga-

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zines and periodicals as well as the metropolitan dailies. Those who already subscribed directly willingly gave me their orders because of the earlier delivery. In time, I rented a small news stand. I was selling about a thousand papers a day and about a hundred magazines a month. This was a fabulous income for me. From it I realized from \$50.00 to \$75.00 a week. My expenses were less than half this sum, and I felt as rich as a prince. The wonder is that it did not ruin me. But I kept my head, saved some money, and liked the position of importance sufficiently well to give it proper attention. From time to time the news agency extended the contract and continued it for several years, when a change being made in methods, I was ruthlessly succeeded by an older man, who became the agent of the company.

While this seemed a cruel blow to me, it was, in reality, the greatest piece of good fortune. Had I been left undisturbed I should in all probability have lived on in easy comfort in a community which had already reached its growth, and finished my days along with my school fellows, the majority of whom are still to be found there clerking in the stores, driving delivery wagons, or working as laborers. I had just completed the high school course (largely by the grace of the teachers) when the agency was taken from me. But at this time I was earning more than many men out of their business. I made a struggle to continue the

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news agency, despite the action of the railroad. I endeavored to secure my papers and publications directly from the publishers. But by some arrangement which existed between the railway and the news agency it was impossible to do this, and I soon relinquished the idea and concluded to enter college. Up to this time my work at school had given no promise of academic interests or professional ambitions. Everybody said I was capable enough, but too lazy. As a matter of fact, as I now look back upon it, I had no interest in education. But I had sufficient money to carry me along in comfort through the greater part of the course in a small inland college, and I was not in the habit of worrying over difficulties until they came.

At college I was equally easy-going and without definite purpose. I joined the fraternity which had most of the good fellows in it, and loafed a fair share of the time, although I did manage to keep along with my class. This was not a very difficult thing, at that time, when the idea of the authorities seemed to be that a boy had to spend four years somehow, and he might as well spend them at college as anywhere else. I also took a hand in college politics, was interested in college journalism, received some honors at the hands of the students, and graduated four years after I entered, about the middle of my class.

I am inclined to smile when I think of some of the things I then studied. I had to take all the Greek and

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Latin in the course, and in addition a term or two of a score of other studies of which I cannot now enumerate even the titles. I was interested in political economy, but when I take down my John Stuart Mill and see what he says about wealth, value, cost, labor, etc., and compare his photograph of society with the society which actually exists, I feel it could not be recognized as the same thing by any one living in it. If medicine, surgery, architecture, law, bookkeeping or any other science as taught, bore the same resemblance to the real thing that political economy does to life, men had better go some place else for an education than to college. Possibly the universities are teaching different things today than they did then. Certainly the Robinson Crusoe-like description of organized society as it then appeared in the text books on political economy did not give a man much of an equipment for the solution of its problems.

But my business instincts were as acute at college as they had been at home. At the end of the second year I found my funds running low and realized that I must either quit college or increase my income. I could hope for nothing from my father, who was slowly being involved by the fiercer competition of business and the burdens of a large family. I hit upon two expedients. I went to the President of the college and told him my situation, and asked whether the faculty would permit me to use an unoccupied room as

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a book shop. Having secured this consent, I went to New York and canvassed the publishers for the exclusive sale of text books. As there was no book store of any proportions in the college town, I finally secured this privilege, and on the opening of the new year equipped my store room with text books, stationery and students' supplies, which I placed in the hands of a student more needy than I was myself. I carried this on during the balance of my course, despite the protests of the book houses in the town, who were cut off from this their principal source of revenue. And it yielded me a revenue adequate for all my needs, which were rather more than the simple life of the college demanded.

But before the end of that year I planned another stroke. I had noticed that the railway entering the town owned all the land approaches to the station. They were able to exclude any one from their use or give it to any one whom they desired. With this in mind, I approached the station master and finally agreed to give him a certain sum of money every month if he would grant me the exclusive privilege of coming on the railway premises with hacks and transfer wagons. He took this up with the higher officials and finally secured their consent. With this assurance I purchased several carriages and an express wagon, and when the rule went into effect my drivers were the only ones who could approach within a thousand feet

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of the station. Naturally I got all the traffic. My business boomed. The other drivers protested and stormed. When they went to the station master he said he would report their complaints, but the only satisfaction they ever got was an assurance that the officials had the matter under advisement. In a short time I had a monopoly of the business. The privilege which the railway gave me made it impossible for any one else to compete, and at the end of a few months' time I was able to buy out such wagons and carriages as I needed, while the other men, one after another, went out of business.

At the close of my college year I was several thousand dollars to the good, but as undecided as ever as to my career. I had no liking for teaching or medicine, and while other members of the class were preparing for their future work I found myself drifting as before. Upon graduation I was as much at sea as ever, and returned home to find my father in declining health and my family in need of my assistance.

For lack of something better to do, I registered for the study of law in my uncle's office, and went through a tedious and laborious course in Blackstone, Coke, and some other old dignitaries whose names I have since forgotten, and at the end of two years' time, passed my examinations and was admitted to the bar with about the same formality and with little more difficulty than had I been seeking admission to the

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church. I knew a great deal about the feudal system, about fines and recoveries, estates tail and the rule in Shelley's case, but had I been confronted with a legal proposition I should have been as much at sea as with a problem in higher calculus.

CHAPTER II

I Enter Upon the Practice of Law and Get Out Again

IT was in the early seventies when I was admitted to practice law. Where to locate was the question. There was nothing to be done at home, for the bar was overcrowded with really able attorneys. At the same time business was diminishing rather than increasing in volume. At that time the West was an Eldorado. Men were selling their farms in the East to follow Horace Greeley's advice. In Kansas, Nebraska, and further west a hundred and sixty acres of land were to be had for the asking. This, at least, was an alternative if the law failed. I fell into the current, visited Pittsburg, where I spent some weeks. Then I drifted on to Chicago, which had just passed through its devastating fire. Finally I heard from an old college friend in another city, who spoke with much enthusiasm of the opportunities there. I joined him. Fortunately I had some little money left. But my aims and ambitions were as indefinite as ever. I felt an instinctive inclination to business, and yet business as a clerk or in an office did not satisfy me. I spent considerable time drifting around. Finally, with a letter

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of introduction, I made my way to the office of Judge Johnson, one of the leading lawyers in the city. He had recently retired from the bench and had a large practice of a mixed description. He was a lawyer of the old school. He handled real estate, was administrator or trustee of many properties, and represented the leading railway entering the city. I presented my credentials to him, and he finally gave me office room and entrusted me with the collection of his rents. I spent a number of years in that office, and there learned all the law I ever acquired. But the law did not satisfy me. It was too dry and too intricate. I used to sit in the long dusty library and contemplate the backs of such books as Byles on Bills, Bump on Bankruptcy, and wonder how men had ever brought themselves to the task of collecting and digesting the thousands of cases found between their covers. The law might be "the sublimity of human reason," as Coke said, but when I contemplated its workings, I questioned it. The poor were harrassed out of whatever rights they had, by delays, costs and expenses. I was frequently sent out to gather testimony preparatory to suit, in cases where men had been injured or killed in railway accidents, for our instructions were to settle nothing except as a last resort, and to carry all cases through to the Court of Appeals. Judge Johnson used to accept the verdicts of the juries with quiet equanimity, for he usually managed to get some error in the

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record which enabled him to secure a reversal in the higher courts. He was said to be the most successful lawyer on the line, not through his ability to move a jury, but rather through his ability to tangle up a case so that he got relief in the appellate court. This was his policy, and as it took from one to two years to get a case tried in the lower court, and two years more to get it through the upper courts, the delays usually wore out litigants until they were willing to settle on almost any terms.

All these technicalities and delays bored me. Then, too, it hurt my sense of simplicity and justice to think that it required three or four years, two and sometimes three or four trials, with endless costs, pleadings, papers and conferences, to determine whether a man had been injured by his own negligence or that of the company, or whether A or B owned a piece of land. Then, too, it used to offend me to see a cause thrown out of court because the lawyer had sued in trespass and not in case, or had made some other technical error in his pleadings. When I contemplated the statue of Justice which adorned the top of the Court House, I used to feel that under the bandage which covered her eyes she must be laughing at the way we were doing things below her.

All these things made the law repellant to me. But it was not at this that I revolted. Some years after I began to practice our office was ordered to fore-

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close a large number of mortgages upon farms along the right of way of the railway which we represented. I investigated the history of the transaction, and found that when the railroad was built its representatives had gone along in advance of it and induced towns to vote subscriptions to its capital stock. Further than this, they had talked to the farmers, and told them that the railroad would greatly increase the value of their land and afford them an easy market for their produce. By such means they had induced the farmers to mortgage their land and exchange these mortgages for stock in the railway. The railway promoters had then used these mortgages, together with the railway right of way, to secure a large issue of bonds, ostensibly to pay for its construction. But instead of proceeding honestly, a construction company had been organized, composed of the same men who were back of the railway. This construction company contracted to build the road for a fictitious sum greatly in excess of its cost, and to take its pay in the bonds. These bonds were issued, the railway partly constructed; then default was made in the interest, and a receiver appointed by the courts. The stock which the towns had bonded themselves to subscribe for was worthless. So was the stock which the farmers had received, and with the foreclosure of the railway, similar proceedings against their farms were instituted also. The farmers naturally resisted. Slowly they came to realize the

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situation. They organized against the process of the courts, but gradually one after another the farms were foreclosed and the property bought in by speculators at ridiculously low figures.

I could not stand for this, and my lack of interest in court work increased rather than diminished. I have watched the courts ever since. They were even better in those days than they are now. In fact, a position on the bench was at that time the highest honor in the community. Since then the bench does not command the best lawyers. As a matter of fact, in many instances the best lawyers could not be elected even if they chose. For the boss who controls the party usually makes the nominations for the bench just as he does for the legislature. Today in many States the judges are chosen by men who want to use them, and they know pretty well before the convention what a man's equation of prejudice or party loyalty is. I used to think the bench was almost sacred. But I have come to find it very human. On political questions its partisanship crops out whether it be a State or Federal court. The local trial courts do not dare go very far away from the people, for the people are their neighbors. So you will find the lower courts more likely to reflect popular opinion than the appellate ones. Not infrequently the appellate courts are nominated by the organization for political or private purposes, and they are never permitted to forget it. It was for such reasons as these that I gradually

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drifted away from the law. I remained in Judge Johnson's office and took care of his business interests, of which he was careless. One day he put me at work examining into a proposed right of way of a new railway which was planning an entrance to the city. He told me the road was to be built and where its terminus lay. This turned out to be another of those lucky turns which have seemingly come to me from time to time throughout my life. I realized that this would greatly enhance the value of property about the right of way and the terminal, and proceeded to acquire options and buy such land as I could about the proposed railway site. In this I took little hazard, for the city was growing rapidly and the investments were sure to be sound, even though the railway was not built. But fortunately for me, it was constructed as planned. As soon as its right of way was acquired and its terminus known, land went up by leaps and bounds. I sold some of my options at twice their cost to me, but held on to the majority of them. Some of this land I still hold. All of it went up from two hundred to three hundred per cent. Some of it is now yielding me an annual income far in excess of its original cost. In a few years' time, by this lucky strike, I had become independently rich. But little of it had come from my law practice. And as time went on I abandoned that which I had and devoted myself to real estate speculation, into which I entered with a zest and delight that the law had never inspired.

CHAPTER III

I Enter Politics and Politics Becomes My Business—My First Lesson in Finance

POLITICS had never interested me up to my thirtieth year. I went to the polls when a President or a Governor was to be elected, and occasionally to the primaries. But I went with about the same feeling that I paid my taxes. As for city politics, I knew nothing about it. It was bad business anyway. The city seemed to be ruled by a sort of underworld that only touched me as a property owner, and occasionally aroused my disgust through the disclosures of corruption that seemed to mark the City Council. To me a politician was a sort of wizard who had no ostensible business. He trafficked in jobs and usually kept a saloon. It did not occur to me that a business man had any place in politics, or that he had any chance.

It was really self-interest that first led me into politics. The city was growing rapidly and real estate values were going up. I owned a large block of land near the center of the city, which was covered with small buildings that I did not care to replace with larger ones. I had bought the land at a low price and was holding it for speculation. I found its tax valua-

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tion going up so fast that it was becoming unprofitable to hold the land. As it was, the rentals scarce met the taxes and charges against the property. I made some inquiries about the local assessor, and prior to the next assessment went to the county auditor to see if a man whom I employed might not be appointed in that ward. He suggested that he had a fight on his hands for re-election, and intimated that a campaign contribution might help my case. I contributed a hundred dollars, and on his election secured the appointment of a man as assessor upon whom I could rely. Through him I was able to keep my assessments down to a reasonable figure. In this way I made my entrance into local politics.

About this time I concluded my property would be greatly enhanced in value if the street were paved and sewered. In this matter I engaged the interest of the alderman from the ward, and through him came in touch with the Mayor and the Committee on Highways. In a short time I found that the politician was a very human fellow, and not such a bad sort as I had supposed.

During these years the city had been growing with great rapidity. It was ragged and spread over a large area, making transportation difficult. One day the President of the bank in which I had become a director said he thought that a street railway would be a profitable venture, and suggested that I go in with him and

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secure a franchise. I smiled at this idea, as I knew nothing of street railway matters, and, besides, had no money to invest in such a project, even had I been so inclined.

"Oh," he said, "you can leave all that to me if we can only secure the franchise. You won't need very much capital, and we can easily secure men of experience to manage it. You are well known among politicians and have a number of friends in the Council. I will look after the financing. At the same time, you are the owner of a large tract of land which might be reached in our routes to the outskirts of the city."

The latter suggestion appealed to me, for I appreciated that if the land could be brought within easy access of the city, it would be greatly enhanced in value. That of itself would be a tremendous advantage, even though the railway itself was not a success. I interested myself in the project and consented to see what could be done. We had a franchise prepared by our attorneys for twenty-five years. I took the matter up with Murphy, one of the party leaders, a number of aldermen and the Mayor, and they said they thought it would be a fine thing for the city, and manifested a willingness to do anything they could for me. But Murphy said that such things were expensive, and that it would probably cost from \$5,000 to \$10,000 to see the matter through the Council.

I refused to consider such a proposition. I had

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never given money for anything more than campaign purposes. But my associates were not so delicate. They said you had to do things that way. The Council were a bad lot. They held up everything, good or bad, till they got their price. Some arrangement was ultimately made by which the franchise should be granted to our company. We interested the daily papers in the project, induced them to urge its passage, and finally it was granted to us upon our own terms. In reality, it was granted to a dummy, from whom we purchased the franchise for \$15,000. What was done with this money I never knew, although I fancy that most of it stopped in the pocket of Murphy, the party boss, who had managed the matter for us in the Council.

For myself, I scarcely knew what to do with the franchise, after we had gotten it. It seemed to me we had gotten a bull by the tail. We had not the money to build, and I could not, with any confidence, recommend it to my friends, and the local banks had no experience in such matters. But I soon learned my first lesson in finance. It has since stood me in good stead. Estimates were secured as to the cost of construction, and with these in our pockets, we went to New York for the purpose of financing the proposition. It did not occur to me that money could be borrowed upon a mere privilege in the streets, which was terminable at the end of twenty-five years. I could think of noth-

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ing which seemed a more hazardous venture. But we boldly proposed to issue a half million dollars of bonds, and use the proceeds for construction purposes. I confess I was not over sanguine. But the bankers seemed to be interested chiefly in the size of the city, its rate of growth and distribution. How much the plant would cost did not seem to concern them greatly. I ultimately learned that a franchise in the streets was the best sort of security, and that one could secure a loan upon it even in excess of the cost of construction. It was better than real estate. In a growing town, earnings are bound to increase whether times be good or bad. They grow from ten to fifteen per cent, a year. If the proposition is sound today, the security increases with time. The paper franchise, bearing the signatures of the Mayor and the Clerk, which we had bought with so many questionings for \$15,000, turned out to be gilt-edged collateral, and was worth a million.

We finally secured a loan for half a million dollars on consideration of giving the bank twenty per cent of the stock, or \$200,000, as a consideration for the underwriting. We issued a million of stock, and found ourselves the possessors of a street railroad and \$800,000 of stock certificates, which had cost us nothing save the influence which we had among the politicians, and an outlay of a few thousand dollars. From the first, the road paid interest and operating expenses. So gratifying was the result and so rapidly was the city

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growing, that we projected it into other streets. Within a few years' time we had increased our capitalization to \$5,000,000, and secured such extensions and franchises from the Council as were necessary to complete the system. In large part we did this without resorting to corrupt methods. There was such a demand for service that we organized the citizens or real estate speculators of a neighborhood, who fought our battles for us. We used to send delegations to the City Hall, clamorous for an extension, so that it appeared to the people that the company was conferring a favor upon them by building new lines. In five years' time our earnings had doubled, and within that period I had made in the neighborhood of \$1,000,000 in a business which a few years before I knew nothing of, and in which I had not invested a dollar, and into which I had put very little time or energy.

I had gained much experience by this time. I knew the value of such properties, and was now in touch with banking institutions in other cities. I looked up the matter of artificial gas and found it to be even more profitable than railways. I got in touch with a gas contractor, who was willing to erect such a plant and take his pay in bonds. I then moved on the Council, and succeeded in getting a franchise from the city through the aid of the newspapers, one of which I now had an interest in, as well as the local boss, whom I had taken into partnership on several

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deals which had proven advantageous. I was slowly becoming identified with politics, and through the agency of the bosses of both parties I was able to line up both the Republican and Democratic Councilmen. In this instance we paid nothing for the franchise, although considerable stock was distributed among the local newspapers, and some of it was advantageously placed in the hands of political leaders for the purpose of protection. At that time it was not necessary to use money as it was later. Everyone was interested in the development of the town, and was proud of my enterprise and daring in venturing to construct a gas plant. As a matter of fact, at this time I was looked upon as a public-spirited citizen. I was building up the city.

