CHAPTER XIV

RECOVERY

It was not silver and gold that interested the new Republican Congress. It was the tariff; the platform had promised it. "Protection and reciprocity," it said, "are twin measures of Republican policy and go hand in hand. Democratic rule has recklessly struck down both and both must be re-established." (1) Immediately after his inauguration on March 4, 1897, McKinley called an extra session of Congress to do the re-establishing.

1) McKee, Conventions and Platforms, 301

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A bill was ready. The Republican House elected in the Fall of 1894 and first organized in December 1895 had placed at the head of the Ways and Means Committee a serious, methodical Maine protectionist - Nelson Dingley - who probably knew more facts about tariff schedules than any other living man. He had first entered Congress in 1881 and in the sixteen years since he had made himself by constant patient toil an encyclopedia of information on the workings of the dogma in which he believed as sincerely as William McKinley himself.

The bill Mr. Dingley presented, and which was adopted in the House on March 31st, was a moderate protectionist measure. Mr. Dingley believed the duties should be lower than those of the McKinley bill. The committee had succeeded in making them so and the House had approved. The Finance Committee of the Senate agreed with Mr. Dingley that the country demanded reductions. When its Chairman, Nelson W. Aldrich of Rhode Island, reported the bill back in May he told the Senate that it was "thoroughly understood in the last political campaign that if the Republican party should be again entrusted with power, no extreme tariff legislation would follow. It was believed, in the changed condition of the country, a return to the duties imposed by the act of 1890 would not be necessary even from a protective standpoint.

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"Industrial conditions in this country, with very few exceptions, do not demand a return to the rates imposed by the act of 1890. The bitter contest which is going on among the leadin g nations of the world for industrial supremacy has brought about improvements in methods and economies in production to an extent which was not thought possible a few years ago. These new conditions must be taken into account in considering the rates to be imposed." (1)

Mr. Dingley and Mr. Aldrich But they had counted without the Industrial League, the Sugar Trust, the National Wool Growers Association, the National Association of Wool Manufacturers, the Iron and Steel Association. They were heard from at once and when the bill became a law as it did in July, the duties were higher than they had been under any previous tariff. (2) McKinley's bill had an average of 49 1/2 percent; Wilson's of 40-41 3/4; Dingley's from 49 7/8 to 52. (3) "The tariff of 1897, like that of 1890" said Professor Taussig, "was the outcome of an aggressive

1) Congressional Record, May 1896, quoted in Ida M. Tarbell, The Tariff of our Times, (N.Y.1911) 244. See also Nathaniel Stephenson, Nelson W. Aldrich (N.Y.1930) 142

2) Stanwood, Edward. American Tariff Controversies. II. Page 384 Above quoted by Rhodes, James Ford in "The McKinley and Roosevelt Administrations."

3) Noyes, A. D. American Finance. Page 269 Above quoted by Rhodes, James Ford in "The McKinley and Roosevelt Administrations"

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spirit of protection." (1)

President McKinley had not long to enjoy the final triumph of his tariff policy for on March 15, 1898 came the blowing up of the Main in the Harbor of Havana crystallizing the Nation's disgust with Spain's misrule in Cuba, her inability or unwillingness as many charged to exercise authority over her own agents, suppress filibustering, restore order, again consider the welfare of the population become miserable under her misrule. The trouble was of long standing. President McKinley had inherited an American war party which had taken all Cleveland's determination to hold in check.
"Mr. President," McKinley had said to the outgoing president the night before his inauguastion, "if I can only go out of office at the end of my term with the knowledge that I have done what lay in my power to avert this terrible calamity, with the success that has crowned your patience and persistence, I shall be the happiest man in the world." (2)

But the blowing up of the Maine was like the firing on Sumter, the assassination of the Archduke Francis at Sarajavo in 1914. It stirred a long smoldering fire and on April 21st war was declared. Thewar was no small contribution to the restoration of prosperity. Again there was work for everybody, factories canning foods, making uniforms, building camps,

1) Taussig, F. W.
Above quoted by Rhodes, James Ford in "McKinley and Roosevelt Administrations" Pages 27-39