As I said before, the gas proposition was easily financed, for the contractor accepted his pay in bonds, which he readily negotiated, leaving me in possession of almost all of the capital stock. From the start the gas plant paid handsomely. As time went on we extended our mains into all parts of the city, and found it even more profitable than the street railway. Our earnings increased by leaps and bounds. In time we introduced economies and disposed of the by-product so advantageously that we were able to place gas in the mains at but trifling cost to ourselves. The earnings from the sale of gas were velvet. I was becoming more closely bound to politics every day. We had

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contracts with the city for lighting the streets, as well as the public buildings. It was necessary to protect ourselves from "striking" legislation. I made it a point to become acquainted with the Councilmen. I knew them by name, and kept myself acquainted with their families and business. The same thing was even more true of the street railways. We were always wanting small extensions and privileges for the erection of poles and street work. From the first, I was a large contributor to campaign funds. As a matter of fact, we made our contributions to both parties. I had chosen as manager of the street railway a leader in the Democratic party who was thoroughly familiar with ward politics. He knew all the boys. He cemented his friendship by giving employment on the line to their friends and relatives. He was constantly about the City Hall, and was known as a good fellow, so that he could secure almost anything he wanted from the Councilmen of either party. In time he practically dictated alder-manic nominations in the lower wards. I used to accuse him of taking children out of the cradle and training them for the Council. He maintained his control of the members of the Council in many ways. He would get a man under business or personal obligations to him, and then secure his nomination for the Council. He would provide him with funds and get the organization back of him, and in this way we had little diffi-

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culty with Democratic aldermen. Others were reached in other ways. We permitted one to handle our scrap iron. Another shod our horses; another had all of our insurance. There was always a lawyer or two whom we gave some sort of business to. For among us we controlled or were able to influence many lines of business. Our manager was invaluable in many other ways. He organized the Council through his intimate acquaintance with the members. He would get the fellows together for a caucus. At the meeting one of his friends would be chosen for President and another as Clerk. Through the President, the Committees on Street Railways, Streets, Lighting and the like would be made up, and as the Council was mostly composed of men from the lower walks of life, who devoted little time and attention to their duties, he was able in this way to control such legislation as we needed.

In much the same way I became identified with the Republican organization. The city and county were Republican by a safe majority, and my large contributions to the campaigns gave me a position of standing in the party councils. I was made Treasurer of the Executive Committee. In time I came to dominate the organization. This was a comparatively simple matter, as it was held together largely by spoils, and was dependent upon the source of supply. At the same time the interest of the general public was sporadic. Just as I had previously found it necessary to

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protect my real estate through the ward assessors, I now found it necessary to protect our gas and railway properties from excessive taxation. They were worth millions in the market, but they could be reproduced for a very much smaller sum. It became a matter of moment to us to have them assessed at their structural value. And the first favor which I asked of the organization was the naming of the County Auditor. I appreciated that by one stroke of his pen he could increase our taxes hundreds of thousands of dollars, by merely estimating our franchises as taxable property. This we were able to prevent through our control of the organization and the selection of a man known to us to be safe. For the same reason, I was interested in the appointment of the Director of Streets. We were constantly tearing up the highways for the gas mains and for street railway purposes, and a hostile director had it in his power to cause us a great deal of trouble. In this almost unconscious way I ultimately became the leader of the Republican party in the city and county. I did not achieve this position as an ambition, but drifted into it naturally from the necessity of the situation. And, as afterwards transpired, it was fortunate that this was true.

CHAPTER IV

The Fight for the City

AS my interest in politics increased, so did the necessity for it. As I had entered politics to protect my real estate from excessive taxation, so I had been slowly enveloped by it through my street railway and gas interests. We were constantly opening streets, extending our tracks, or gas mains. It was necessary to secure many privileges from the Council and the Administration. In time our Superintendent, who was familiar with all the boys, came to place their friends and relatives in positions of employment. We were able to do this through the thousands of employees upon our pay rolls. In this way we were able to keep on friendly terms with the aldermen; while the Director of Streets was usually appointed at my suggestion. In course of time the expiration of our franchises began to concern us. They had been originally granted for twenty-five years at a time when they were of questionable value. As time went on, however, and the city grew, the public came to appreciate the value of our grant, which was evident in the quotations of our stock. Moreover, the capitalization had been more than trebled by us in order to keep down the dividends to a reasonable limit. The renewal of these franchises

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had become a political issue. One of the newspapers which we had not been able to control, insisted upon absurd concessions from the company. They pointed to the fact that our stock had been watered and that the plant could be duplicated at the present time at about one-fourth of the selling price of the securities. They aroused class feeling and were threatening our property rights.

Another company had secured possession of several streets which we had neglected to occupy because they did not seem necessary to us. This company was controlled by another crowd in the city, who were backed by a couple of banks. They offered to accept the franchises enjoyed by us on terms more advantageous to the city. They said they would give universal transfers and a percentage of their gross receipts if our franchises were renewed to them. They also offered to purchase our plant at its appraised value. The universal transfers appealed to the working classes, who saw in this a material reduction in their car fare; while payment of a portion of the gross receipts to the city treasury appealed to the property owners, who saw in it a means of reducing their taxes. A municipal election was approaching, and the Mayor and Council who were to be elected would have the franchise to dispose of.

There was considerable talk of nominating for Mayor upon the Republican ticket a successful busi-

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ness man by the name of Sterling, who had no political experience. I was not personally acquainted with Sterling and could get but little definite information about him. I sent one of our stockholders to find out how he stood on the franchise question, but his replies were not to our satisfaction. He said that he could not see why the city should not treat the question just as an individual would,—why the franchise should not be given to the company offering the largest return. It was a simple business proposition, and while he had not given the matter much thought, it seemed to him the company could well afford to pay liberally for the privilege. I asked Sterling to come and see me, for as Chairman of the Republican Committee I was interested in the make-up of the party ticket. I tried to make him see our point of view. We had come into the city, I said, when the street railway business had little money in it. We had made our investment on a speculative proposition. Through the growth of the railway system the city had been developed; its boundaries had been extended and the railway had been a great agency in its upbuilding. It was true, I admitted, that our stock was worth more than the physical value of the property, but then so was the stock of any corporation that had any good will attached to it. Moreover, many of our stockholders were widows and orphans, and it would be unjust to deprive them of their property, which would be done if the

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terms of our franchise were materially modified or we were dispossessed of the rights of way we had enjoyed for so long. I tried to make him see our point of view and the reasonableness of our wishes. He finally said that if the things I said were true, we ought to be able to carry passengers cheaper than anybody else, because we knew the situation, we had possession. Anyway he thought the franchises ought to be disposed of to the company that offered the best terms.

I was unable to make anything out of him. He was not open to reason. So I sent for a lot of party leaders and told them flatly that if Sterling were nominated, they could expect no campaign funds from us or from any of the banks or companies in which I was interested; that we would not stand for such a candidate. He was threatening the property rights that we had built up, and was a dangerous man.

I knew I had sown the seed in the right place. Pretty soon interviews began to appear in the papers about his candidacy. Some one dug up a story about a strike that he had once had in his factory. It was not much of a strike, and had been very shortly settled; but it was hinted that this would alienate the labor vote. Moreover, it was suggested that he was a reformer. This idea was exaggerated until in a few days' time he appeared to be a fanatic. The boys said he was too good; that he would enforce the Sunday closing laws on the saloons. At that the brewing inter-

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ests and the Liquor League became alarmed. They protested against the nomination of Sterling and insisted that the people wanted a liberal Sunday. By this means in few days' time almost all of the active political workers were arrayed against Sterling. He had not sufficient experience in politics to get at the newspaper men himself, and was easily disheartened at the opposition which his candidacy seemed to arouse and the change which had come over the public sentiment. For prior to that time his nomination had been looked upon as a foregone conclusion. I had some of our friends call upon him and suggest that he ought not to go into politics anyhow. They said that it would hurt his business; that it would not only make a lot of enemies for him, but that it would be necessary for him to neglect his other interests. We got some of the labor leaders to make an investigation of his strike. The Liquor Dealers' Association came out in interviews against him. Much of this was inspired by us, and reached the rank and file of the party through the ward leaders.

A few days before the Convention, Sterling announced that he would not be a candidate under any circumstances, and his name was not even presented. As a man he was a most estimable fellow, and had he been reasonable upon street railway matters, I should have been pleased to have seen him Mayor.

All this time we had been preparing to spring our

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own candidate when the time was ripe. We had picked out a young fellow who had been a very satisfactory alderman and who was well known to me. I had secured a position for one of his brothers in a bank, while I had helped him in very substantial ways in his business. Jackson was a man of commonplace abilities, with a general reputation of being a good fellow. He was properly anxious to succeed, made very few enemies, and was open-minded and liberal in his views. The Mayor enjoyed very large powers. Not only did he exercise the veto, but he appointed the departmental heads, and through them distributed the patronage of the party. In this way he controlled or was in a position to control the machine which it was necessary for us to have in hand.

The principal fight, however, was likely to be for the Council. Our Superintendent had this in hand. He picked out men here and there as candidates, supplied them with funds to carry on their campaign, and organized local political clubs to aid them. Most of these candidates were comparatively unknown. Many of them were under substantial obligations to us in many ways. It was always possible for me to help them through the party organization, for as I was Chairman and practically the Treasurer as well, there was no difficulty in this respect. In this way we were able to control most of the ward caucuses, and the majority of the men nominated for the Council were

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our choice. The vote for delegates to the Nominating Convention was light. On the evening before the Convention we had a conference in my office and fixed up the slate. Enough men were taken into our confidence to make sure of the arrangement going through easily, and in the morning the idea was quietly circulated from group to group until it became the sense of the Convention. Whatever opposition existed was unorganized and badly led. Moreover, we controlled the temporary Chairman who called the Convention to order and appointed the Committee on Credentials. Through these means we were in a position to seat friendly delegations had contests been necessary. Everything was so well greased, however, that no serious contests arose. Our man was made Permanent Chairman and the slate as made up went through without dissent. Jackson was nominated without opposition, and the Executive Committee, which had control of the Republican organization, was organized to our satisfaction. All was now easy sailing. The city was safely Republican by several thousand votes, and I had the party thoroughly in control, for the Executive Committee was not only of my selection, but as I controlled the campaign funds and the organization made up of the existing city employees, opposition would have been foolish as well as ineffectual.

However, I had always found it wise to keep in touch with the Democratic organization as well. While

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they had not elected a Mayor for many years, there were many wards from which they returned aldermen, and it was necessary to keep on good terms with them. In line with this programme I had picked out Terence McGann as the head of the Democratic organization. He was a man for whom I had a great liking, and he was very fond of me. I had started him in politics. He was a lusty Irishman of about thirty years of age, and had been interested in politics all his life. When I first met him he was working in a bottling works, and I had recognized him as a natural politician. He was one of the radiant kind. He was as frank and cordial to me as to any one of the boys. I liked him, and he liked being liked. There was a certain big natural dignity about him, too, that made him a born leader. It always did me good to see him enter my office, he cheered things up so much. I had started him in business, having loaned him sufficient money to open a saloon. Soon his influence extended from his ward into the surrounding district. His very instinct for doing a kindly thing made him liked, and added to this he had been able to place many men in our employment from all over the city. This fact added to his power with the boys. In addition to this he always had a bunch of money at election time, and as the Democratic party was a minority one and had few offices at its disposal, this gave him strong claims to the leadership.

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I had induced him to try to secure control of the organization, and there being little opposition, he was easily successful. Terence had never made any money out of politics himself; he was comparatively poor and was in politics because he liked it. I used to send my own family physician around to attend his family when they were ill, and on one occasion had supplied him and his wife with railroad passes to Atlantic City. And all the boys liked him. He took care of them; and was unremitting in his efforts to secure them positions. His idea of an honest politician was one who would "stay bought." So far as his relations with me were concerned, it was always on the assumption that I was in politics for the same reason that he was, because I liked it, or enjoyed power, or for some other reason that he could not make out. At any rate, he always assumed an air of ignorance of what I wanted.

By this time I thoroughly appreciated the necessary intimacy between my business and politics. They were identical. They depended upon each other. And in devoting myself to politics I was in reality devoting myself to business.

I sent for Terence. The following day he came in to see me, and I asked him who they were going to run for Mayor this fall. "The Democratic Convention is coming on in a few weeks," I said, "and I presume you will be able to control the situation as usual."

"That's the thing I have been wanting to see you

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about for some days," he said. "You know we have been talking about Williams, who ran before. Well, we can nominate him, all right, and he will be defeated just as he was before, unless Jim Ballantyne makes us some trouble."

I had seen Ballantyne's name in the papers, but did not know anything about him. I asked Terence who he was.

"Well, he is a young fellow who came to the city some years ago and has been making himself busy in politics lately. He recently made a corking speech at the Jackson Day banquet, and got the boys all stirred up. He is the fellow who defended the Moulders' Union in the United States Court, in an injunction suit brought to prevent their picketing during the strike. The laboring men are all for him, and say he can beat your man in a walk. He is very popular with the boys, and while we control the Committee and can organize the Convention all right, if he goes out for the nomination and makes a canvass, I fear he will beat us hands down. For Williams isn't strong, and I do not see what I can do if he is nominated except get into the band wagon. I went to see Ballantyne myself the other day to see how he feels about running. He said he had not yet made up his mind; that he did not think he could afford to run, but that he was going into the Convention to show up the fact that the Democratic party was just a part of the Republican

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machine; that it did not stand for anything and had been bought and sold long enough. He opened up pretty hot on you, too. He said it was a nice situation when a man could not run for office on either the Republican or Democratic tickets without asking the Street Railway Company's permission. He also said that if he ever were Mayor, you would have to pay the city every dollar the new franchises were worth and your taxes as well. Just as I was going out he said: 'You might tell Palmer from me, Terence, that I have the affidavit of Frank Buckley, who was sent to the penitentiary last week for accepting a bribe while on the jury in that street railway personal injury case, that I know where the money came from that bribed him, and that in the future Palmer had better not let his notes to his Superintendent get mixed up with the currency.' He says he has a letter that he got from Buckley written by you, putting up the job to bribe the jury. 'And you might tell him,' he added, 'that Buckley is a lot more honest than the man who gave him the money; and that, moreover, he was square, for he preferred to go down the road for three years, rather than give up the evidence that would have soaked Palmer and his Superintendent as well.'"

Here was a pretty situation. I remembered writing such a note, and slipping it in a bunch of bills that I had sent to Staunton, our Superintendent. If Ballan-tyne had this note he might present it to the Grand

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Jury. If he ran for Mayor he might use it publicly. This was the worst box I had ever gotten into. I was at first inclined to take a trip to Europe until the whole thing blew over, and would have done so had not the franchise question been so important. I let Terence go, and asked him to find out anything more about Ballantyne that he could, and the feeling among the boys, and come back and tell me in the morning. I then sent for our attorney and laid the situation before him. He was a resourceful lawyer and had drawn many franchises for us that were as full of barbs as a rose bush of thorns. They contained simple provisions that passed the scrutiny of the public, but when once in held the community like an anchor. He saw the situation at a glance.

"We must get Ballantyne out of the way for the present," he said. "Do you think him honest?"

"Apparently so," I replied, "and that is Terence's opinion."

"I think I can arrange that," he said. "What would you think of making him special attorney for the company? Give him some of the trial work to do. I can tell him that there is more of that work than we can properly attend to; that we have been watching his court work for some time, and want to employ him by a special retainer to look after a portion of it for us."

That was a brilliant inspiration. "Offer him five thousand a year," I suggested. "Even seventy-five

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hundred, if necessary. Get a contract with him for three years if you can."

"Long enough to cover the statute of limitations," he suggested, with a smile.

But Ballantyne was not to be had so easily. He took the matter under consideration. He said he had a couple of cases against the road that he would have to try before he could decide.

The next few weeks were the most uncomfortable I had ever passed. I was more than ever tempted to cut and run away. I would wake up in the night thinking of the power Ballantyne held over me. But I concluded to wait for the Democratic Convention. With Terence we had prepared a slate that the Republican ticket could easily defeat. Williams was to be nominated for Mayor, and the councilmanic nominees had all been provided for. Ballantyne did not seem to be making any canvass, and I had about concluded that he was not going to run. The Democratic Convention met at nine in the morning. About noon I received a telephone message from Terence, saying that he wanted to see me right away, but that he did not want to come to my office. "Meet me in room 360 in the Arlington Hotel," I said. "I will be right over." When I reached the hotel Terence was already in the room. I could see that things had gone wrong.

"What happened, Terence?" I asked.

"Oh! they have cleaned up the organization, broken

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the slate and carried everything their own way," he said. "By some means or other they got control of O'Brien, the Temporary Chairman, and he declared their man elected Permanent Chairman, That devil of a labor leader, Cowen, put Ballantyne in nomination, and he got three-fourths of the vote, and then the Convention made it unanimous. They stole the organization from us, and paid the Temporary Chairman for his desertion by nominating him for President of the Council. I never saw such a wild lot of Democrats in my life. But they put up a fine ticket, and, unless I am much mistaken, are going to give you and your man, Jackson, a run for your life." I saw that Terence was inclined to go with his party, and he seemed to think that I was responsible for his defeat and the discredit into which he had come with the organization. I felt that I would have to act in a very careful way or he would go over to Ballantyne with the organization. That was a thing which must be stopped at all hazards, for I had to make use of the Democratic party, and to use Terence to do it. So I said quickly:

"Of course you could not help it, Terence. The trouble was, the Citizens' Railway, that is trying to get possession of our franchises, put up too much money. They bought the Convention and nominated Ballantyne. They must have lined up the delegates in some way, and are trying to beat us out of the way." Then I showed him how his control of the party would be

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destroyed if Ballantyne were elected. "For, of course, he will build up a machine of his own," I said, "and the present organization will not be recognized. He has made war on you, Terence, when he should have come to you as the head of the party." Finally I said: "Now, Terence, you know we have never been defeated; we have a safe majority here of from two to three thousand, and if Jackson is elected, as he will be, I will arrange so that you and your friends are taken care of. He is under obligations to me; I will tell him that as the contest is close he cannot afford to ignore any help that you can give him. I think I can arrange so that you will be permitted to control the nominations on the Police force if you throw your support to Jackson. This will not be so difficult," I said, "because that department is under civil service rules, and if he appoints Democrats instead of Republicans, the public will say that he is conducting the department on a non-partisan basis."

Terence seemed to be fully convinced that he had been badly treated; that he had been defeated, too, through the use of money, and that if Ballantyne were elected his influence would be at an end. To clinch matters, and put him under further obligations, I said:

"I have just received word this morning from the Superintendent of our mines at Spring Valley that he wants a new superintendent. I concluded to offer the

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place to your brother if you think he would care to accept it."