2) Rhodes, James Ford. The McKinley and Roosevelt Administrations
Page 41

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stocking up coal for ships, speeding up the turning out of guns and munitions. The war was short - over on August 12th of 1898 - in all one hundred thirteen days - but it cost the United States some $300,000,000; including $20,000,000 paid Spain for giving up all claim to the Phillipines, Puerto Rico and Guam, a territory of about 118,000 square miles, though in addition must be included the cost of three years war and $117,000,000 to pacify the ~~Fiilkines~~ Phillipines who objected to being sold. (1)

This year saw, too, the signing of a treaty of annexation of Hawaii, something which had been before Congress for several years. (2) If we were going to govern the Phillipines we must have first a trading station en route if nothing more. Given the outcome of the war with Spain the annexation of Hawaii was inevitable. Here we were then at the end of our period larger by some 124,000 square miles than at its beginning. Here were new markets for our goods, new posts for citizens, new concessions for our industries. But whatever there might be of wealth for the country in their acquisition depended on future development and administration; for the time being they were an uncertain venture financially. Not so the tremendous boost to prosperity that came in 1897-1898 from the greatest wheat crop in years and that at the moment when there was a wheat shortage in Europe, India, Argentina and Australia.

1) Rhodes, James Ford. The McKinley and Roosevelt Administrations Pages 110-112

2) Schlesinger, A. M. The Rise of the City (A History of American Life X) 419

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In July 1896 wheat had brought but fifty eight cents a bushel; two years later the price had nearly doubled under the demand for export - export paid in gold to swell the already heavy increase in domestic product of gold. That is, here in the closing year of our period the same combinations of circumstances which did so much for the return of prosperity at the beginning repeated itself.

With money once more easy there were plenty of men eager and ready to take advantage of the change they had never doubted must come. A severe and continued depression such as that which began in 1890 culminated in a violent crisis in 1893 and dragged its painful course up to 1897 obscures productive activities which if hampered never cease. There might be four million men out of work, but twenty million had work. There might be a continuous succession of bank and industrial failures, but wealth steadily grew through the decade. While the total wealth of the country was seventy eight and a half billions in 1890 it had risen to one hundred twenty six billion seven hundred million by 1900 - up to that time the greatest gain in any ten years of our history. (1)

Moreover, depression distributes its losses as unequally as prosperity its gains. Many men find in hard times their chief opportunity for money making. There are those who make a practice of putting away money in good times to buy cheap what

1) Doane, Robert R. The Measurement of American Wealth. Page 11

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their fellows must in depression sell any at price. In the panic of '93 shrewd financiers who had money on hand carried on an enormous business selling currency at a premium. Generally it was the country bank wanting money to meet local payrolls that paid the best premiums; again it was the individual who found himself in a particularly tight corner and was willing to pay cruel rates to save himself. (1)

The buying of stocks and bonds at the moment of panic enlarged more than one fortune in the '90's. Henry Clews, a shrewd observer of Wall Street, analyzing the way men made money there found that the veterans stayed at home in normal times, but when panics came "hobbled down on their canes to their brokers' offices." There they bought good stocks with the money they had been accumulating for such an emergency. When the panic had passed and prices were up these wise spectators cashed in putting their gains away for another crash. (2)

1) Appletons Annual. Vol. 17, Page 549

2) Clews, Henry. Fifty Years in Wall Street. "How to Make Money in Wall Street" Chaper III, Page 19

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Great industrial leaders like Carnegie in steel and Rockefeller in oil who had always made it a part of their financial creed to keep large reserves of money where they could put their hands on it in case of business slumps or unforseen competition used their backlogs, not only for their own protection but to take advantage of the bargains the needs of others brought their way. Both Carnegie and Rockefeller added immensely, particularly to their iron and oil interests, in the hard times of the nineties.

Not a few men found the depression a challenge to their resourcefulness. Blocked, they cut out a new road. A case in point occurred in '93 in Johnstown, Pennsylvania, when Arthur J. Moxhan, a large manufacturer of steel rails found himself with many orders for which he could get no pay on delivery. He was considering a shut-down when Henry George came to town. Mr. Moxhan who was a single taxer told George his story. "Why not," said Mr. George, "propose to the street railways that you want your rails, that they pay you in bonds and you issue against them certificates which can be used as money."

Mr. Moxhan called his employees together and explained the proposition which meant to them receiving one third of their wages in currency and two thirds in certificates. They agreed to the proposal. The plan was explained to the store keepers and landlords of the town who agreed to take the substitute for cash and the plan worked to the profit of the company and

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several thousand workmen of the town. Mr. George used this experience as an illustration of what the United States Government might do if in trouble - "issue from its own treasury a paper currency based upon its credit and interchangeable with its bonds. (1)

There was in '93, as there always are, those who have a "nose for panics" - scent their coming and either prepare a cyclone cellar or a campaign of economies, bargains and high pressure salesmanship to balance the disturbances.

John H. Patterson, the head of the National Cash Register Company was one of the latter type. He had bought the business in 1884, knowing nothing more of a cash register than that it would have been useful to him in running the coal business he had recently sold. He had perfected the machine, ~~and either~~ "acquired" all competitors, and consolidated his interests until the result looked so like a monopoly that the United States had brought suit against him under the Anti-trust law. The suit had not slackened his pace; indeed in 1892 he had sold more cash registers than ever before in the history of the company.

Now early in his business life Patterson had read a book by one Samuel Benner, an Ohio farmer - "Prophecies of Future Ups and Downs in Prices." The book carried a sub-title - "What years to make money on pig iron, hogs, corn and provisions." Pig-iron was his guide, the base of what he called the "Cast-Iron Rule." According to his calculation based on past history there was a major panic every eighteen years. The present cycle

1) George, Henry, Jr. The Life of Henry George. Pages 557,558

Digital Image, 2011, The Ida M. Tarbell Collection, 1890-1944, Allegheny College Pelletier Library.

of eighteen years would end in 1891 when the next panic will burst upon us with all its trail of woes. (1)

Benner became Patterson's financial prophet and from the time he read his book in 1880 he had his eye out for slumps. When he believed one was on its way he would call his associates together and on the blackboard which was a feature of his directors' meetings would demonstrate what was coming. Drawing a big "V" he would explain:-

"Here we have a valley of depression. Business is going to drop right down to the bottom and then come up the other side. We can drop with business or we can build a bridge and go across. Let's build a bridge." (2)

They built it in 1893 and sold some five hundred more registers than in any previous year.

The depression did not chill the daring of all those who had ideas and no money. McClure's Magazine was started in 1893 "on a shoe string" by two young editors - S. S. McClure and John S. Phillips - whose faith in ideas was always stronger than that in a bank account. (3) Nor was the depression able to check the development of two most important new industries born in the '80's - electric lighting and electric power. This was demonstrated brilliantly at the Columbian Centennial in Chicago, 1893.

1) Crowther, Samuel. John H. Patterson, Pioneer in Industrial Welfare. Page 77

2) Ideam. Page 78

3) Schlesinger, A. M. The Rise of the City (A History of American Life, X) 182-183

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The courage with which Chicago had prepared for a World's Fair in the panic year, the exhilerating response of the people of the country to the daring had given an opportunity to the manufacturers of electric equipment to demonstrate what they were doing. The most brilliant and spectacular exhibit was the lighting of the Fair, itself. But two concerns at the time were equipped to handle so large a proposition - Westinghouse and the General Electric. The contract called for alternating current motors of 65 H.P. with the proviso that they must be installed to operate vertically, built up side down, the Engineers said. Both companies accepted the terms although it must have been bitter for Thomas Edison to find his own firm going over to the alternating current which he had been and still was fighting bitterly. Westinghouse carried off the contract. When he laid the terms before his engineers there was unanimous opinion frankly expressed that it couldn't be done and then as old timers still tell you at the Westinghouse Works "we went to work and did it."

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It was not in his generating system that Westinghouse's handicap lay. The only practical lamp in use at that time was entirely controlled by General Electric patents. Westinghouse sought to buy these lamps but General Electric would not sell and the court refused to compel them to do so.