The campaign began in good earnest. Both of the leading papers were owned by influential men. Within the next few days I had a half dozen leading advertisers go to the editor of the Herald, the Democratic organ, and suggest that while they did not want to appear to be interfering with the policy of the paper, the Democratic party had nominated a man for Mayor whom it would be dangerous to see elected. They said he was working with the labor unions; was nominated by them, and that should a strike break out in the city there was no knowing what he would do. There was danger that he would not protect property and would refuse to call out the militia in case of disturbance. The city already had a bad name among business men the country over, they suggested; and if it were known that a labor leader was Mayor, it would probably hurt its business interests. This had its visible effect, for while the Herald did not openly endorse the Republican candidate, it did not support Ballantyne, and gave its columns to the fullest discussion of our meetings and printed any news we sent them.

Ballantyne plunged right into the campaign. He made the street railway issue prominent. He ignored the residence districts almost entirely, holding his meetings in the mill and factory districts. He turned out to be a good campaigner, and worked up

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public sentiment as I had never known it to be aroused on a local election. I went to hear him at the opening meeting. He said the question before the people was a simple one. It was, "Shall the corporations control the city, or the city control the corporations?" He coined a whole lot of phrases like: "It is better for the city to help than to hurt," meaning that the poorer classes should be given a chance to work in some honest way, rather than in the workhouse; or "An ounce of recreation is worth a pound of punishment;" "The saloon is the poor man's club. Make the parks the poor man's club;" "It is better to make people happy than to make them fearful."

I could see by the faces of the men that he was awakening their interest. So far as I could learn, he had no money to spend. His workers were always the voluntary ones. Unconsciously, I became interested in what he was saying, and crowded to the front. He evidently recognized me, for after he had continued in this way for some time, he concluded by saying: "As you know, I am not a politician. I have never had as much experience in politics as many of you who are here. But during the past few years I have seen enough of this city to know that it has not mattered much which of the two parties was in power, for in either event the gentleman who stands before me, Mr. Palmer, was the real ruler of the city. For years you and I have gone to the polls, cast our votes for one

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candidate or another, but whoever was elected we were merely voting the one ticket, and that ticket was made up by William Palmer, the President of the Electric Railway Company. Today he is Chairman of the Republican Executive Committee. He made out a slate for the Republican Convention, and you and I and all the people of this great city read in the papers the morning before the Convention just who was to be nominated, and we read it without a suggestion of surprise. We have become so accustomed to having such things done for us that we have ceased to care, and the shame is that the same thing has been true of our own party. Who has been the leader of the Democratic party?" he asked.

"Terence McGann," some one said.

"Yes, Terence McGann," he replied. "I have no desire to say anything mean of Terence, for so far as I know he never did a mean or dishonest thing in his life; and while he and I are on different sides in this contest, I will leave it to the gentleman who has recently entered this room, Mr. William Palmer, if Terence McGann did not confer with him just prior to the Democratic Convention in order to make up a slate, and if he and Terence did not have a meeting in the Arlington Hotel immediately after the Convention to map out plans to beat the Democratic ticket.

"I make that charge, Mr. Palmer, and ask you to come forward on the platform and deny it if you care

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to, for I have no desire to do any man injustice, and I have every reason to believe that you will tell the truth."

I did not move. I was taken by surprise. The crowd all turned and looked at me. I started to the speaker's stand, I scarcely knew why. I looked into the faces of the first crowd I had ever addressed. As calmly as I could, I said: "I came out as a citizen to hear both sides of this case. It is true I am the President of the Electric Railway; but am I for that reason an enemy of the people? Think what you would do if you had to walk miles to your work. Think what the street railway company has done for the upbuilding of the city. Do we not pay taxes the same as do other people? Do we not give good accommodation? Is it not a legitimate industry? Times are good," I said. "The country is prosperous. Men have work and wages are high." Then turning to Ballantyne, I said: "I do not feel called upon to answer your questions. You are a lawyer out here stirring up class feeling in a country which, thank God, is free from classes. You are arousing a spirit of discontent, of socialism, of anarchy; and it will be a sad day for the good name of this city and for its industries if a socialist leader like you is elected Mayor."

This seemed to have a visible effect upon the audience, for I have noticed that even the laboring man is fair-minded and looks out for his own interests. But

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I did not like the enthusiasm of that crowd. I saw many of our own party workers there, and heard that they were more or less indifferent in the campaign.

The next day I called a large number of business men into my office. I told them of my experience the night before. "This is getting serious," I said. "If that man is elected Mayor, property will not be safe. Manufacturing plants will no longer come here. He will raise the taxes and drive business from the city." We started in to raise a large campaign fund. I suggested that we organize a City Reform Club. I called in one of the leading clergymen and had a talk with him. I said: "Dr. Jameson, this present contest is one the clergy cannot afford to neglect. This campaign threatens the home. The Democratic party is in league with the liquor interests. They will throw open the saloons on Sunday if Ballantyne is elected, and I happen to know that they have raised a large fund for his election. And you know what will happen if they get into control—we will have an open Sunday; the city will be an open town, the gambling houses will run again, and our children will not be safe from this evil, while we will be subjected to all of the criminal things that follow a European Sunday. Don't you think it would be a good thing for the churches to do a little campaign work? Isn't it a good proverb to follow, 'When bad men conspire, good men should organize'? "Now, if you can arrange for a citizens' organiza-

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tion to hold a big public meeting a few nights before the close of the campaign, and also have all of the ministers preach a sermon on the necessity of taking an interest in local matters about the same time, I think you would be doing a great service to the city that already owes you so much. And in case the meeting is arranged for, I think I can secure any money you may need from some of the members of your congregation."

Prior to this time I had sent a man to Ballantyne's old home to learn what I could about his early life, and what sort of a citizen he had been prior to coming to the city. But all reports showed him to be an industrious young fellow who had worked his way through college and had studied law while teaching school.

I also got some of our stockholders to call on the members of the City Reform Club. I knew many of its contributing members, and some of them were connected with me in the same banks. These I induced to appear before its executive committee and urge the necessity of ridding the city of the dangerous demagogic influences that had arisen in the Democratic party. They also spoke of the necessity of protecting the city from an open Sabbath and the control of the saloons.

Soon all of these influences were thoroughly aroused. They organized local ward committees in

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the churches, while the Reform Association began to issue bulletins on the mayoralty situation. This they had never done before, as they were organized simply for councilmanic matters. But they justified themselves by saying that the issue before the people was so momentous that they had decided to enter the field and protest against the election of a man who was manifestly designing to create a machine; a man who was in league with the liquor element, and who had said in his public speeches that the saloon was the poor man's club, and that until the people furnished him something better, the working man was not to be condemned for going there.

The Sunday before election all of the churches preached a crusade against Ballantyne. They did not mention him in so many words nor attack the Democratic party, but they urged the people to be aroused to the election, to defend their families and their homes from the saloon, from the demagogic utterances that were arousing class feeling in America.

There did not seem to be a chance for our defeat. The sentiment against Ballantyne was so strong that the betting was two to one in favor of Jackson, the Republican candidate, who had been almost overlooked in the campaign. This was fortunate for us for he was not a good speaker, and had done little in the Council, although he was a good fellow and an active church worker.

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But the Council was as important to us as the Mayoralty. To this we devoted much of our attention. The Mayoralty contest was so absorbing that the public paid little particular attention to the Council. McGann had picked men for us in the sure Democratic wards, and had supplied them with such funds as they needed, while I had chosen the men in the Republican wards which we could control. This was a comparatively easy matter, as McGann was familiar with his men through the Democratic organization, while I knew all of the men on the Republican ticket. They came to me for funds, and in this way I made myself acquainted with their necessities, habits, positions and friends. I made any assistance that was given them a personal matter, and talked about the party, and the necessity of keeping things in line owing to the Presidential election that was coming on the following year.

On election day the odds were three to one against Ballantyne. The better element, by that I mean the men of wealth who usually remain away from the polls, was aroused by the work which had been done by the Reform organization and the churches. They came out early and voted straight. All indications were that a large vote would be polled, and that the entire Republican ticket would go through. In the evening of election day we all met at the Metropolitan Club. The Republican candidate was there and a

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special wire had been run into the rooms. The early wards to come in were the Democratic ones about the mills. They showed Ballantyne gains; but that was to be expected. The East End wards were slow in coming, and they would easily overcome that by reason of the large vote which had been polled. In this we were not disappointed, and after a goodly sprinkling of Republican wards had showed up, all indicating a good vote, we began to feel more easy, and be pretty confident of the result. But the outlying mill wards continued black. The feeling for Ballantyne seemed to be very strong there. Soon one of the German wards came in, a conservative, well-to-do ward, usually Republican. Even it showed heavy Democratic gains. These same losses came from one after another of the foreign wards. Thompson, one of our directors, said: "That shows the socialism that is being brought to America by those who come here for freedom, and then don't seem to be satisfied with it when they get it. Our naturalization laws ought to be changed," he said. "What do these men know of American institutions? They come here, and after a few years' time have as much influence at the ballot as any one of us who have lived here since the founding of the city. They ought to limit the suffrage to those who pay taxes."

By ten o'clock Ballantyne was in the lead. But there were still some heavy Republican wards to hear

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from. They came in slowly. But the Democratic gains continued, and by midnight the extras were out announcing Ballantyne's election by several thousand majority. We could hardly believe the result. No one had expected it save Ballantyne, but he had confidently claimed his election from the first. We had been beaten at the polls. For the first time in our experience we had failed to control the situation. The people had been carried away by an appeal to class feeling.

Nothing remained to do but to carry the fight into the Council, and for this we were well prepared. We could easily control a majority of the aldermen, and if Ballantyne could not be brought over to us, we felt pretty confident of our ability to secure enough votes to override his veto.

CHAPTER V

We Dethrone the Mayor and Obtain a Franchise

THE day after the election we called a hurried meeting of the directors. The Republican Committee made charges of repeating and colonization on the part of the Democrats, but never proved it. We examined the Council as elected. It numbered twenty-seven members. Had the Mayor been with us, the franchise would have been a simple matter. We would then have had to secure but fourteen votes to have a majority. But with him against us, we had to get two-thirds of the Council to pass the ordinance over his veto. To be safe, we needed eighteen men. We scrutinized the list of aldermen. There were Murphy, O'Brien, Callaghan, O'Donnell and Smith from the lower Democratic wards. These men had been selected by McGann and could probably be relied upon. Murphy, O'Brien and O'Donnell were hold-overs from the old Council, and Terence had always been able to keep them in line by providing places for their friends and relatives on our lines.

I sent for Terence and told him to see these fellows, as well as any other aldermen whom he knew,

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and give jobs to as many of their friends as were needed. On the Republican side there were Thompson, McKay, Green, Jenkins and Lloyd, that I thought we could bank on. I knew them all, and had picked them to run because they were loyal party men. During the campaign I had supplied them with funds and had made their success a personal matter with me. In this way we made ourselves solid at very little cost. We then arranged for a caucus of the Republican members of the Council. They were in the majority and would organize the Council and elect the President and Clerk. They sent for me to talk over the situation. I made a short speech and suggested that it was up to them to defend the city; that a demagogue had been elected Mayor, a Socialist who advocated municipal ownership. "Moreover," I said, "it is incumbent upon you to prevent the building up of a Democratic machine. This man Ballantyne has dragged the street railway question into politics, where it ought not to be; for it is a business proposition, and should be solved on a business basis." With this they seemed to agree. We decided on the Council nominees and chose Thompson for President. His brother was a painter and had a contract with us for the painting of our cars. We knew he was all right, for he had been in the Council for two terms, and I had some evidence against him that if necessary I would not permit him to forget. Through Thompson we made up the com-

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mittees on railways and lighting and streets. We were particularly interested in these. The other committees were parcelled out among the fellows who had to be reconciled. This put us in a strategic position in all legislation affecting our interests, for it was difficult to pass any legislation that a committee saw fit to hold up. The ordinance went to the committees before consideration by the Council, and a two-thirds vote was required by the rules to force a report from the committees. We now felt secure so far as any adverse legislation was concerned. But further than the five Democrats and five Republicans we could not get. Nine more were needed to make us secure. There were fifteen Republican members in the Council, and it was possible that if we made our ordinance a party measure we could line them all up through the caucus. But we appreciated that this was a bad thing for the party. It would give Ballantyne the opportunity that he wanted. He would make it a party issue, and that might endanger everything at the next election.

The situation was very disturbing. Up to that time I had never paid any money for votes or legislation. We had been able to secure what we wanted through the control of the parties, through friendship, through contracts, or the simple desire on the part of many aldermen to be good fellows and do what McGann or Buckley wanted. But our directors were

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not all so squeamish. Somehow or other, the franchises must be got. They were about to expire, and if they were not renewed the stock would not be worth ten cents on the dollar. Much of it was up at the banks as collateral, and that gave the bankers an interest as well as our stockholders. Moreover, we had a plan on foot to combine the gas and street railway franchises, and sell them to an Eastern syndicate. But this could only be done if the franchises were satisfactory.

The feeling on the part of the directors was that the business could not be run without the use of money. They said they were being held up and bled by a lot of fellows who did not know the difference between a thousand dollars and a million, and that the entire agitation was a "hold up" game anyhow. My objections were overruled by the Board, and \$50,000 was voted as "legal expenses." Personally I was in a bad position also. A lot of my friends had put money into the stock. I had told them it was a good buy at the ruling price. Then there were a lot of widows and orphans whose only funds were invested in this way, and I felt that this trust had to be protected by some means.

We studied the make-up of the Council. On the Democratic side a number were friends of Ballantyne. They were workingmen who had gone in on his platform. The Republicans were of a somewhat better sort, being clerks, insurance men, small store-keepers

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and a couple of lawyers. One of them was a blacksmith, and Buckley, our Superintendent, gave him some work to do. He followed that up with larger business, and made it a point not to complain about the prices charged. Another was in the insurance business. He was given our employers' liability and fire insurance. Another was a personal friend of Buckley, and he endorsed his note for \$200 to take care of a mortgage on his house. Prior to this time Buckley and McGann had been getting acquainted with all the councilmen. They learned their habits, their friends and financial conditions. Buckley thought he had fifteen men "fixed," although he did not tell me how. On the organization of the Council, the slate went through without opposition. The President and Clerk endorsed by the caucus were elected, and the committees were announced as we had arranged. But just before adjournment, to our surprise and consternation, Lawrence, a young Republican lawyer just elected to the Council, moved that a special committee of five, named in the resolution, be created to consider the street railway problem, and that all railway legislation should be referred to it. He made a speech in its favor, saying that this was the one matter that was commanding most attention. We were not prepared for this angle. The President left the chair to oppose it, but the other Republicans looked upon it as a sort of caucus measure that they were not on to, and carried it through by a majority vote of one.

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Lawrence had been nominated in one of the residence districts without opposition, and had been overwhelmingly elected. He was but recently from college and had been practising a few years. He was a likeable fellow, but impetuous, and had no experience in politics. In the campaign he had paid but little attention to the regular committee, but had made a house to house canvass for the nomination. We had not given much concern about him as he was well connected and his father was a large merchant. We had fancied that he could be counted on in the Council.

I saw that he would have to be handled gingerly. I sent one of the city contractors to him with some business. He told Lawrence that he wanted him to represent him in some litigation, and had come to him because he was not too busy and could give attention to his needs. He brought the conversation around to the Council, and asked him why he had introduced the resolution for a special committee.

"That was a slap at the regular committee, you know, and has roused all the boys against you. Of course," he said, "that's all right, but do not destroy any possibility of good work in the Council by ignoring the other fellows. It's best to work with the organization," he said, "and not get into a row at the start off."

Lawrence seemed surprised at this, and said: "Why, I had no intention of slamming anybody. The

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resolution was perfectly natural. I wanted to learn something about the street railway question, and when Thompson appointed the regular committee I concluded that he had done so without giving the matter much thought, and that a special committee like this would be hailed with joy by the members of the regular committee, as it would let them off from a lot of work. As a matter of fact, I had not given the matter any thought until I got into the Council chamber." He said he would see Thompson and explain to him that he had not intended to hurt anybody's feelings.

I felt relieved when I heard this. Lawrence had just stumbled into the thing. But I concluded that we had better reach him in some way, for I knew that he was honest. So I sent a number of prominent men over to see him and talk the situation over. I thought if I could arouse his party loyalty that I would get him in this way. I had these men talk about the danger from Ballantyne's building up a machine from the saloons and the gambling houses. They brought in the franchise question incidentally, as if they were citizens interested in his conduct and gratified that a man of his type should have been willing to enter the Council. They said it was a splendid thing that the young men were going into politics in this way; they would be the salvation of the American cities.

Further than this, I worked out a plan by which when the franchise came up we would have some men

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go to Lawrence with amendments that we would be willing to accept, but which were not in the original ordinance, and have him make his fight on these. I thought we could give him a chance to make his play and then get his vote in the round up. It was our plan to introduce an ordinance that was bad, and, then, under pressure, accept certain harmless amendments that were offered by men like Lawrence, who were sincere in their ideas. I also got some of the business men and one of our small banks to turn their business over to him, in order that they might consult with him with more influence if necessary. But even with Lawrence it looked as though we were shy some votes if a fight were made. There was another Republican, a well-to-do merchant, who lived on Commonwealth Avenue, who had been endorsed by all the reform organizations. He had risen by sheer enterprise, and now that his children were entering society, he had become ambitious for them. His name had been proposed at the Country Club, and some protest had gone up against his admission. I tried to arrange to overcome this. I saw the committee, with whom I was intimate, and gave a little dinner party to Fulton, and invited the committee and their wives. Fulton was manifestly much flattered. The wives of some of our directors called upon his wife, and one of his daughters was invited to the coming-out affairs of several debutantes. I never ventured to speak of the

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franchise question to Fulton at all; but I never lost an opportunity to discuss politics, and the necessity of keeping the city Republican because of the Presidential campaign of the next year and the dangers of a change in tariff to all business interests. Moreover, Fulton was a strong church worker, and the fear and suspicion that Ballantyne was in some sort of an alliance with the saloon-keepers never left his mind.

But even with Fulton we were short. One of the councilmen was an insurance man of good standing. I wrote to our banking correspondents in New York, explaining the situation, and said that Robbins was in the Council, and represented one of the insurance companies. I intimated that he was in danger of injuring the company's business by his attitude on the street railway question. The banker to whom I wrote was interested in the proposed purchase of our properties, and I knew that he would go to one of the officers of the insurance company and see if some pressure could not be brought to bear on Robbins from the home office. In this I was more successful than I had expected. One of the officers of the company stopped off to see me within a few days, and invited me and a couple of other directors to lunch with him and Robbins. He told Robbins that we had common friends and interests in New York, and that it would be valuable to him to be acquainted with us. What he said to Robbins I never knew, save that we never had any difficulty about his vote.