He was not a man easily balked. Already his lively group of associates had been working on the development of an incandescent light built around a patent that he had acquired some years before. When it was certain that he would not be allowed to use the Edison lamp the laboratory turned full force to make practical what they had in hand. The result was the "stopper lamp," not nearly so perfect a lamp as the Edison, one that had to frequently be changed, but that was a detail. It did work and it was with this lamp that the Fair was lighted. It was the beginning of incandescent night illumination in the United States as well as of illuminated advertising. Taken as a whole it was a brilliant performance, the more dazzling because so unlike anything ever before seen in the country.

It was not surprising that those who attempted to describe its magic exhausted their vocabularies in search of superlatives. Murat Halstead picturing the Fair at night declared that "the earth and sky were transformed by the immeasurable wands of colossal magicians; and the superb dome of the structure, that is the central jewel of the display, is

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glowing as if bound with wreaths of stars. It is electricity! When the whole casket is illuminated, the cornices of the palaces of the White City are defined with celestial fire. The waters that are at play leap and flash with it. There are borders of lamps around the Lagoon. The spectacle is more resplendent than the capitals of Europe ever saw when ablaze with festivals to celebrate triumphant peace or victorious war." (1)

Coming down to facts after his flight Halsted compared the electric lighting of the Chicago Fair in 1893 to the greatest of preceding expositions, that in ~~xxx~~ Paris in 1889. At the Paris Exposition five thousand horse power had been used for one thousand one hundred fifty arc and ten thousand incandescent lamps; at the Columbian Exposition twenty three thousand horse power was used for five thousand arc and one hundred twenty thousand incandescent lamps, While the lighting dazzled the eyes of visitors that which awed them was the demonstration that here was a new power of a strength and adaptability they had never dreamed. There was apparently nothing it could not do - drive pumps, saw mills, steam launches, railroad trains. Now if this new power could be carried long distances, taken to small towns, to farms, what a revolution it meant. That such a transmission was possible was soon to be demonstrated.

The success of the Westinghouse alternating current light at the Chicago

1) Halstead, Murat. "Electricity at the Fair" Cosmopolitan Magazine, September 1893 For a general account of the Chicago Fair, see Schlesinger, A. M. The Rise of the City (A History of American Life) 283-286

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had its on
Fair/influence /the group of distinguished scientists who were advising what was known as the Cateract Construction Company, the group af American financiers interested in developing power at Niagara. This International Niagara Commission, as it was called, was made up of eminent engineers and scientists from various countries. At its head was Sir William Thomson who was an obstinate opponent of the alternating current as Edison himself. In all the negotiations with different electric power companys bidding for the contract which the construction company was to award his important influence was ~~thrown against its use~~ in favor of the direct current. But what the Westinghouse engineers were able to show the commission in the Pittsburgh plant as well as what they did at Chicago combined with the extraordinary salesmanship of Westinghouse finally brought the contract to him.

The result was that a year and a half after the contract was awarded in October 1893 ~~and~~ the first of three five thousand horse power dynamos was at work and electric power was soon after on sale in Buffalo, twenty miles away. The day of long distance transmission of power had come.

Above the entrance to the Transportation Building at the Chicago Fair /was an inscription from Lord Bacon. "There are three things which make a nation great and prosperous - a fertile soil, busy workshops and easy conveyance for men and goods from place to place." It served to emphasize the importance to

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towns and countryside of the exhibits within of street cars run by electricity. Just as hundreds of thousands of visitors went home from the Fair convinced that electricity would soon replace kerosene and gas for house and street lighting and that the sooner they could set up an electric lighting plant in their town the better, so many thousands carried away the conviction that the day might not be distant when they would replace the horse, the steam, the cable by which they were running electric motors, their street railways. Mr. John Brisben Walker, writing in his magazine, The Cosmopolitan, thought it would be incomprehensible if Mr. George Gould after visiting the exhibition did not immediately discard the use of engines upon the elevated roads in New York City no matter how many millions might be tied up in them. He also declared that if he were a holder of a great railroad property he would be more anxious that the government purchase the property than the people could possibly be to have him sell it. (1)