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In a few weeks the ordinance was ready for introduction. It had been carefully drafted by our attorneys, who had placed a number of restrictions upon us which had not been in the old ordinance. These required us to keep the tracks which we tore up in repair; to use girder-grooved rails when ordered to do so by the Council; to place vestibules on the cars, and to properly heat them; to run as many cars as traffic should demand, and to make any extensions in the future which the Council should require. These were all things we would have done anyhow, but they made a good showing on paper. Moreover, so long as we controlled the Council we did not fear that these provisions would be insisted on if we did not wish it. In general, the ordinance provided for a fifty years' grant, with a straight five-cent fare, and no transfers. We debated for a long time as to who should introduce it. We sounded Lawrence, but soon found that he was too independent. We did not want a Democrat, and it would give the ordinance a bad name at the start if it were brought in through one of the suspected Republicans. We finally decided on Fulton. He was not much of a speaker, but was honest and bore a good reputation. He finally consented to do it. Upon its introduction Lawrence moved its reference to his special committee. Thompson ruled this out of order, and on appeal the ordinance was referred to the regular Committee on Streets and Railways. We then

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had an open meeting called by the Committee for the following week, for discussion; and at this meeting we expected the Mayor and the opposition company to show their hand. On the day set an immense crowd appeared of citizens, councilmen and representatives of a competing company that had another line in the city. But by arrangement a quorum of the Committee did not appear. Another adjournment was made, but a quorum was not secured. This was kept up for a couple of weeks, and the number of persons attending constantly diminished. Finally a meeting was held and the ordinance taken up for discussion. The Citizens' Company appeared by their counsel, and said they desired to offer a counter proposition. They were prepared to accept a twenty-five year franchise, to take over all our plant and equipment, to pay its value as determined by arbitrators, to give six tickets for a quarter, and universal transfers. They offered some other concessions. The Committee took their proposition under advisement. I knew the Company was acting in good faith, and could do as they agreed. Moreover, they were backed by one of the large trust companies of the city, and could not be bluffed. We called a directors' meeting to consider the situation, and concluded the only safe thing to do was to get them out of the way. They had about thirty miles of road, which was a valuable property. Their stock was selling at \$125.00 a share, and we determined to see

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if we could not get control. We found it was held by the President, who said he would sell out his holdings for \$1,000,000. After some negotiations with my friends, we purchased his stock and arranged to issue stock in our company in exchange. The public did not know of the transfer, and it seemed to us we were now out of our worst difficulty. The competing company withdrew its offer, as it had not been acted on, and suggested that they had found that it would not be possible for them to carry out their proposal. The stock of our company went up ten points in the market that day. But other troubles were gathering. Thompson, the President of the Council, called upon me. He said he could not keep the boys in line; that even the members of the Committee were inclined to hold the ordinance up. "The boys think it is up to you to do something," he said. I told him we had introduced a fair ordinance, and that I thought we were doing everything we were called to do. He beat around the bush and finally said:

"It ain't no use to try and play with me, Mr. Palmer; you know what I mean. The boys think there ought to be something in this for them. They say this franchise is worth a hundred or two hundred thousand to you, and they think they ought to get well paid for the job."

I hated this sort of thing, and I told him I could not do anything for him.

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There was a lawyer in the city by the name of Robinson, whom we had used on several occasions in our dealings with the city. He knew all the boys and kept in touch with them. I called him in and explained the situation. I told him I did not want to have anything to do with boodling, but wanted to employ him as our attorney on this particular matter. I offered him a retainer of \$500, and told him that he would be paid \$25,000 more when the franchise was signed by the Mayor, or otherwise became a law. I told him what Thompson had said, and advised him to see him.

In a couple of weeks the ordinance was reported back for a second hearing. It was substantially as we had drawn it. By that time we knew we could rely on fifteen votes, possibly more. Some of the amendments that we had agreed to accept were in the hands of Robbins and Fulton. One of them required us to pay into the city treasury one per cent of our gross receipts after five years, and two per cent after ten years. Robbins offered another amendment requiring us to pay a license tax of \$10 a car for the use of the Park Fund. After some debate these were finally accepted by the Council.

Finally Lawrence rose to his feet. We were very nervous about his attitude, as we had not been able to get anything out of him. He offered amendment after amendment. They were based on the proposi-

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tion of the Citizens' Company. One cut the length of our franchise down to twenty-five years. Another compelled us to sell six tickets for a quarter, and eight for a quarter morning and evening when the men were going and coming from their work. Another provided for universal transfers. These were things we would not accept. Lawrence spoke simply about them. He recited conditions in other cities. He spoke of places where cheap fares prevailed, said that we had no right to bind two generations by our franchises, that in twenty years' time our property had become worth \$15,000,000 as measured by the stock and bonds in the market, and that the road was not worth more than one-third this sum according to the statement of the President of the Citizens' Company. He wound up by saying that at the rate the city was growing the property would be worth \$50,000,000 before the franchise expired.

Thompson left the chair against these amendments. He flung out some reflections upon Lawrence's sincerity; said he seemed to think he was better than his party, and that he was playing to the gallery.

This turned out to be a bad move, for Lawrence jumped to his feet thoroughly aroused. He said:

"Mr. President, I have been in this body less than two months. During that time more things have been going on than I ever dreamed possible. By some means or other the committees of this Council were

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made up by prearrangement of the street railways. Their officers and employees have been about the Clerk's office for the last two months. There are lots of things in law that cannot be proved directly, but there is circumstantial evidence enough to show that the Council has been bought. Else how is it that a dozen men in the City Council who wouldn't know a franchise from a haystack, vote like wooden Indians on this subject; how does it happen that men who are earning but a few dollars a day have given up their jobs and are loafing about the City Hall and saloons all the time? The whole thing is rotten," he said, and he would not vote for any franchise that seemed to have been gotten in this way.

This was bad. We feared it would influence Robbins and Fulton, and one or two other honest Republicans. But the amendments were lost by two votes.

The next week the ordinance came on for its third reading. We kept constant watch of our men and some of them were very uneasy. There had been some ward agitation. Lawrence's speech was quoted. Two men who were in small retail businesses said that their neighbors were boycotting them. Thompson said that some of the men complained that they could not stand it much longer. It was all right so far as they were concerned, but when their children came home from school and said that other children pointed their fingers

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at them and said their father was a boodler, it was too much for them to stand. Robbins and Fulton said they were sick of their jobs. Their attitude was hurting them in their business. We saw that it was necessary to act promptly if the ordinance was to go through. During the week we put the pressure on Lawrence. His clients and other prominent men went to him and told him he was lining up with a bad crowd; that he was supporting the Mayor and encouraging him in his demagoguery; that Ballantyne was a Socialist, and that Lawrence had gone back on his party and was too independent, that he ought to stand by the other members.

But we were not able to budge him. When the ordinance came up Lawrence led the fight. He said he was not in favor of doing anything that would injure or destroy property, but that the city was a partner in this enterprise. It owned the streets and should get full return for their use. Another company had offered better terms, but he was now informed that they had been bought out by this company.

"Of course, I cannot prove it," he said, "but I know and everybody knows that this Council has been bought and sold like a drove of cattle, and that they, the trustees of the people, are giving away something that does not belong to them."

For himself, he had gone into politics because the city was his home and he had felt that the evils in the

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city were due to ignorance. But he had learned in a few months' time that it was not ignorance so much as corruption; that it didn't make so much difference to the railways which party they used—they were nonpartisan when it came to buying votes, as he believed they had.

"This ordinance is an outrage," he continued. "You are binding the city for fifty years. Before it expires you will all be dead. It is worth ten millions of dollars, and you are jamming it through with only a few weeks' consideration. Let's postpone action, lay the matter on the table and give the public a chance to be heard. Why not submit it to a vote of the people, if this is such a good thing? During the past week men have been to me saying that I was not a Republican; that I had been elected by the aid of that party, and now I was trying to wreck it. But who is it that has questioned my Republicanism? It's the men who are back of this franchise, men whose patriotism does not hesitate to buy this Council, and even the members of this Council themselves who have been driven into the caucus. Are these the men to cry anarchy and socialism when they are undermining the government? Are they to complain because I support the Mayor when they are trafficking with Democrats as well as Republicans? As for the Mayor, I care not whether he is a Democrat or Republican. In this case he is

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right, and I will do everything I can to defeat this wicked ordinance."

The roll call was demanded as soon as he sat down. There was intense excitement. I had gone to the Council Chamber, and I followed the roll call, vote by vote. When Fulton's name was reached and he voted "Aye," I breathed easier. Then came Robbins, the insurance man. Finally Whitman, of whom we were not certain. They all voted "Aye," and with their support we had eighteen votes. The ordinance was carried.

The following morning Ballantyne issued a call for a public meeting to be held in Music Hall to protest against the ordinance. He called upon the people to protest to their Councilmen and induce them to reconsider their vote. The week was one of uncertainty to us. There were rumors of defection. We took five weak-kneed Councilmen out of the city to keep them free from influence. Ballantyne and Lawrence were holding nightly meetings throughout the city. The Music Hall meeting was jammed. Speeches of an incendiary sort were made by Ballantyne and the President of the Central Labor Union. Lawrence also spoke in a more temperate way. One speaker suggested carrying halters to the Council Chamber. There were charges of bribery, and the city was in a ferment.

The Mayor's veto message came in the following meeting night. In order that the administration might

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not pack the Council Chamber with their friends, we had ordered our employees to go to the Council early and fill the galleries. The Mayor's veto message was received in silence. It was then moved that the Mayor's veto be not sustained. In suspense we awaited the vote. One after another the Councilmen stood pat. Robinson had evidently done his work well. So had Buckley and McGann. They were in the Council Chamber in constant consultation with the members. I most feared Fulton, Robbins and Whitman, but when they voted "Aye," and Thompson declared the franchise passed, my nerves relaxed and I was more relieved than I had been for months.

During the contest we had carried on a systematic attack on Ballantyne. Terence McGann with his following started out to discredit him. The Council had refused to confirm his appointments. They had tried to run him out of the Jackson Club because he appointed a number of Republicans in the fire department. We were able to influence the daily papers, who would not publish his statements and ignored everything he had done. His achievements went unheralded. We also worked up sentiment against him among the other people, said he was not enforcing the law and was levying blackmail on the saloons. In this way we were able to split his party in two. He was left almost alone. In public functions he was ignored, and from this time until the end of his term of office the Council

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overruled his wishes, refused to make appropriations, and would not confirm the reforms which he intended to inaugurate. However, he was renominated on the expiration of his term. But by this time we had organized sufficient opposition in his own party, so that with a united opposition on a good man for Mayor we defeated him for re-election.

I have always felt sorry for Ballantyne. He was a promising young man, and had he accepted our assistance he would have had a splendid career; but he injured his business by entering politics, as is so often the case. He had a chance for a great career; but, of course, when he came to practice again he was a marked man. What business he previously had had left him, and those who had opportunities to throw his way were prejudiced against him. He struggled along for a few years under a burden. His family was socially neglected and finally he left the city, and I never have heard what became of him.

As for the franchise itself, our stock immediately went up thirty points. We increased our capital and took in the old Citizens' Company, thus increasing our lines and earnings. But the contest had been a costly one. The people had become aroused on the question as never before. It became apparent that we could not trust ourselves with open and direct primaries, as they were likely to result in the nomination of men upon whom we could not rely. We had to retain the con-

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vention system of nomination, as well as control the Republican party, and, if possible, both parties. Moreover, the growing hostility of the city made it apparent that we must protect ourselves in the State. It was necessary to extend our influence to the legislature, for there was constant danger that our taxes would be increased, the fares reduced, or striking legislation of some sort worked through the Council, that would imperil our interests.

CHAPTER VI

I Enter the Coal Business, Become a Railway Magnate, and Discover the Secret of Monopoly

I PRESUME few people understand why it is that certain business ventures achieve immediate success, while others plodding along the ordinary paths of industry end in failure. Some explanation of all this I had learned in my street railway and electric lighting enterprises. I had gotten an insight into it even as a boy, but the full beauty of the modern short cuts to success was revealed to me by the coal business. Up to 1895 my interests were confined to municipal enterprises and the banking business. About this time the United Trust Company, of which I was President, undertook the underwriting of an issue of bonds of the North & River Railroad.

Through this I learned the explanation of the growth of monopoly in recent years. It is done in this way. The savings of the people, running into the millions, are deposited in the banks, savings institutions and trust companies. The latter enjoy immense powers under their charters. They can do almost anything. Thus entrusted with the people's money,

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they are able to use their savings as they wish. The bank is controlled by its directors. They desire to build a railroad, street railway, or consolidate some industries or coal mines. They organize a syndicate among themselves. They secure options on the property. They then arrange to secure a loan on mortgage. On this they issue bonds. These the bank or trust company, which the syndicate really controls, agrees to underwrite, or take off the syndicate's hands at par, or something below par. On these bonds money is advanced to buy the properties. Then the trust company sells the bonds to its depositors or customers at an advance, while the capital stock of the railroad, street railway, trust or coal monopoly, for which it has paid nothing, is retained by the syndicate. The bank has advanced all of the money used. And this money was earned by the people, the depositors. Then the people, and in many instances the depositors, buy back the bonds for an investment, leaving the cream of the deal in the hands of the syndicate, which is in fact but the officers of the bank who have borrowed from themselves and kept the stock for themselves. The next step is to make the stock valuable. This is done by putting up railroad rates, the price of commodities, of coal, or whatever else the syndicate is operating in. Thus the circle is completed. The people's money is used to buy properties which are taken in the name of the syndicate, who are really the directors of the bank.

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Then the properties are consolidated and a lot of water in the form of stock added to the purchase price. Then the people pay again to their own trustees a big profit, by being compelled to pay monopoly prices for the things they consume.

This was the sort of transaction the United Trust Company undertook in underwriting the North & River Railroad. The road was designed to open a heretofore undeveloped coal region in the central part of the State. Through the bank's connection with the railroad I learned of a large tract of coal, hitherto unnoticed, about the lower terminal of the new road. I purchased this property at a slight advance over its value as farming property, and planned to develop it. The coal fields lay at the junction of two railways, the North & River and the Valley Terminal. With these two outlets from our mines, I expected competing rates.

But in this we were disappointed. As a matter of fact, the rates we had to pay were twenty cents a ton more than those paid by other mines lying on the new road. They were considerably nearer the lake, which was our principal market. In large measure we were able to overcome this difference in rates, owing to the improved appliances of mining which we had put in. I made several unsuccessful attempts to get a lower rate. All we desired was a rate uniform to all shippers on the line, no matter what the length of the

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haul might be. This would have placed us all on the same footing in the market. But I could accomplish nothing with either company. This was the more irritating as I had relied upon getting an even better rate than the other operators because we were located at a competing point. There seemed to be no doubt but that the roads had pooled their rates against us, thus placing us at some disadvantage in the market.

However, our business soon grew until we were one of the largest shippers on the line. Soon I worked out a plan of action against the railroads. I determined to play a quiet game and await results. Up to that time my company had divided its shipments between the two railways. The North & River Railway was an independent one and had been in operation but a few years. It was built primarily as a coal road. It had made a good showing of earning power, and our mines were one of its largest feeders, our shipments amounting to hundreds of cars a month. Mr. Wardwell was its President. The Valley Terminal, on the other hand, was part of a trunk system, although its facilities for handling our business were quite as good as the other. Without saying anything to anybody, I directed our Superintendent to divert all of our shipments over to the Valley Terminal. We also increased the output so as to make the difference even more apparent. I waited for results, and was not disappointed. At the end of a week the General Superintendent of the

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North & River called upon me and asked me why we were discriminating against his road.

"Discriminating," I said, "we are not discriminating against anybody."

"But," he said, "you are not making any more shipments our way. We have always taken care of you all right, and have recently purchased a lot of new gondola cars in order to better handle your trade."

I told him I was very sorry that he had done anything of the kind; that I had endeavored to arrange terms with him, but had been unsuccessful, and that our present arrangements were very satisfactory.

He finally asked me whether the Terminal people had cut the rates in any way.

"No," I said, "they have not." This was true. I watched him closely and saw that he did not believe me, and was considerably worked up. Things went on in this way for a couple of weeks more, all of our shipments being continued over the Valley Terminal. Finally Mr. Wardwell, the President, came in to see me.

"Our General Superintendent tells me," he said, "that we are not getting any of your business, and that you have turned it all over to the Terminal. What is the matter?"

"There isn't anything the matter so far as I know," I smilingly replied.

"Has Harper" (who was the President of the

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Terminal) "given you a better rate?" he asked with some warmth. "No," I said.

"Nor rebates, nor drawbacks on your shipments?" "Now, Wardwell," I said, "I do not know why I should tell you anything about our business. I came to you some time ago to make some arrangements that would put us on a uniform basis with the other operators, and you would not listen to me. We are perfectly satisfied with our present arrangement.

Finally he asked: "What are you getting your coal hauled for now?"

"You had better ask Harper," I said. "That is just what I have done," he said. "I went down to New York and saw him, and called him down for violating our agreement --- "

"Your what?" I said.

"Oh! we made an agreement; you might as well know that we would try to maintain rates. And now he has gone and broken it and gotten all your trade. That was a nice piece of business on his part, especially at this time when my annual meeting is but a few months off, and we have to make a showing. I might have known that he would not respect such an agreement, even though he did insist that he was carrying your coal at the rate we agreed upon. If he isn't, I'd like to know why it is that he gets every ton of coal that you ship, for I'll warrant you haven't turned your

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business over to him unless you got something out of it in some way."

I offered no suggestion and let Wardwell worry, for I could see that his annual meeting was staring him in the face, and that his directors would not take kindly to a loss of many thousand dollars a month, which was the amount of freights we had been paying him before.

The next day he came in again and said: "I'll tell you what I'll do, Palmer. If you will give us all your hauls, I will meet your request, and reduce your rate twenty cents a ton, which will make it uniform with the other shippers on the road."

"Is that all you have to offer?" I asked.

"Isn't that all you wanted?" he said.

"Yes," I replied, "that is all I asked for before; but now we are satisfied with our present arrangements."

I saw I had him foul. He made a fatal mistake in admitting that a pool existed and in offering to break it.

Finally I asked him how many cars his road had in service at the present time. He told me.

"And you are charging us 15 cents a ton in addition to the rate to the Lake, for switching our cars in the city, are you not?"

"Yes," he said. "Those are the charges we make all parties."

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I turned around in my chair and wrote the following memorandum on a slip of paper:

In consideration of the Spring Valley Coal Company consigning all coal shipped from its mines to the Lake district over the North & River Railway for the period of eighteen months, the North & River Railway Company agrees that the rate charged for such shipments to the Lake ports shall not exceed the rate charged the lowest shipper on said railroad for similar shipments, and that said North & River Railway will rebate to said Spring Valley Coal Company all switching charges at the Lake terminal to the extent of ten cents a ton. And the North & River Railway Company agrees that it will furnish the Spring Valley Coal Company all the cars that it may need for their shipments, and that they shall be served prior to any and all other shippers on the line.

I passed the memorandum to him to read.

"Oh! I couldn't sign that agreement," he said. "That would be most unfair to the other operators, not to speak of ourselves."

"That ought to be satisfactory to you," I said. "Under it you will get all our shipments, none of which you are getting at the present time, while all of the other producers on your road are under your control. They have no other outlet. They cannot get away from you, and whatever rate you give us will in no wise affect them."

He said he would have to take it up with his directors. But I saw he was weakening, and as a matter

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of fact he had no alternative except to sign it or stand pat. Of course the agreement was in no sense binding. It was probably illegal; but it was business. The next day he signed it and sent it in.

I had been preparing for this outcome for a long time, and in signing that agreement, as events subsequently proved, Wardwell put himself wholly in my power.

At this time all of the operators on the road were in an unorganized condition. They accepted what orders they got, and paid the freight rate charged without protest. From my banking connections and intimacy with the large manufacturers and the Lake shipping, I had an advantage with the big trade. And I now had in mind the consolidation of all the coal interests in the Spring Valley district.

Through the agreement which I had secured we were in a most advantageous condition to secure the bulk of the season's contracts, for I knew that but few of them had been made up to that time. I sent out our salesmen and told them to secure contracts from the dealers as well as the big shippers on the best terms they could make, but to get the contracts. All of the steamboat lines were buying for the season as well as for the upper Lake region. I determined to get this trade. I could sell at ten cents a ton less than any competitor on the line, and this was a tremendous advantage. Moreover, our producing cost was as low as any other line in the territory. By the end of a month I had

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gotten most of the business, and what I did not get came to us before the season was over by virtue of the inability of the other mines to fill their orders.

Immediately I ordered all of the cars of the North & River road placed at our disposal. We increased our output and in a short time doubled it. Shipments over the Valley Terminal were diverted to the North & River Railway in accordance with our agreement. Soon I had a double row upon my hands. Wardwell called to see me and complained that I must let up on them a bit as they could not supply the independent operators with cars. As a result, they were all raising a pretty row, and he was suffering a loss on his switching charges. Wardwell had begun to appreciate the situation he was in, for every ton of coal that I shipped, instead of the independent operators, meant a loss to him of ten cents a ton, owing to the fact that we got a rebate. But the independent operators could not understand the situation. They saw that we had all the cars we needed, and, in fact, all of the cars that the company had in commission, while they were unable to get any at all. And I knew that the company could not get any more cars within six months at the outside. As time went on and it became apparent that the railway could not supply the Independents with cars, we began to get their orders, but at an increase in price. Some of the operators threatened Wardwell with proceedings if he did not supply them

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with cars; but he always pleaded that his supply was inadequate and the builders were loaded up with orders and that nothing could be done for them within six months.

At the same time, I had a row on with Harper of the Valley Terminal. He came on from New York to see me, and wanted to know why we had abandoned his road after he had gone to the expense of equipping his system to take care of us. He, in turn, had grown suspicious of Wardwell, and concluded that, while I had received no rebates from him, surely I must be getting them from Wardwell. I refused to talk with him about rates and insisted that we were perfectly satisfied. Finally he offered me an even lower rate than we were getting from Wardwell if I would transfer all of our business back to the Terminal. But I now had bigger game in view than railway rates. We now had all of the independent operators bottled up, and had I abandoned him and returned to the Valley Terminal I would have lost that advantage. Some of the independent mines were compelled to close down. They held indignation meetings and called in a body on Wardwell. They went to the Attorney-General of the State, thinking some action could be taken against the railroad.

But as I had advised Wardwell of my requirements and had engaged all of his cars, there was nothing he could do. We were now making money on our

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coal, and ten cents a ton additional on our switching rebates, and I knew that I could fall back on Harper in case Wardwell sought to get out of his contract. And this I felt he would not do, owing to the fact that he was getting a larger net revenue under the present arrangement than ever before, for he now had all of the business on the line of the road, even though it was at a lower rate. The only way the roads could beat us was by consolidation, and that could not be done in time to circumvent my plans, even though it were worth the while of the Valley Terminal to do so, which I very much doubted.

It was to prevent just such a contingency, however, that I was planning, and soon our arrangements were ripe for execution. Some of the independent operators being in a bad way, and seeing that I had been able to secure all of the cars, suggested that we should buy them out. But we turned their propositions down. I had all the mines I wanted, I said, and was able to take care of my customers out of our present production. But at the same time I had agents from another city out among the mine owners securing options on their properties, and in this way we ultimately purchased all of the important mines at our own figures.

Before the end of the season we were masters of the situation. We had secured control of nearly all the mines on the North & River Railroad. We

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were now in a position to dictate terms to the railroad company. This I went about in earnest. Men were sent out to secure options from the farmers for a railway right of way which would reach all of our properties, and give us an outlet for our coal through one of the trunk lines to the Lake. When a good part of these options had been secured, incorporation papers were taken out for a new railroad company. When the terminals and route of the new railway were made public, Wardwell came hurriedly to see me and inquired what we were going to do.

"Oh! well, you know, Wardwell, there has been a consolidation of all of the coal mines in the Valley, and our Directors have decided that it would be good policy to build a road of our own out to connect with the Central. This will give us an outlet to the Lakes as well as to the West and the East."

Wardwell was fierce. He threatened to break the contract with me at once. I told him to go ahead if he so desired; that we had enough coal stored to meet just such an emergency. Moreover, I was still in a position to make shipments over the Valley Terminal. As soon as our engineers had completed the plans for the road I showed them to Wardwell, and told him what we estimated it could be built for. We found that the coal shipped from our combined properties alone would meet the fixed and operating charges of the new road, and that under the circumstances it

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seemed rather bad business to pay that much freight to any one else.

"But you will be paralleling our lines," Wardwell said. "You will render them valueless."

"Well," I said, "I do not know about that. Moreover, you know that is one of the hazards of business, and we do not feel like putting ourselves in your power when we can be free from that danger and at the same time make some money for ourselves."

Wardwell now saw his mistake. He had given me a special rate and a practical control of all of the cars of his road. This had enabled us to crowd out all the competition along the line, and finally to secure control of the independent operators themselves.

When Wardwell saw the situation, he made a report to the Directors of his road. There was nothing else for them to do but to sell out to us, and on our own terms. The North & River gave promise of being a good property, and we paid them the cost of its construction which was represented by the bonds, and a small sum for the stock, so that those who had gone into the syndicate made something out of it. But we did not buy the property at its earning value. The railway cost us a little over three million dollars, and the coal properties along the right of way about a million and a half more.

This was the biggest thing I had ever carried through. We were now masters of the coal trade. It

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was about two years and a half since I had invested a couple of hundred thousand dollars in a mine located in a rather disadvantageous position, and now we were the owners of practically all of the coal in that region as well as the railway itself. And it had all come about because Wardwell was suspicious of Harper and would not believe that he was square. Had he held out, we would not have been able to secure advantageous rebates; we would never have been able to have controlled the competing companies, and would have still been at the mercy of the railroads.

Sometime after this I told Wardwell how I had aroused his suspicion, how he had come to the conclusion that we were getting rebates from the Terminal, and that when he had once given us an advantage he could not shake us off. He was pretty angry over it, especially when he saw it was he rather than Harper who had broken the compact and dissolved the pool.

The properties we had acquired were worth many millions more than they cost us. Our attorneys advised us that railroads could not own coal companies under the laws of the State, but that coal companies could own railroads. The former restriction was evidently designed to prevent the railways from going into the coal business, and thus discriminate against other companies. At the same time, in order to enable the coal companies to free themselves from the control of the railways, the laws permitted them to own or

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build railways. All this shows how futile are the anti-trust laws. For the legislation designed to prevent combination is often, used to promote it. To get around the difficulty we organized the Central Coal and Railway Company, with a capital stock of ten million dollars. We then authorized the issuance of bonds to the extent of seven million dollars, and used these bonds to purchase the coal properties as well as the North & River Railway. As the same parties owned both concerns, we simply turned in the railroad and the coal companies which had cost us four and a half million dollars, for seventeen million dollars of stock and bonds. As I was the principal owner in both companies, I received the bulk of the issue. These bonds were afterwards placed upon the market and sold for a little less than their face value. All of my friends who had gone into the venture received a big return on their money, while from the investment originally made in the Spring Valley Coal Company I was able to clean up nearly ten million dollars in cash and securities. The stock cost us nothing, and we obtained something over two millions in bonds as well. In the organization of the syndicate we had taken in many persons interested in the coal and carrying trades, from whom we were assured of a permanent market for our output, and an immediate earning capacity sufficient to pay the interest on the bonds and operating expenses, as well as a good dividend upon the common stock.

CHAPTER VII

I Am Shorn With the Lambs in Wall Street

SOME years prior to this, as stated in an earlier chapter, I had organized the United Trust Company and become its President. In our State, trust companies enjoy all of the privileges of a bank, except the right to issue notes, and in addition may do many other things. Through these powers they rapidly became the financial reservoirs for the promotion of the great undertakings which were being organized. Without them, the tremendous industrial and railway consolidations would have been impossible. For they were able not only to use their own large capital, but also had at their disposal deposits of the people running into the millions. In addition to their banking powers, they rapidly absorbed the business of managing estates, serving as administrators, receivers, trustees and the like, through which large profits came. By means of this aggregation of capital and the financial ramifications of their directors and stockholders, they were in a position to underwrite and float the bonds and securities of these new industrial combinations.

In this way we had underwritten the securities

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of our own railway and mining consolidation, as well as several interurban street railway properties in which I was interested. Our deposits grew rapidly. They soon exceeded \$10,000,000, and our connections brought us many fine opportunities for investment. On a number of occasions we had been used by Wall Street promoters to handle allotments of big syndicate underwritings; and in the regular order of business a block of Amalgamated Copper had been assigned to us.

I had always confined myself to local interests which were bottomed in franchises or mining rights. I had never paid any attention to the syndicate opportunities which were offered us from New York. However, the parties back of Amalgamated Copper were the most conservative and successful men in America. The reports which were received indicated that the copper market was practically within their control, and people freely predicted that the stock would soon be worth from \$200 to \$300 a share. It was even hinted that as soon as a corner was secured, Amalgamated Copper would go up alongside of Standard Oil.

I paid no attention to these prophecies, and had made it a rule never to speculate in stocks. I confined my attention to the companies that I controlled, and refused to join in any ventures with which I was not thoroughly familiar.

Consequently Copper did not interest me. How-

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ever, about this time I had a large sum of money lying idle on my hands for which I was seeking a safe investment. For several days this subject had been uppermost in my mind. One morning I had occasion to transact some business in a broker's office. I said to him casually and merely because I wanted to think out loud: "I have a block of money on hand, and possibly you can suggest a good investment." "Copper is the thing," he answered. "It will be another Standard Oil; everybody says so. It is the best thing on the market. The papers are full of it." Later in the day I met another broker, and, putting the same question, received the same reply. I read the financial columns in the papers. Everybody seemed to be both buying Copper and talking Copper. Copper seemed to be a great buy; it could not be denied. Nevertheless, I was far from convinced and only casually interested.

A day or so later, while lunching at the club with an influential banker and old business associate, he said at parting: "Have you any spare cash? If so, invest it in Copper. I believe in it so thoroughly that I have bought one thousand shares." Later in the day I met an old friend, the wife of a man who was largely interested in Standard Oil, and she said that her husband had been buying heavily in Copper.

The next morning on my way to the office I dropped in at my broker's to see what was going on.

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I had a half hour to spare before an important meeting. I was surprised to find upwards of a hundred men in his office, some of them the most conservative business men of the city. They sat around the board and talked stocks. And when I say they talked stocks, I mean they almost all talked Copper.

At intervals of a minute or so, the boy at the ticker called out in an even voice: "Amalgamated Copper, 100 1/2." "Amalgamated Copper, 100 3/4." "Amalgamated Copper, 101." "Amalgamated Copper, 101 1/2." "Amalgamated Copper, 101 3/4."

As the boy called out these quotations which were being received over the wire from sales which had been made in New York, the man at the blackboard recorded the oonstantly changing quotations.

Everyone seemed eager. The atmosphere was tense. The air radiated Copper. It affected me like being at a prize fight. Everything was Copper. Here and there a man hastily entered an order to buy on a little slip of paper, and passed it in to the Cashier's cage. I felt the same impulse. It was irresistible. I had had the same feeling some years before at Monte Carlo. Only this seemed like gambling on a sure thing. Seizing a pad I gave a boy my order for five hundred shares. This was exactly what I had promised myself I would not do. The spirit of the gambler awoke in me.

I continued to watch the board. Other men

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dropped in from time to time, but nobody left. And everybody seemed to be buying Copper. During the morning Copper rose by fractional increases until I had cleared up \$1,000. I had completely forgotten my Directors' meeting, which was an annual one at that. I ate my lunch in haste and was back at the boards again watching the ticker. When the exchange closed Copper had advanced another point, and I had cleared up another \$500.

I determined to keep away from the broker's office on the morrow. It was too exciting and I had always been suspicious of men who speculated on the stock exchange. The next morning, however, I happened to be near the office and dropped in for a moment. In passing my eye sought Copper on the board. It had opened strong. The first half hour it rose a half point. Every change in the quotation gave me a thrill of joy. Whenever it halted, I felt unhappy. Forgetting caution, I ordered 500 shares more at 105. By noon I was ahead in the entire transaction over \$3,000. There was an exhilarating fascination about it. On the following day I did not try to remain away. The opening of the exchange found me at the broker's. My eyes sought the board as a hawk his prey. Day by day Copper rose. And day after day I abandoned myself to this new game. Business interests seemed tame and dull. Copper became my mistress, and an exacting one at that. With her my spirits rose, and

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with her they fell. And all this time I was constantly buying Copper.

Late in the summer a great calamity befell the nation. The President was assassinated. This tragedy was in no way connected with the fate of Copper. Nevertheless from that day on, Copper fell. In time it went off with a plunge. Men were wiped out before they could catch their breath. The majority held on, believing the reaction was but temporary. They had followed Copper for so long they could not believe it to be faithless.

As for me, along with almost all the others, I had bought on margin. I had looked for such an increase in price as would enable me to sell out at a handsome profit. And now the calls from the brokers began to pursue me. I shunned the broker's office and refused to read the market reports. I hated to go to my office for fear of the little slips of paper that turned up in my mail with frightful regularity, demanding additional margin. Copper continued down. It slipped off to par. Then it dropped to ninety. It continued on down with slight favorable reactions until it reached fifty. This covered several months; but when it reached that point, I sold out, paid up my losses, and was poorer by a hundred thousand dollars for the experience.

To me it meant chagrin and temporary embarrassment only. To hundreds the loss meant ruin and

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despair. Copper cost my city three million dollars. It caught everybody, from clerks to multi-millionaires. The former hung on with the latter in sheer desperation. Many a man mortgaged his house, representing the ambitions of years of labor, and lost it. Some embezzled to keep their margins good. Some of these were indicted and are now serving their terms in the penitentiary.

The transactions of Gould, Fisk and the railway operators of the last generation affected Wall Street and the speculating crowd. But this fiend Copper was ubiquitous. In its net it gathered the big and the little, the rich and the poor alike. Thousands of young men and old men, women and trustees were induced to put their savings in stocks that were rotten at the core, and known to be rotten by those who promoted them.

Wrecks are caused sometimes by accident, sometimes by mistaken judgment; but as the facts came out, this wreck seemed to have been deliberately planned by a handful of operators who organized the company; who puffed the value of the stock through their banks—their agents throughout the country, through misleading reports to the press, through hundreds of means, until they were able to unload millions of securities upon the public whose confidence they had gained. The gigantic scheme was promoted by men whose names inspired faith. The people's confidence

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was won and then betrayed. As for me, I was indignant. For the time being I looked upon Wall Street as meriting all the curses of the Populist, and yet I could easily lose what I did and scarcely feel it. But others, thousands of others, are mortgaged to this day by their misplaced confidence.

CHAPTER VIII

I Return to Wall Street and Join in the Shearing Process

I COULD not get over feeling sore over my loss. Not that it embarrassed me to make it good, but I have always noticed that no matter how rich a man may become, he always collects the fee coming to him for directors' meetings, and chafes under a bad loss in an investment quite as much as does a poor man. Moreover, the sense of defeat exasperated me. I hated to think that I had permitted myself to be taken in on a Wall Street deal.

As soon as I had disposed of some pending business matters, I decided to go to New York for a few weeks and study the game. I wanted to see if I could not make my losses good. Moreover, the railway and coal consolidation was on foot, and I desired to arrange for the sale of the bonds if the market was favorable.

I could not understand how the bottom had fallen out of Copper so completely, or how it was that the shrewdest men in the market could have been so mistaken about a security. Even the local officials of the Standard Oil Company had invested heavily,

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presumably upon a tip from headquarters, and they had recommended it to their intimate friends. This came out as the losses appeared; and not only were the high officials sufferers, but the whole community had become infected and many clerks and employees had sunk the savings of a lifetime.