Nothing was surer then in the very year of the Panic than that the return of prosperity would see a tremendous increase in both electric traction and lighting. Before the turn had really been made it had begun. In 1902 the Census Bureau published a table of the growth of central electric stations from 1881 on. In 1881 there was one municipal, twenty seven private plants in the country; ten years later, 1891, forty one municipal and one

1) Walker, John Brisben. "Transportation, Old and New" Cosmpolitan Magazine, September 1893. Pages 584-585

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hundred fifty seven private and in 1898 eighty two municipal and one hundred ninety five private. The gain in horse power is not shown in such a counting. But it had been enormous. In New York State it increased between 1890 and 1902 four hundred and forty three percent. (1)

The most amazing revival that came with recovery and the one that gave the sober-minded who had not forgotten the financing of previous recoveries was a sudden outbreak of trusts, all of them enjoying one or another privilege and so experience showed having in themselves the makings of monoplies. The first of these was a the handiwork of ~~the~~ speculative promotor, John W. Gates - "Bet you a Million Gates." (2) His promotion was in steel wire. Gates ~~He~~ first entered the wire field in the late '70's when he was employed as a salesman by the first firm in the country to manufacture barbed wire. This concern, Ellwood & Company of De Kalb, Illinois, controlled a patent for a barbed wire fencing taken out in 1874 by one Joseph F. Glidden. There had been earlier attempts of wire fencing with sharp points, one called the "spur wheel," another the "thorny fence," but both the spur and the thorn slipped on the wire. Glidden had made barbs rigid by twisting.

So successful did his fencing prove that the leading wire manufacturers of the country, Washburn & Moen of Worcester Winchester, Massachusetts, from whom the Ellwood Company bought the wire

1) Abstract of the Twelfth Census. Pages 408-409 (1904)

2) Owen, A. A. "Bet-you-a-million Gates" Saturday Evening Post Nov. 7, 1925

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sent out an agent to find the reason for the big orders they were receiving with the result that the two concerns went into a partnership, the manufacturing being done at Worchester while Ellwood controlled the Western market.

They had their troubles from the first over patents.

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Gliddens device was challenged by a fellow townsman, Jacob Haish, who had actually made and sold a barbed wire from his shop probably as early as Gliddens though his application for a patent was some eight months later. There was a fierce trade war carried on largely by circularizing customers. The uncertainty over rights gave pirates a field for the time being, the product being easy to imitate. Gates took advantage of what he had learned as a salesman to set up a factory for himself.

It was a common enough practice in all fields when patents were in dispute. Ellwood and Washburn served injunctions on him but not succeeding in putting him out of business finally in order to destroy his nuisance value gave him about 1885 a license to manufacture. His pirate concern was then legitimatized and he rapidly acquired interest in other wire plants. But he soon was suffering from pirates as well as from the experienced and aggressive competition of the older wire manufacturers. A consolidation would help and in 1892 the Consolidated Steel and Wire Company with a capital of $4,000,000 was incorporated in Illinois. It was the first consolidation framed by Judge Elbert H. Gary, a lawyer of Chicago, who had already made himself an authority on corporate law. (1)

The new company came into existence at a bad moment. Prices were down, orders few and there were "too many" in the wire business - "forty six I knew of myself that I kept tab on," John Stevenson, Jr. of New Castle, Pennsylvania, one of the

1) Tarbell, Ida M. Life of Elbert H. Gary. Page 75

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most prolific wire and steel adventurers of the '80's and '90's, told an examiner in 1912 in the suit of the United States against the United States Steel Corporation.

If a poor time for business but a good time in the opinion of John W. Gates to talk the benefits of combinations and this he did whenever he met on the train or by ~~dropping into~~ an office or plant a man in the wire business.

Gates talked to Stevenson. "We never met but we talked about it." (1)

By the summer of 1897 his persuasiveness backed by the trials of the depression had convinced a large number of wire and nail manufacturers that their business could only be stabilized by a national consolidation rigidly organized and administered. Could the plants be brought together? Could it be financed? Judge Gary attempted the first; J. Pierpont Morgan promised the second if the first was achieved on terms he considered reasonable. The negotiation with the manufacturers began in the Fall of 1897 and went on all winter. By the first of March 1898 the Iron Age which had watched the undertaking with anxiety said that it looked as if there was a "fair prospect of success" and then on the morning of March 15th came the news of the sinking ~~mpx~~ of the Maine in the Harbor of Havana. (2)

1) United States of America vs United States Steel Corporation Vol. III. Testimony of John Stevenson. Pages 1026-1136

2) Faulkner, H. U. The Quest for Social Justice (A History of American Life, XI) 1

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No time Mr. Morgan told them a few days later to launch the $80,000,000 company contemplated. "The jig's up," the always philosophic Mr. Gates told his groups. "There's nothing to do but go home."

A surprising amount of business planning was carried on in those days on railway trains. The disappointed Western wire manufacturers travelling home together talked over the situation - all was not lost. Why should not the Consolidated take them in? It would make a powerful group and when the Cuban troubles were over they would be in better position than ever to talk business to the East. In less than a month the suggestion was realized by the organization of the American Steel and Wire Company of Illinois with a capital of $24,000,000 - half preferred, half common. By the end of the year Gates having this organization in hand, as well as the voluminous record of negotiation made with the Eastern units of the trade in the winter of 1897-98 had engineered the incorporation in New Jersey of a new wire combination made up of the Western consolidation and most of the large plants in the East. It was the first of the great trusts in steel specialties.

On its heels came a second less expected, more spectacular - The Tin Plate Trust. The McKinley bill, as we have seen, had given tin plate a duty of 2.2 cents a pound to be withdrawn by the President of the United States if at the end of six years after the duty went into force it had not justified itself and a rule for what justification meant was laid down.

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The interests which had been agitating for years for a high duty at once started, a drive in Ohio, Indiana and Western Pennsylvania/ particularly to persuade capital to build mills. At once good men, protectionists, who knew nothing of manufacturing of any kind, largely small town bankers and prosperous farmers, rushed to the front. It was a chance to prove the doctrine as well as to make money. The man who later was to be the head of the first tin place trust was a banker of Richmond, Indiana, Daniel G. Reid. He joined a railroad division superintendent William B. Leeds in 1891 and in one afternoon secured $300,000 in stock subscription for a tin plate mill to be built in a town to be built by a land company in the Indiana natural gas belt. They built their mill and then discovered as scores of others were doing that money and a duty were not all that was needed to make tin. It required skilled and experienced workers and there were few to be had in America. Mr. Reid and Mr. Leeds were forced to scrap their first mill, to rebuild, to hunt out men who knew how both to build a tin mill and to make tin plate.

By 1894 they "commenced to show better results." But while they had been able to find money to carry them through, while they had learned by experience, many others were less fortunate.

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They had shut down or sold out. Nevertheless, the business grew even through the depression. Iron and steel interests fearing to lose the tariff financed and refinanced the most promising of the adventures. But by 1898 things were in a bad way for many of the two hundred and more "infants."

"Being practically farmers in the business," Mr. Reid told the United States examiners in the suit against the Steel corporation, "it was a little expensive. They had rolled up accounts with steel mills and banks, etc., and in some cases they were having money advanced by jobbers for payrolls and the business was in a very bad looking condition at that time, generally speaking, for the future." (1)

At this point Mr. Reid and certain manufacturers near Chicago turned to the most daring of the purely

1) United States of America vs. United States Steel Corporation
Vol. I. Page 459-460

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speculative promoters of the period - Judge W. H. Moore who with his brother J. H. Moore had floated the Diamond Match Company in 1889. The Moores were in ~~particular~~ disgrace at the moment for in August 1896 they had created a panic on the Chicago exchange by the manipulation of the Diamond Match Stock so serious that the exchange was closed for three months - a fine exhibit it was of Wall Street methods for Bryan and the Populists now in full campaign.