I found a lot of soreness in New York over Copper. Evidently the Street had been hit as well as the outsiders. I loafed about the corridors of the Waldorf-Astoria for a week or ten days and absorbed all the information I could find. I met John W. Gates, James R. Keene and others, and slowly acquired a knowledge of the terms of the Street and the methods and history of the great coups. And I ultimately acquired a satisfactory theory about the Copper deal. I spent whole days about the brokers' offices and on the Stock Exchange, and in a few weeks' time knew more about securities, the characteristics of men of the Street and the system they employed, than many men who had spent a lifetime there. I was making a business of understanding the system and of getting back my losses. And I was doing it thoroughly. Of one thing I became sure: speculation in Wall Street had ceased to be a matter of gambling on equal chances. It was a matter of being on the inside, and if you were fortunate enough to be there, it was a dead sure thing. Moreover, being on the inside was a very different thing than it had been in previous years. The control

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was now lodged in the banks, and by them used for speculative purposes that to me were astounding, accustomed as I was to the more legitimate fields of banking. While numerous small operations were constantly going on in the hands of old-time speculators, the main movement, the big deals, the Napoleonic coups that wrecked individual fortunes, cleaned out the West and almost paralyzed communities, were dominated by a single hand or a small group of men that knew more about the game than all the others combined. And they had power to dictate terms of life and death to those who opposed them, to all industry even, and to make or mar the strongest railroad corporation in the land. The source of this power lay in their financial resources, in the banks, trust companies, insurance companies they controlled. If you can control the banks you can control Wall Street. If you control Wall Street you can control the big industries and the financial institutions of the nation. On the other hand, if you are at the mercy of the banks you had better stay out. No matter how strong one might be, I was convinced that it was necessary to play with the big banks or get out of Wall Street. For they make the loans, they determine the value of collateral and the margin required, they know everything about securities and apparently everything else. I came to the conclusion that they made the news or the rumors of news, and then the newspapers created

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the atmosphere of the Street. The banks were supreme in Wall Street, and a few banks at that. This much I had become convinced of. And all the indications proved that these interests were responsible for the copper deal.

This much determined, I laid out a plan of campaign. The United Trust Company kept large reserves in New York. At times it amounted to close on to a half million dollars. We were a very valuable customer, and I was familiar with the attitude of the ordinary bank president. He will sacrifice almost anything to the protection or the increase of his deposits, and I had placed our New York reserves

with the - National Bank. It was one of the Government depositories. It was one of the strongest, if not the strongest bank in the Street. Its ramifications were endless, and ran into almost all of the trust companies and many of the other banks on the Street. It was controlled by the Standard Oil crowd. I had some acquaintance with the President, and my opinion of him was corroborated by the information that I had been able to pick up about the hotel. He was under substantial business obligations to me as I had let him in on a Western underwriting in which he had cleared up a very neat sum. For these reasons I was confident that he would not betray me or permit me to make a mistake, and I knew he would not let anything happen that would jeopardize our banking relations.

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I had called on him several times on matters of bank business, and one morning I said:

"Mr. Steele, I have come to the conclusion that more than anybody else you make the markets in Wall Street. Or, if you don't do it, your crowd does. From what I have heard I am beginning to think you own the United States. Or, if you don't already, you soon will. I have been looking over the financial directory of the railroads, the oil companies, banks, trusts, insurance companies, telegraph, mining, street railway, gas, realty and other corporations, and find the names of your crowd on almost all of them. It seems to me only a matter of time before you fellows will own the entire country. And only this morning I heard one of the officers of what I had always considered the leading bank in the Street, say that you and your crowd could wreck even his house if you set your mind to it." Laughing, I continued: "And the other day some one at the hotel said that there might be Napoleons in the Street, but that you were the Talleyrand behind the scenes."

Steele smiled, but I could see that it was a pleased sort of a smile, and that there was a visible increase of interest in me.

"Oh! that's foolish," he said. "Nobody can make values. They are determined by natural laws. Nobody has any power over such things. Some things are good. Some things are bad. We have been more

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successful than others, because we have gone into the better things. That's all."

"There may be some truth in that," I said, "but you are dodging what I was saying. Now see here. You know that the banks, and especially your banks, pass upon the value of all securities in the Street. If you want to do so, I do not mean to say that you ever do, but if you want to, you can discredit them; you can call for more margin; set a bad story going, and the newspapers are only too willing to take it. This big house you live in and which you think is the backbone of the nation is a house of cards. One only needs to set a rumor going. It is as good as a reality. And it sets everything tumbling. And were you disposed to do it, you could precipitate a panic today by merely calling in your loans or by discrediting a line of securities. Just think, man, of the banks, trust companies, financial institutions that you control. You can break not only brokers but corporations and railroads. You could throw the entire country into convulsions if it were to your interest to do so. I have been figuring the matter up and find that the national banks and trust companies which you control have over \$400,000,000 on deposit, nearly half as much as the Government Debt. Now, suppose you wanted to secure control of a railroad or any other good thing, see how easily you could do it by starting a few rumors, by discrediting a stock, by calling for more

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collateral, by tightening up the market. Or if that did not work, you could bring about a cut in dividends through your control of directors. In a hundred ways you have it in your power to clean out the marginal holdings of thousands of men in a week's time."

"I do not mind telling you one thing," said Steele. "Of course there are chances in all departments of life to the individual. But everything in the world is reducible to some rule if we can only find the rule. The thing that seems most a matter of chance is subject to some rule. And here in Wall Street people used to speculate much as you would gamble on a ship's run. There are some who still do it; but they do not last long. Now here is one thing I want you to think about. How many stock brokers are there in your city?"

"Probably a dozen legitimate ones," I said.

"And they are all prosperous, are they not?"

"Yes, so far as I know, they are all coining money. Things are on the boom. And these brokers' establishments are springing up in every building."

"Yes," said Steele, "and that is true of all the large cities of America. And if you go into these offices when stocks are rising, you will find a lot of people buying stocks. What I want you to notice is that they are all buying. And they always buy when stocks are on the upward grade. Probably one person out of twenty of your people out West play the other side

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of the market, and sell short. All the rest buy. Now you know that a lot of people buying causes stocks to rise, and just so long as the people will buy, just so long will prices continue to rise. You got caught in just such a universal state of mind when you bought Copper. Now remember this thing, when stocks are moving up, as they now are, it's the worst sort of a time to buy either for investment or speculation. But you people out West will never learn that fact, no matter how hard you get hit, no matter how much you may suffer. You come back again to the game on each rising market, only to be among the losers when the next bear market comes along, as it inevitably does. As soon as the market gets started up, you begin to buy, and the higher the prices go the crazier you all get. You are like a flock of sheep following after a bell wether. You never sit down and think or ask any questions. Now it's this fact that Wall Street banks on about once a year. The time to sell is when everybody out West is buying. If you understand this fact," he said, "you will learn one simple rule of the game. Why, if Wall Street puffed a corporation for manufacturing ice out of sunbeams, and it went up fast enough, you fellows would buy it. Don't you see that fact? You would never think of selling short. Of course you would not. And yet every time you buy somebody has to sell, and the men who are selling are those who know the

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value of a security. If it is a good one they are all waiting for a chance to get possession of it again when it comes down, as it inevitably will in the course of time. So now remember this: If you will speculate, and apparently everybody out West does speculate, wait until a stock gets well up, and then sell short when everybody else is buying. You will probably be the only man about the board who does it, and it may be against your temporary feeling, but sell. It costs the West millions, yes, hundreds of millions, I presume, every year to learn this lesson; and yet it is worked by Wall Street about once every twelve months, and you never catch on.

"Let me give you an instance. Such and such a stock is started up. A good dividend is declared. That moves it along. It is puffed in the financial columns of the papers, which is an easy thing to arrange. The banks grant liberal loans on the security. That encourages the brokers. They advise their representatives all over the country. And they are in business to sell stocks to get their commissions. Pretty soon the movement is well under way. Then it requires no help from anybody. You people out West begin to take notice. The higher it goes, the more you buy and the more we sell. And remember, we are the only people who really know anything about the stock, and we know all about it. See!

"Sooner or later the stock reaches the top. By

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that time we have succeeded in unloading. It may be a stock which we want to control. Then we start the other cycle. We begin to sell short. If we sell heavily enough, that jars the market. If we decline to give it proper support, it sags a little more. We may diminish the margin allowed, and that stirs up the market. Possibly a bad bank statement comes along and the banks have to call in their loans. The papers, too, begin to lose interest in that particular security and do not talk much about it. The West looks for daily news in the financial columns, and seeing nothing encouraging, begins to get troubled. Stock drops off a few points more. Then more margins are called for. Possibly some political or national complication happens along, and the stock continues to drop off. Pretty soon it is down to a point which wipes out a lot of little fellows who cannot make their margins good. The banks continue to discredit the security. Possibly something happens to create a stampede. All this time the men on the inside have been selling short, and just as we unloaded at a profit as it was going up, so we sell short at a like profit as it goes down. When the stock reaches a low level or has gotten to the bottom, the West having been cleaned out of its speculative holdings, we buy back the control at our own figures; and the great West from which you come has had a holiday of gambling and has dropped some tens of millions,

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and we are again in control of the corporation that but a few months before we had distributed in small lots all over the United States. Now I have told you the way it is done in many instances. That isn't all Wall Street does by any means, and many securities are never treated in this way, but they are not the speculative or active ones."

All this time I was thinking of Amalgamated Copper. My own experience and the history of Copper had corroborated his statements step by step, and I and the rest of my friends among thousands of others had dropped a fortune at a game as easy as that. And the great West was poorer by probably a cool hundred million that year, and a handful of men who had manipulated the market were richer by just such a procedure. And today the same people own Amalgamated Copper at forty and fifty dollars a share, that had financed it at par but a few months before, while the public, of which I was a member, had been playing a game in which all of the cards were marked and the other fellows never let go of the deal.

"Now you know one of the rules," Steele continued. "Think it over, and then come back and let me know whether you want any more experience; whether you think you can play the game. My advice is to stay away. You probably won't accept it. But the fact is you cannot speculate here unless you know the game thoroughly, and even then you are in a position of hopeless disadvantage."

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All of the information I had been acquiring during the past few weeks had been corroborated, and corroborated from the inside. It was the banks who controlled the situation, and a few big banks at that. They made quotations if they did not make the values. I smiled and told him that if I did speculate, I would play on the other side of the board and stand back of the dealer next time.

The next morning I happened into the barber shop of the hotel. I had become acquainted with the manager of the shop, and from him I had learned many things about prominent men of the Street, much of which was gossip, some of which was true. As soon as I had gotten seated, he came to me and said in a confidential whisper:

"Mr. Palmer, I got a tip on the market this morning that is dead straight. Mr. Steele of the - National Bank is one of my regular customers. As he was going he said: 'Now, Jim, I am going to tell you something, but I don't want you to give it away. How much money have you saved up?' he asked. 'Oh, a few thousand dollars,' I said. 'Well, now, this is the best tip you ever got from anybody; you go and buy fifty or a hundred shares of Steel.'"

That day I dropped into the bank just before noon, and asked Mr. Steele to take lunch with me. After lunch I said:

"Mr. Steele, I am going back home in a short

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time, and I forgot to tell you yesterday that I had put you down for a hundred thousand in a syndicate underwriting of a coal and railroad deal that I am just putting through. You need not put up anything just yet," I said, "but the underwriting will clear up fifty per cent of the calls, unless I am very much mistaken, in a few months' time. For we have arranged to sell the bonds, and the coal property is gilt edged, and this morning I concluded to follow your suggestion. I have sold one thousand Steel, and am about to sell as much more."

He looked up quickly and asked me why I had done that; that he had never made any such suggestion. I watched him very closely, and said:

"Well, for one thing, there is the tip you gave the barber this morning. Why, before you were out of the corridors of the hotel, the barber had told a half dozen men that you had told him to buy, and before an hour had passed every one knew it, and I guess every one acted on it. At any rate, the Preferred has gone up two points and the Common three."

A sinister smile came into the corners of his mouth. "I knew that barber couldn't keep it," he said.

"So I thought," I said. "You knew he wouldn't keep it. You knew he would give it away to everybody in the hotel. You knew they were all crazy up there about the market and would buy anything. And he

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did just exactly what you expected. But I had an idea, Mr. Steele, that if you had a tip of that sort that was valuable, you wouldn't give it to a hotel barber to keep, and so instead of following your suggestion, I went out and entered an order to sell short. Then there was another reason. Your people are not in Steel at all, at least not heavily. Moreover, the Preferred is up about as high as it can possibly go under the circumstances. Further than that, it seems like a good investment. The corporation owns a monopoly of the Bessemer ore of the United States, not to speak of a monopoly of the coking coal. It also owns a lot of railroads, These things cannot get away, and competition cannot touch them. It might be different if the corporation only controlled a lot of plants and factories. Today Steel may be a banker's proposition; but some day it will be a business one, and the time may not be far off. Moreover, iron is one of the few things you fellows do not already own in your slow appropriation of the earth. You already have the oil, copper, lead and coal mines, the railways, street rail-ways, gas, electric lighting companies in a lot of cities, insurance companies, banks scattered all over the United States, and in course of time you are pretty sure to own the iron ore fields as well. That much I have figured out. Now you can do this in one of two ways. You can buy it in at the present high prices, or you can hammer it down and get control of

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it on your own terms. I have never known you to adopt the former method, and so far as I can find out you have no interests that require you to keep up the price. If the gossip of the Street as to banking rivalry is to be believed, quite the reverse is true. Moreover, there is every indication of a bad slump in building demands which is likely to affect Steel stock very materially. So, you see, if it stays where it is, I lose nothing. It cannot go up much higher. If it does I lose little, and it looks to me like a good gamble that it is going to fall."

I felt that Steele would not permit me to make a mistake. Our banking reserves with him were too valuable to jeopardize, and then I had just arranged to let him in on an underwriting that was very good.

Steele smiled warily, and said:

"It's too bad that some of the men who are packed in among the tickers so close on the Street here, haven't time to study the situation as you have done. If they had, there wouldn't be so many mistakes made." As he picked up his hat, he said: "You may be right about Steel, and keep me posted about the coal proposition. I think I want my share in it when you come to make the allotment."

I had gotten the information that I wanted, even though it was of a negative sort, for he knew that I would hold him responsible for any losses I might suffer, and I could not figure out anything that he

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would gain by my following the course which I had suggested. I sold Steel heavily. I kept my own counsel and waited. For several days the stock continued to gain and lose irregularly by fractional points. Presently a bad bank statement appeared. The entire market went off a little. Soon there came an announcement of labor difficulties that were brewing and that cut down the demand for structural steel. Steel stock went off a little more. Still nothing serious happened. But for no apparent reason Steel continued to sag. Soon the papers caught the suggestion of a rumor. It grew as the days went on. It was said that the earnings would not permit a continuation of the dividend on the Common stock, or that it might be cut in half. This sent the stock down still further. The Common had gone off ten points, and the Preferred five. Finally, the quarterly statement of the corporation appeared and the dividend was cut in half. The stock took a big tumble, and I was beginning to clear up the losses suffered in Copper. It seemed to me the bottom had been about reached. I called upon Steele and said that I thought of closing out and going home. I had at least learned how it was done, and had cleared up my losses.

"Better not go just yet," he said. "There is another chapter that's coming. Have you any Pennsylvania Railroad?" he asked, and looked at me inquiringly.

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"Oh!" I said, "I sold a thousand shares the other day."

"Better sell some more," he suggested. "And I think I can trust you not to do what the barber did."

Soon the banks began to call for more margins on Steel stocks, and on the following day there were rumors of heavy selling of Pennsylvania Railroad from London. This was a standard stock and seemed invulnerable, and yet it went off several points. For some reason or other it seemed to have no support. There was something radically wrong, and yet I could not make out what it was. Everybody seemed nervous, and yet, so far as I could see, there was no ground for it. I saw Steele again and said it was getting beyond me.

"The brokers don't seem to know anything more about the situation than I do."

"I guess you had better stay a few days longer," he said. "You remember the simple rule I told you about the game. The West has not yet begun to sell. It hangs on and seems to have more staying power than usual."

The following day the market broke again. The next day the selling became a rush. The Western holdings began to come in. The banks had withdrawn their support. Then came well authenticated rumors that the Standard Oil crowd were hammering Pennsylvania Railroad because of the telegraph war that

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was on, or else for the purpose of securing a portion of the steel shipments for one of their railroads. Both Steel and Pennsylvania Railroad went off together. Soon Steel Common was selling down twenty points, and the Preferred nearly as much. I had been continuing to sell short, and at present figures I had made all my losses good and had cleared up in excess of one hundred thousand dollars. Both stocks continued on down. It seemed as though the bottom never would be reached. All my calculations as to the fundamental value of the steel stock were evidently wrong. My friends out West who had bought Steel heavily wrote for information as to what to do. But I could not advise them for I would not have them run any chances at the game I was willing to play. They afterwards complained bitterly, and it was impossible for me to convince them that I had not selfishly kept them in the dark. Finally, business interests at home demanded my immediate return. I had made upwards of fifty thousand dollars selling Pennsylvania Railroad, and twice as much out of Steel. I dropped into the bank for the purpose of thanking Mr. Steele for the assistance he had given me.

"I am going to clean up," I said, "and return home. I have succeeded in doing two things. I have beaten the game, or possibly you have done it for me, and have learned that there is only one way to play this thing, and that is to play with your own cards and

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insist on doing the dealing. I hardly yet know what the game is or whom I have beaten or what did it; but I have succeeded in making good my losses and something more besides."

"Well," he said, "do you remember the conversation I first had with you?"

"Yes," I said.

"Well," Steele said, with one of his meaning looks, "we are through. We have wiped out the opposition, and they have made terms." He hesitated to see if I understood. I thought I had, and said:

"I think—I think I'll do some buying."

"Possibly that would be a good move," he said. "Good by, and don't forget me when you get around to the distribution of your coal syndicate."

CHAPTER IX

I Become a State Boss and am Elected to the United States Senate

THROUGH my street railway, gas, banking and railway connections, I had become the most influential person in the city. I was Chairman of the Republican Committee, and raised all the campaign funds. My enemies called me the Boss. The interests which I directed were the largest contributors to both parties; in fact, we kept the organizations alive between elections. Nobody else was interested, except at elections, and in time we reduced our methods to a system. Through the convention plan the makeup of city and county tickets was determined beforehand. Our business required this. And as time went on we became mixed up in State affairs as well. All sorts of measures were constantly coming up in the Assembly, and we found it necessary to look after the legislative ticket as well as the Council. I was frequently called to Washington to confer with the President and the Senators from the State. In connection with them I disposed of the Federal patronage, and gradually came to be an influential force in State matters and to be entrusted with the local campaign

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in national affairs. I had found it advisable to acquire an interest in one of the local papers. Journalism was not only profitable, for we had a franchise from the largest press association in the country, which gave us a control of its service in the city, but we found it expedient to be in a position to mould public opinion on local and State matters, and in this way protect our many interests from the assaults of sensational papers always ready to make capital out of attacks upon property and vested rights.