It was to Judge Moore that the tin plate men went in 1898 to consolidate the industry. In an incredibly short time he had options from the majority of the tin plate makers. Andrew Carnegie who detested speculation in all its forms might denounce the promoters as "stock jobbers" - "destroyers of values" - "Chicago Adventurers" - (1) but for a few manufacturers it was a chance to unload something which they realized they probably could never make pay. The fact that ninety percent of them insisted as a condition of transfer that they be paid cash shows both their disgust with the business and their little confidence that it could be cured by trustification. According to Mr. Reid many of them changed their minds when they saw that the combination was a success. (2)

1) Hendrick, Burton J. Life of Andrew Carnegie. Vol. II Page 81 et sq.

2) United States of America vs. United States Steel Corporation. Vol. I. Page 478

Digital Image, 2011. The Ida M. Tarbell Collection, 1890-1944, Allegheny College Pelletier Library.

Two hundred sixty five mills went into the American Tin Plate Company as the consolidations incorporated in the last month of our period ~~was called~~. (1)

In 1900 when for the first time a United States census of manufacturers included the tin plate industry, the value of its total product then ~~was~~ reckoned at close to $32,000,000, the wages a little under $2,000,000. No substantial industry had ever been established in the country in so short a time nor one with a larger list of casualties ~~at the start~~ to investors and would-be manufacturers.

While Gates and Moore were leading in these special steel combinations a new steel company destined to prove the greatest rival Andrew Carnegie ever had, arose in Illinois - the Federal Steel Company - an integration of the factors essential to the making of iron and steel and all their products put together by the man who had organized the first and second consolidation and had gathered the materials which Gates used in forming the third and final, was Elbert H. Gary.

Judge Gary had been counsel for the Illinois Steel Company and for some years one of its directors. The Company

1) Moody, John. Truth about the Trusts. Pages 157,158
Ripley, Wm. Trusts, Pools and Corportations. P. 289 et sq. "The Tin Plate Industry."

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had suffered severely from the depression. It had suffered from the Carnegie competition always cruel. Besides the company was at a disadvantage with its great competitor at every point. The Carnegie Company now owned abundance of raw material, controlled transportation, owned furnaces and mills which were of the latest type. Judge Gary counselled the Illinois Steel Company to put together what he called a "rounded proposition" to make themselves self-sufficient and then to go after foreign trade. The suggestion was agreed to by his board and he set to work on an aggregation of the resources necessary to carry out this policy. By September 1898 the Illinois Steel Company had been combined with a sufficient number of iron, ore, coal, railroad, steamship and manufacturing concerns to convince J. Pierpont Morgan that it would pay him to back a $100,000,000 organization to be called the Federal Steel Company. (1)

Altogether the year 1898 saw twelve large trusts formed. They were the fore-runners of the avalanch which came in 1889 - sixty seven in a year. (2) That is, the end of our period saw the triumph of that process of combination and inter-locking, which at its opening was so generally challenged. Neither appeals to the philosophy of individualism, political agitation, organized opposition, restraining laws, the recurring depressions in which the over-expansion and exploitation of consolidations had

1) For the subsequent merging of the Federal Steel Company with other companies into the United States Steel Corporation (1901) see Faulkner, H. U. The Quest for Social Justice, 29-32

2) Moody, John. The Truth about the Trusts. Classified Statistics of all Trusts. Pages 453-482

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obviously a big part more than temporarily disturbed their growth and spread.

The biggest thing in ~~communication~~ the franchise trust was still as in 1878 the Western Union Telegraph Company. Its 206,202 miles of wire had become 874,420. Where they had then carried about 24,000,000 messages they now carried over 62,000,000. (1) Its only competitor, the Postal Telegraph, was in matters of rates and treatment of its public, its ally - a gentleman's agreement. The two of them were a practical monopoly.

As for the industrial trust the Standard Oil Company pronounced in 1888 by the Congressional Committee which first attempted to lay bare the bones of the phenomenon as the "original trust" - "the incentive to the formation of all other trusts and combinations," was still the almost perfect monopoly.

1) Annual Report of the President of the Western Union for 1898

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