I began to feel the joy of power. Not only this, but politics had come to envelop my business. I could not let go of one without letting go of the other. For under the laws of the State we could not secure perpetual grants, as is done in the East, and the council still retained a large measure of control over service and charges. After the fight with Ballantyne this fact became more apparent to us. He had created a sentiment in the city that was hostile to the gas and street railway companies, and even his departure from politics did not allay it. The people criticised the service, opposed little extensions and everything we did. They had forgotten the days when I was hailed as a public benefactor for developing the city. While our franchises were perfectly secure and could not be legally attacked, there were many petty annoyances to which we were put. Our property was now assessed on the same basis as other personal property, but an

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agitation had arisen in the State to assess our franchises at their value in the market, as well as our property. This would have greatly increased our valuation, and cost us annually hundreds of thousands of dollars.

Things were slowly getting beyond my control in the city and county. The Democratic party had never forgotten Ballantyne, discredited and defeated though he was. It had enjoyed a taste of power and the men with whom he had surrounded himself were tarred with his opinions. Moreover, there was a growing tendency to vote independently in city elections, to scratch the ticket and ignore the demands of party regularity. There was constant danger of striking legislation. A sentiment for municipal ownership was also growing in both parties. There was talk about regulating the street railway, reducing fares, or of compelling us to grant transfers, as well as for cheaper gas. All this I saw, although I did not greatly fear it, for even though the council should be against us we could always rely upon delay if not success by carrying the ordinances by injunctions into the courts.

We really had more to fear from the State Legislature than from the city, for while there was constant local agitation and considerable hostility against us, we had thus far been able to control both parties, and especially the city Council, and so long as we retained the convention plan of making nominations we had

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little to fear. In the last session of the legislature, however, we had been put to considerable annoyance by the activity of Senator Bradley, who had represented his county in the Assembly for three terms and was the recognized leader of the Senate. He had secured the assent of the upper house to a measure abolishing the convention plan of making nominations and the substitution of a direct system under which the primaries of both parties were held jointly, and nominations for the city, county and State officers were made by the people without the intervention of delegates and the convention. Along with this he had carried on an aggressive fight for the taxation of all railroads, telegraph, telephone, street railway, gas and mining companies on their franchise value measured by the market value of their stock and bonds. Through his commanding influence he had worked this measure through the Senate, along with the primary law. The former measure would have quadrupled the taxes on my mining and railway properties, and more than trebled the assessment of our street railway and gas properties. In order to encompass their defeat we had called in the aid of Senator Stillman, who had come from Washington on an imperative telegram from me. Stillman was a brilliant speaker, and had slowly risen to the United States Senate through the Legislature and the lower house of Congress, and had managed to acquire a large fortune in his capacity

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of attorney for many large corporations. We had retained him at an extravagant figure to protect our interests before the Assembly. Through his influence a hurried caucus of the Republican members of the lower house was called, and a resolution passed substituting a harmless taxing measure for that which Bradley had passed in the Senate. The caucus also declared against the Direct Primary Bill. Stillman had some control over the Speaker, and when Bradley's measures came over from the Senate they were referred to a committee from which they could not be withdrawn except by the action of the House. In this way we pigeon-holed the measures, for had they once gotten before the House public opinion would have forced their passage. Stillman had managed this by threats, cajolery and promises of Federal patronage. His influence had been so serviceable to us that we had subsequently made him General Counsel of our railway system.

We had gotten through the last Assembly with safety, but Bradley had now grown ambitious and had recently announced his candidacy for Governor, and the farmers and newspapers in the smaller towns were supporting him. I knew the man well enough to feel that he would drive things through the Assembly with a high hand if he were elected Governor, and the State was so strongly Republican that there was little chance of electing a Democrat, even had we

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been disposed to adopt this alternative. There was, therefore, no use in seeing him or endeavoring to qualify his program by offering him our support. For through our control of the county machinery we were able to return the largest single delegation to the Assembly, and about one-fourth of the delegates to the Nominating Convention. With my backing he could have had the nomination. It was manifestly necessary to beat him before the Convention.

I canvassed the situation carefully, and finally went to Washington. I called directly upon Senator Williams, who was the senior Senator from the State. He was an old man who had served the State continuously in one capacity or another ever since the Civil War. His third term as Senator was expiring and he was a candidate for re-election before the Assembly to be elected in the fall. Of late he had paid but little attention to State politics, and was out of touch with the organization, but the affection and esteem of the people for his long service rendered the retention of his seat practically dependent upon his own wishes. Up to that time there was no question of his return. He was one of the few poor men in the Senate. He supplemented his salary by literary work and lecturing.

He received me cordially in the Senate and took me to his committee room, with an inquiry as to whether he could be of any service to me. I had no

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liking for my mission and wanted to be out of the matter as quickly as possible. So I bluntly told him that I had come down to talk over matters, and see about the candidacy of Bradley for the Governorship.

"You know, Senator," I said, "Bradley gave us no end of trouble in the Assembly last winter. He introduced a lot of radical bills, and is not a safe man. He is trying to throw all the burdens of taxation on to the rich, and will not listen to reason. If he were permitted to pass such legislation as he has espoused, it would bankrupt a lot of corporations who have built up the State. Now," I continued, "I came to find out how you stood towards him, for, of course, we cannot permit him to have the nomination for Governor. With your influence we can beat him, and we have about decided to support John Martin, a banker from the eastern part of the State, who is a conservative and reliable man, and who has generously contributed to the party's success for years. With your help and that of Senator Stillman, we will be able to defeat Bradley and nominate Martin, and I came to see you in order to explain the situation."

Williams was very much surprised, and said: "Why, you know, Mr. Palmer, I fear I cannot help you. I could not do anything like that. I was in the same regiment with Bradley's father in the war. He comes from my own county, and I have been proud to watch over the young man's career since he has been

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in the Senate. I know he is perfectly honest in his ideas, and has always been a reliable party man, and I think he has earned this nomination by his good work in the Assembly. In fact, I didn't know there was to be any opposition to him. As you know, I haven't taken very much interest in local matters for a number of years, but had intended writing letters to my friends throughout the State to help the young man all I could. Further than this, he made the nominating speech for me for the Senate when I was last elected, and in so far as I made any campaign he looked after it for me. You can see, Mr. Palmer, that I could not go back on him now, even though I were so inclined, and I am sorry that you feel toward him the way you do, for I am confident he would make a most excellent Governor."

I urged all the considerations I could upon Senator Williams, although I felt confident he could not be induced to change his mind. However, I was rather indifferent to his decision, for he possessed little influence of a practical sort, his popularity lying with the people rather than with the organization. And if he would not consent to see Bradley and call him off in a personal way, he could be of very little assistance to us.

Moreover, I was maturing other plans. I had now accumulated a large fortune. It was constantly increasing in value and required political rather than

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business skill. The street railway franchise which we had obtained was now secure for fifty years, and the city was growing so rapidly and our earnings increasing at such a rate that our securities were readily marketable. I had been before the State Assembly enough to be pretty familiar with its methods, and the character of the men who composed it, and was now in touch with all the leaders in the State. We had found it necessary in recent years to secure a good deal of legislation, and prevent striking measures, and I had looked after these matters.

With my family, I had spent some winters at Washington, and I had there become acquainted with many members of Congress, and through Stillman had met most of the leaders in the Senate. And as I looked about that body, I noticed that the majority of them were business men like myself. In fact, the most of the Northern States were represented by men whose interests were identical with my own. The Western States had sent on mining kings, while the Middle and Eastern States had sent railway and street railway owners and men who had risen to eminence in their profession as railway attorneys. As a matter of fact, there were few Northern States outside of New England which were not represented by business men of my class. My mind would not abandon the idea that if those men could get into the United States Senate, why shouldn't I?

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Moreover, my wife wanted to go to Washington, and one of my daughters had just come out into society and liked the gaiety of the Capital.

After leaving Senator Williams I went immediately to see Senator Stillman. I could speak to him with the utmost candor as he was our counsel and we were paying him a handsome retainer. I said:

"Stillman, we've got to beat this man Bradley for the nomination. He is a dangerous man, and if he carries his plan through, he will break up your control of your city and tax our properties out of existence. We want you to turn in now and use your influence to beat him in the Convention. You have controlled most of the Federal patronage for the last six years and can send a lot of delegates to the Convention. Couldn't you send for some of your postmasters and revenue officers, have them come to Washington and go over the situation? Martin is perfectly acceptable to us for Governor, and he has backed you up in your campaign. He is a safe man and nothing can be said against him. As soon as we get this thing started, and the primaries are coming on now in a couple of months, you can get in touch with your postmasters and other friends and bring them into line. Through your influence and my own we can pretty nearly control the Convention, and I expect to see Boss McGuire tomorrow."

Stillman had to fall in with my plan, for he had

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everything to gain and nothing to lose by so doing. He agreed to send for his men, and through them get in touch with the situation in the State.

That night I started home and stopped off to see McGuire, who was the Boss in the second largest city in the State. I had known him for a number of years, and in the preceding session of the Assembly we had used his influence to beat Bradley's measures. He had been a paving contractor in his early days, and through his touch with the city had acquired absolute control over it. He had drifted into the saloon business and was said to control the gambling outfits in the city. He owned a stone quarry and a brick works and represented an Eastern asphalt paving company. One or the other of his materials was specified in all paving and sewer contracts, and by this time he had grown to be a man of financial as well as political influence. He had handled the franchises for the local street railway company in the council, which were subsequently sold out to an Eastern syndicate at a big profit, and was now said to be desirous of securing legislation from the next Assembly for the brewers' syndicate.

For this reason it was necessary for him to have a Governor on whom he could rely, and I knew Bradley was not his kind of man. If I could line him up, I felt we had Bradley beaten, and with him it was not necessary to beat around the bush. We speedily came

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to terms. He controlled the delegation from his county to the State Convention, and would make up the legislative ticket. I arranged that our delegation to the Assembly would back his measures if he would support Martin for Governor and me for the United States Senate. He already hated Senator Williams, who had ignored all his recommendations in making Federal appointments and had lost no opportunity to condemn his political methods.

But even with this combination of Senator Stillman and McGuire, I did not feel secure. Bradley was a popular campaigner, and had the younger members of the party with him. He was a brilliant speaker of the agitator sort, and was going about from county to county looking after his interests. To make things more secure, I called a conference of the leading railway officials of the State. They all had local attorneys to look after their interests in the counties through which their roads passed, and had great influence with the county auditors. I explained to them the dangers of Bradley's election; showed them that if he had his way, their taxes would be increased by millions, and that the next step would be some attempted reduction of freight and passenger rates like those which had been tried by the Granger laws of the West.

We worked out a plan of campaign. From them I secured promises of campaign subscriptions. Through their general counsel they were to get in

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touch with their local attorneys, and make a fight in the Convention, and where possible have the local attorneys go to the Legislature themselves. This was the more easy inasmuch as most of the attorneys had been chosen because of their political prominence. In the Democratic counties the same policy had been pursued. For the railways wanted some one who would look after their taxes, who knew the juries, and kept in touch with local political affairs. By this means we would be able to undermine Bradley in the country districts where he was strongest, and secure a strong following of able men in the Assembly who would aid the city delegates. I took the names of their attorneys, and one by one had them call upon me, and then aided them materially in their campaigns. For while I was not chairman of the State Committee, I had been made treasurer, and distributed the campaign funds myself.

In my own county I arranged for the selection of delegates to the State Convention who were satisfactory to us, and subsequently made up the slate for the Assembly.

On the evening of the State Convention we had perfected our arrangements. We controlled the Temporary Chairman, who appointed the Committee on Credentials, which passed upon contesting delegates. The Committee threw out a number of counties representing Bradley, and by this means we increased our

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majority on the floor. The Committee on Permanent Organization reported officers favorable to us, and, although Bradley made a vigorous fight, Martin was easily nominated, and resolutions of an ambiguous sort relative to taxation and election reform incorporated into the platform.

The following November the State ticket was elected by a large majority, and the Republicans had an easy control of both houses in the Assembly. All this time I was in frequent consultation with Stillman and McGuire over the Senatorship. A few weeks before the Assembly convened, interviews appeared in a number of the leading papers from prominent politicians suggesting my candidacy for the Senate. These were backed by editorials to the effect that this was a business age, and business men were needed to deal with the large affairs of the nation. They said our expanding trade, the necessity of a protective tariff and measures of this sort demanded that we have men of business experience, if America was to take her proper place in the family of nations.

On the convening of the Assembly caucuses of the Senate and House were held for the nomination of Speaker and Clerk. These were most important offices to us. The Speaker made up all committees, and the Clerk, through his influence and control of legislative matters, was able, to be of great assistance to us. We had decided upon satisfactory candidates, and they

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were chosen with but little opposition. There was little danger from any tax legislation, for the State Convention had shelved Bradley's proposals, and the committees were so made up that they would follow our wishes in their reports upon pending legislation.

The chief fight was to be over the United States Senatorship and the legislation demanded by the brewers. There was a strong undercurrent of opposition to the latter measure among the country members, while they were mostly favorable to Williams for the Senate. Williams was very popular with them, and the temperance sentiment in the smaller communities was very pronounced. I knew the representatives from my own district could be relied upon to do as I wanted in these matters, as there was little interest in temperance legislation in the larger cities, and the Brewers' Association was an influential force in politics. I opened headquarters at the leading hotel and announced my candidacy for the Senate. I called in the representatives from the country districts. I was sure of my own delegation and that of McGuire, as well as of some friends of Senator Stillman, who was supporting my candidacy in a quiet way. He did not want to appear openly in the matter because of his long intimacy with Williams. But that was not necessary as I had the support of his friends in the Assembly. As Treasurer of the State Committee I had met with many of the candidates, and my long interest in

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State politics made me known to the balance. I also set the wires in motion from New York and Chicago, and in this way secured the support of the railway interests, who suggested to their attorneys, of whom there were half a dozen in the Assembly, that it would be a courtesy which they would appreciate if they would support me for the Senate. This was effective in a majority of cases, for the railway attorney in a small town is second in importance only to the judge, even though his retainer does not exceed a few hundred dollars a year; and a word from the General Counsel with such men is of great weight.

I had placed the outside conduct of my campaign in the hands of Buckley and McGann, whose experience in local affairs stood me in good stead. They knew how to reach men whom I could not. They entertained them, got acquainted with their habits, found out about their home connections and necessities. In this way they were able to learn how they stood, and keep them in line. I told them that I did not want to know anything about what they did or how they accomplished it, but that my friends had raised a campaign fund of \$20,000, which had been deposited for their use, and that they might have some entertaining to do with some of the members. By these various means I was soon pretty certain of election, for, as far as I could learn, I had rounded up a majority of the Republican members before the caucus.

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There was strong opposition, however, and pronounced indignation among the country members over the retirement of Senator Williams. Some bitter speeches were made in the caucus, and many of the papers of the State opposed me with vehemence. But so long as I had the votes at my back I felt that such voices could be ignored, especially as they would be just as loud in support of me as soon as the election was over. For the country newspapers subsist on political patronage. Their revenue comes from the publication of ordinances and the printing of party documents and political matter.

On the night before the caucus there was a round up of all my adherents, and on the following day my name was the only one presented to the caucus, Senator Williams having in the meantime announced that he would not be a candidate for re-election. I was glad he had done this for it made it easier for many of the men to support me. For they could always retire behind the action of the caucus and say that they were bound by it, which they could not have done had Williams made a fight. Moreover, it made our control of the Assembly more secure. Bradley had been on the ground looking after the candidacy of Williams, but he had no organization and nothing to offer the men. For we controlled the State organization, we had organized both houses, and many men were willing to trade their votes for positions on good

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committees, like Railways and Transportation, Corporations, Judiciary and City. For the big measures came before these committees, and the sort of men who most wanted to get on these committees were the men we really most wanted there. Bradley had no inducements to offer and had to make his fight single-handed. He made some disagreeable charges, said it was the first time money had ever been openly used in the election of a Senator, and that the State had now passed into the hands of a triumverate of Bosses, Boodle and Beer.

But we had eliminated him from State politics. He was discredited, as were his socialistic theories and high sounding virtues. We now had nothing to fear from taxation measures or legislation which aimed to break up the party organization. Moreover, before the session ended we were able to secure some much needed legislation permitting street railway, gas and electric lighting companies to consolidate. This was in the line of economy and would enable us to combine our properties and greatly increase their earnings. We also made it impossible for cities which had already granted franchises to companies, to make competing grants. In this way we made ourselves secure from striking companies which were organized merely to be bought out. As for the Brewery Syndicate, the legislation which they desired was of an unimportant sort, and while some opposition to it appeared, it was passed in the closing days of the session.

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My long experience in politics had made me rather indifferent to what the press might say. I had learned that the public has a short memory and that success easily gilds public opinion. Among the editorial expressions on my election the following are indicative of the divergence in point of view. The first is from a State paper, the second from one of the leading periodicals in New England.

Editorial in the - World.

THE BUSINESS MAN IN POLITICS. The election of Mr. W. B. Palmer to the United States Senate by the joint action of the Assembly yesterday is indicative of a new era in politics. While all citizens regret the retirement of Senator Williams, after his many years of distinguished service to the State, their regret is in a sense assuaged by the choice of so distinguished a successor. No man in the State has done more for the development of the community in which he lived than has Senator Palmer. Drawn after graduation from college to the then developing West, he has lent his energy to the upbuilding of its industries and the development of its great resources. Starting life with nothing save untiring ability to work and an insight approaching genius for business, he rapidly acquired a position of eminence in his chosen city, and despite his commanding wealth has always borne his share in the political life of the community. With such talents as he possesses for finance, with years of experience as President of the United Trust Company, his counsel will be of service to the nation in these days of specious Financial proposals and populist agitation.

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During the past decade America has assumed a commanding position among the powers of the world. Our trade is expanding, the mills and factories of New England and Pennsylvania and the golden prairies of the West are sending our surplus products into the markets, so long held in undisputed sway by Great Britain. America has outgrown her limitations. She has become a world state, and the change which has come over our point of view and business interests is reflected in the choice of such a man as Senator Palmer to represent the commonwealth at Washington. It is time we had more business men in politics. The disturbing influences engendered by proposals for tariff reduction, for cheap money and a stay-at-home foreign policy can only be checked by men whose large experience and unquestioned success enable them to speak with the conviction born of experience in such matters.

If the Assembly just opened would rest content with what it has done and then adjourn, the business interests of the State would breathe easier.

Editorial from the - Republican.

THE DEGRADATION OF THE SENATE.

Press dispatches from the State of - announce the election of William B. Palmer to the United States Senate to succeed Senator Williams, who now retires from that body after eighteen years of distinguished service. Few men have passed so many years in that body and enjoyed such universal respect and affection as Senator Williams, and the reasons assigned by him for declining to be a candidate for re-election are not in harmony with the recent activity of Mr. Palmer in the politics of his State, or the occasional "in-

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spired" editorial which suggested his name during the past few months. Advices from Washington indicate the real reason to be a loss of control of the State organization, which has passed into the hands of Palmer, who has risen in the past few years from the position of "boss" in his own city to an absolute control of the State. To the credit of Senator Williams be it said, that he has ever been unwilling, and as politics are now organized, probably unable to control the organization, which has been instrumental in his unseating.

The advent of such a man as Boss Palmer, as he is locally known, into national politics indicates the extent to which commercialism has invaded our politics. His election demonstrates the degradation which has submerged American politics through the corrupt use of money. The means by which Mr. Palmer rose to local prominence in the Republican Party differ in no essential respect from the means employed in a dozen other States. Drawn into politics by the nature of his business, which was that of dealing in franchises, privileges and tax evasions, he used his political power for the furtherance of his private ends. And while the disclosures of boodling and corruption in connection with the street railways and gas franchises in his native city have not been traceable to him personally, they have been brought to the door of those interests which he owns and controls. In the past few years the power which he has acquired at home has been used in the State for the holding up of needed legislation, and the methods of his rise to power in the councils of his party have recently been exposed in a biographical sketch in one of the leading magazines. These exposures have not been denied. They are

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but typical of the process by which business and politics have become woven together. The one is dependent upon the other. An examination of the Congressional Directory shows the same thing to be true in State after State. In the East it is the street railways and the railroads which are in control of the States. In Pennsylvania it is the industries protected by the tariff. In the Middle West the franchise and transportation companies are sending their lawyers and representatives to the Senate, while in the far West those who have organized these States in order to evade taxation, to prevent adequate labor laws, and otherwise to subordinate the welfare of their commonwealth to their own pecuniary advantage, have thereafter taken advantage of their powerful organization for their own election to the United States Senate. This is no longer exceptional. It has become well-nigh universal. An enumeration of the highest legislative assembly in the land forms a catalogue of directors, officers and attorneys of the great privileged interests of America. The special lobby has largely disappeared. The United States Senate has become its own lobby. When one appreciates this fact, the hostility to the Isthmian Canal becomes manifest; the indifference to railway regulation is explained, and the impossibility of anti-trust legislation and of tariff reduction is demonstrated. Everywhere it is the same. It is not retail or wholesale business, but monopoly interests which are making their way to Washington. The retirement of Senator Williams is in keeping with this process, which has all the ear-marks of concerted action; while the election of Mr. Palmer but emphasizes the process which is going on, and impels to the conviction that the great issue before the American people is whether monopoly shall own the Republic or the Republic own monopoly.

CHAPTER X

Some Rules of the Game

LONG before my election to the Senate I had learned two things pretty thoroughly. One was, if you want to get rich—that is, very rich—in this world, make Society work for you. Not a handful of men, not even such an army as the Steel Trust employs, but Society itself. The other thing was, that this can only be done by making a business of politics. The two things run together and cannot be separated. You cannot get very rich in any other way. I had an instinct for this fact even as a boy, when, through my father, I got a privilege from the railway, giving me the exclusive right to sell papers in the small town where I lived. And the same instinct had inspired me when at college, where I got a similar exclusive contract with the publishers to handle college books, as well as a monopoly privilege from the railroad to stand my hacks and carriages upon the approaches to the railway station.

I constantly followed this principle in all my business enterprises. I never got mixed up in retail businesses, nor in any manufacturing enterprises except one, and that was backed up by well protected

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patent rights. I have recently noticed that Mr. John D. Rockefeller says that the only way for a man to get on in this world is to save, to be economical, to "watch his gas bills." That's all very well if one expects to spend his life as a bank clerk. It's good advice for a trust company to post in its windows and urge upon its depositors. It was probably all right, too, when Benjamin Franklin got out his almanac; but this sort of Smilesian philosophy won't make a man rich. I suppose if a man saved long enough and hard enough, he might possibly in time own his own cottage in some little suburban village forty miles from New York. But if he failed to learn anything more than that about business it would never make him anything more than a second rate bank clerk. No! Men don't grow rich by saving their gas bills any more than they do by working over time for somebody else. The great captains of industry and the financial leaders of today didn't follow this road. Along with the rest of them, Mr. Rockefeller made Society work for him. If a man has any push and enterprise, he has more chance of success if he indulges in fast horses or a private yacht than if he puts his money in the bank at four per cent.

It's much the same way with competitive business. Just about the time you get a good thing started, some one else comes along with something better, or hard times intervene and cut off the profits, if they do not

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land you in bankruptcy. The fact is, the average business mortality in the United States is about three per cent a year. That is, one hundred per cent every thirty-three years. In other words, a man has just a fighting chance of being in business at the end of his life if he follows such advice or enters the strictly competitive field of business.

And you cannot make a great deal of money, and by that I mean millions, by just having a lot of other men work for you. Not but that there are great opportunities in manufacturing enterprises, and considerable money is made that way; but it involves the hardest sort of work, years of experience, an awful brain fag, with the odds pretty heavy against success.

The secret of great wealth, and I have studied this problem like one in mathematics for a quarter of a century, is to make Society work for you. If you are big enough, make the whole world work for you. If you cannot do that, be content to have America work for you. If that is impossible, get some city. Even the latter is a big enough proposition to put millions in your purse.

This may seem like a Chinese puzzle, but it's true, and it is the most valuable business principle worth knowing. Mr. Rockefeller may think he made his hundreds of millions by economy, by saving on his gas bills, but he didn't. He managed to get the people of the globe to work for him. He did it by securing

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a monopoly of a commodity that all the world used. And Carnegie, Morgan, Vanderbilt, Gould, Astor, Hill and Harriman, the big leaders of finance, did the same thing. Only they were less ambitious. They were content with one nation. They confined their operations to America. Unconsciously at first, I did the same thing, followed the same idea; but it has finally become a conscious business principle, and one that I never depart from. Only I was content with a growing city with occasional excursions into the State. Now you won't find anything about this in books on political economy. From reading them you would think that all wealth was the result of human labor. At least that was true when I was in college. It may be that the economists have grown wiser since that time. But the fact that you don't find it in the books makes it none the less true. If you have millions of consumers of oil under your control, it is only necessary to add a penny to the gallon to build a palace or establish a university from the increase in earnings. If you own a big railway system you need increase freight rates but a fraction of a cent, and a small fraction at that, to put on a new issue of stock and have it pay dividends from the start. And if you own a franchise and can add a portion of a cent to your fares, or a few cents a thousand to your gas, the returns will come in at the end of the quarter in a way that will surprise you. This is the way to make millions—

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make Society work for you. For if you can pick the pennies from the pockets of the public in large enough quantities, it is better than a big reduction in wages, better than a diamond mine, for by a simple process of addition the pennies of the millions make up the millions of the few.

An examination of the Blue Book of American millionaires shows a surprisingly insignificant number of Wanamakers, Marshall Fields, or merchant princes. There may be one or two in a score of big cities but no more. A somewhat larger number of manufacturers keep their place in this roster from year to year. They did not know this rule of the game—and really achieved success by their own labors and that of their employees. But the big men, the names you read about, the Napoleons of finance, who have girded this country with railways, express, telegraph and telephone lines, the men who operate on a gigantic scale, have all made Society work for them. Pick up Moody's Manual or any stock exchange handbook and you will see this fact obtruding on every page. Take the Southern Pacific Railway: its gross earnings increased from 1893 to 1903 from \$40,000,000 to \$90,000,000. Take, again, the New York Central: its gross earnings increased in the same period from \$44,000,000 to \$66,000,000. Take the Rock Island: its gross earnings increased during that decade from \$21,000,000 to \$42,000,000. The same showing appears of almost any

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big railway system in the United States. The earnings grow from 75% to 100% every ten years. All they have to do is to offer the service, and the growth of population and business makes money for them. They cannot get away from it. While they sleep Society is at work for them. The same thing is true of street railways and gas companies. Their earnings double, oftentimes more than double, every ten years. The growth of our cities does this, and if you can get hold of a good franchise, Society will make you rich. It's like the kodak sign. You press the button, Society does the rest. Take the Calumet & Hecla copper mine. That is the greatest mining proposition in the United States, possibly in the world, with the probable exception of the Rio Tinto. It was organized in 1871. The par value of its stock is \$25 a share; but \$12 per share was paid in. Today its stock is selling for \$700 a share, and it pays upwards of 200 per cent a year on the par value of the stock. It's this same fact that lies at the root of the United States Steel Corporation. It is not its rolling mills, blast furnaces and the like that give it value. It is the tremendous area of iron mines and coal fields that it owns. The former were sold as prairie land twenty years ago. They now appear in the company's balance sheet as worth from \$500,000,000 to \$700,000,000, and Mr. Schwab says they are worth from \$1,000,000,000 to \$2,000,000,000. Society has been working all this time, and a universal neces-

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sity, a world demand, has arisen for iron and copper products. This is the way that one gets rich by letting Society work for him, and it's the only way I know to get rich without labor. The trouble with the Shipbuilding Trust and the Shipping Trust was that they had no corner on this principle. It was the absence of an ability to make Society work for them through the control of a universal necessity which could not be duplicated, that cleaned out dozens of the inflated industrial trusts that were put on the market during the boom times and were not bottomed on this principle. The full beauty of this idea did not appear to me until I got into the gas and street railway business. Then the possibilities of this principle began to dawn upon me. I had a monopoly that everybody had to use. Every immigrant who landed in the city, every child that was born, made money for us. The census returns were a sort of trial balance indicative of our dividends. Earnings grew from ten to fifteen per cent a year. The same thing happened to my real estate. Some property that I bought for \$3,000 when I first came to the city, now yields five times that sum in ground rents every year. It lies down by the Central Bank, and every ten years it goes up from thirty to one hundred per cent. If the city ever has a million inhabitants, as its present rate of growth promises, that property alone will yield more than the salary of the President of the United States.

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Few men have brains enough to make more than a living with their hands; there is a considerably larger number who can beat the daily demands of life by working with their brains. But it's like educating every boy with the idea that he may be President of the United States, to say that he can get rich by economy, thrift and frugality. The fact is the Presidency doesn't go round fast enough to take care of more than one boy in a dozen million. And a man must be far more than ordinary to get rich in a profession or in some big industry, even where he has thousands of men to work for him.

But the man who owns a piece of ground in a rapidly growing city, a franchise, a coal, iron or copper mine, can go abroad in his private yacht, and come back five years hence to find his land, franchise or mines more valuable than when he went away. Society will have been busy all the time. If he owns a railroad system, all America will have been working for him.

It is this fact that makes railway franchises and sound mining stocks good things to buy where they are not overloaded with securities. The mines and railways cannot get away. Nor can they be replaced. They have a market already made. And the same is true of city real estate. Take New York City. The land underlying the city is appraised by the tax department at over three and one-half billions of dollars—about the amount of the United States debt after the Civil

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War. Think of it! Much of this land wouldn't grow turnips, it is so barren. Yet it yields today at five per cent on this valuation, about \$185,000,000 to those who own it. Some of it is worth more than the silver dollars necessary to cover it. And its value keeps on growing. It is one of the safest investments in the world. For so long as New York remains the clearing house of the nation, so long will these values continue to grow. For Society works all the time.

But it is this very fact that makes politics a necessary part of big business. In any one of the big Eastern States it is worth millions to be able to control the party in power. All sorts of emergencies arise which require attention. In the city there are constant attempts to regulate corporations, to reduce rates of fares or charges, to improve service or to invite competition. In a lot of Western cities there is much talk of municipal ownership. The same thing is true in the State and in the nation. Constant demands are being made on Congress or the legislatures to interfere with private business. We see this in the President's Railway Rate Commission, and in Governor La Follette's ideas. And these demands can only be headed off by making a business of politics. As was said by the Commercial and Financial Chronicle of New York about the Ford Franchise Tax Bill in that State:

This piece of legislation was born of the prejudices culti-

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vated by politicians against corporations or every other combination of capital. The unthinking class get such distorted ideas of wealth that they are easily led to look upon any organization or combination of capital as a fair subject for oppressive tax burdens. It never occurs to them to think what a debt this vast country owes to just such combinations for all its developments, and what a paralysis would settle upon the activities of today if the spirit of these laws could be carried out and all combinations suppressed.

This law added millions in taxes to the franchise corporations of New York City. These taxes came out of dividends. It is dangerous to let these movements go unwatched. And the only way to control them is through controlling the party in power, be it Republican or Democratic. Through these means you can put the right sort of men in office; you can see that the proper men go on the bench. The party's platform can be shaped, and in city and State all these things can be prevented. It did not take me long to discover this fact in my business. If I wanted to protect my enterprises, whether in the city or the State, I had to enter politics. And this necessity will continue to grow. For there is no telling to what extent the people will want to legislate in their interference with legitimate business. And it has become almost as necessary to control the courts as the city councils and legislatures. For there are all kinds of questions arising today that did not exist a generation ago. In the city there are labor disputes and injunction

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proceedings. In their settlement the aid of the courts is constantly being called in. A strike can be beaten by an injunction easier than in any other way. For the strike has become a sort of warfare and the means employed are those of war. Of course, the same methods are employed by big business. They make use of the boycott. Some of the trusts refuse to sell to jobbers or retailers who handle other goods than theirs. Or else they charge a discriminating rate. Railroads do the same thing and always have. They discriminate between shippers and localities, which is a boycott. But their offenses are not so easily discovered. They work like sappers, under the ground. But a labor union acts in the open, and you can get at its offenses and punish them. But to do this it is necessary to look after the nominations to the bench.

Then there are all sorts of legislation that have to be watched, and this can be done as a last resort in the courts. Tax laws, anti-truck store legislation, railway-commission and rate regulation, eight-hour day laws, and all these things come before the courts, and if you can't control the legislature, you can hold a thing up in the courts for a long time and often have it declared unconstitutional.

Of course, the bench is seldom corrupt as is a city council or State legislature. Judges cannot be bought. But every lawyer knows the temper of a

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judge, and he constantly seeks to get his case before the court that by temperament, disposition or prejudice favors his contention or point of view. And party managers know the same thing. Good, public-spirited judges are constantly being retired by the party, or passed over when the opportunity comes for preferment.

And there is one thing to beware of, that's Wall Street speculation. I had some experience there myself, and know what I am talking about. If a man must gamble, and apparently many men must, better stick to fast horses, or an occasional hand at poker. One can find out something about the horses, and at cards one occasionally has a chance to deal the deck. In a game of poker, too, you can always stay out when you draw a bobtailed flush. But you haven't these alternatives in Wall Street. The cards are always dealt by the other fellow, and he knows every card in the pack and every trick of the game. He can turn up trumps as the occasion demands, and, moreover, he never lets go of the deal. And today there is a small bunch of New York financiers who make the terms of the playing. For they control the banks and the banks dominate the situation. They indirectly determine the market value of all securities by fixing their loanable value. They also make the news and the rumors of news, and one is as good as another in its effect upon the market. It used to be different; but

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now the big coups are planned beforehand with as much precision as Kuroki laid off a battle, and reported after each engagement that it went off "as planned."

As I said before, Poor Richard's Almanac is about as influential today in the making of a millionaire, as is Thomas a Kempis' "Imitation of Christ." It's not thrift, prudence or the saving of gas bills that makes the millionaire; it's the getting possession of a monopoly, and then making Society work for you. With that in one hand, and with the other hand on politics, one can do more in a few weeks' time than can a whole army by watching its pennies, dimes and dollars.

And these are the rules of the game. They are understood in Wall Street and in every bank and trust company in the land. Anyone can find this out readily enough when he has to borrow. He may have a splendid business, his moral character may be exceptional, but his collateral is scrutinized, his earnings are examined and his books audited before he will get much accommodation. And the chances are that some bright day his loan will be reduced or called, and the work, savings and achievement of a generation pass into the hands of a receiver. Or it may be that some one of the trusts, working like a sapper out from Wall Street, and envious of a too persistent competition, will inspire the local bank to call his loan, and thus place him in jeopardy or cause his plant to fall into the maw of the combination.

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But the man who has a monopoly, a franchise, a railway, a coal, iron or copper mine, a piece of real estate, suffers none of these discomforts. His franchise may have cost him nothing, but it is the best kind of collateral. And bonds can be issued and sold even before a spade has entered the ground. For the money lender appreciates that such property cannot get away. Nor can it be duplicated. And every man, woman and child that is born adds something to its value. Under ordinary circumstances the increase amounts to at least ten per cent a year. In this sense Society works all the time, and he who has cornered some of the natural opportunities of the earth need not concern himself about good times or bad. The market is already created, and it never grows less.

And all of these properties depend upon the government, either the city, the State or the nation. To secure and maintain them makes politics a necessary part of business. If it is the steel, sugar, iron, or tobacco business, it is necessary to control Congress; if a railway, express, telegraph, or similar corporation, it is still necessary to control Congress; if a mining, liquor or landed privilege, it is necessary to stand in close to the State government; and if a franchise for street railway, gas, electric lighting or telephone, it is necessary to be on familiar terms with the Council, the Tax Assessor and the Mayor.

These are the symbols, more magic than those of

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some prince of the Arabian Nights, by which to rule the game. First, let Society work for you; and, second, make a business of politics. Upon an understanding of these rules the great fortunes of America have almost all been reared, from those of the early Argonauts who built the Pacific railways from the sale of government bonds and generous land grants, to the modern princes of finance who have capitalized iron ore underlying the barren lumber lands of Minnesota at thousands of millions; the franchises of New York at hundreds of millions, and the sugar, tobacco and many other trusts at many times their value. These are the rules of big business. They have superseded the teachings of our parents and are reducible to a simple maxim: Get a monopoly; let Society work for you; and remember that the best of all business is politics, for a legislative grant, franchise, subsidy or tax exemption is worth more than a Kim-berly or Comstock lode, since it does not require any labor, either mental or physical, for its exploitation.