

Copy sent to Mr. Sinclair:

But it is unfair to conclude that the full burden of responsibility for the hardships which the rushing in of new machines is on the manufacturer. Behind him often is the banker sighing in boom times for new mergers to finance.

The manufacturing friend I quoted at the start as confessing himself convicted of sin by his rush to increase his output before he had any reason but his hopes for thinking he could sell all he made, let fall a remark which showed that there was behind him another force than competition - something beside ambition to increase output.

"My banker was urging me to do it. Thought it would be a good thing for the town to have the biggest plant in the line here. Thought it meant a merger and he wanted to capitalize it."

The rush to merge things that were doing very well as they were because it meant new stocks and bonds to sell to a public hungry to put its money on what might, or might not, be a winner has helped more than one employer to put men on the streets in these last years.

Let me tell you a story - a true story - of a nice little merger made in the name of "benefits to the public," that is to you and me! if "everybody could be brought together" - "new labor-saving machines installed."

There is nothing so hateful to the investment broker in flush times as an enterprise that does not desire to increase its capital - a small thing that stands alone is a stick in the wheel of progress - and so when a certain promoter discovered a rather new little industry, six units we will say scattered over the country, each doing very well in its small way he set out to make them one.

These plants worth on an average about \$150,000 a piece and making six to eight percent on their investment - the promoter proposed to take over-paying the owners each \$100,000 in cash, \$50,000 in stock and to give them \$25,000 a year for three years as executives in the amalgamation.

By persuasion and alarm the combination was made and \$2,000,000 stock issued, the bank financing the situation getting something like \$300,000 in stock as pay for its efforts.

The six units were made two and the new and costly machines which were to do the trick were introduced. But what happened? Just what always happens when natural growths are disturbed, forced processes applied.

There were possibly seventy five men engaged in each of the original units - laborers - clerks - selling force. They lived in the towns. The change threw probably seventy five percent of them out of work, for you can believe that the

promoter who forced such a combination knew and thought too little of what his project would do employees to make plans to provide places for them.

Between two and three hundred men were thrown out of work - and the merger - are we getting its good cheaper? Of course not. How could that be with interest to pay on \$2,000,000 instead of \$900,000 and with six executives, each competent in a self-directing unit but lost in a combination drawing his \$25,000!

No, it is not alone the hurry to save labor by new machines that disturbs the balance of the working life of the United States. Behind this hurry is a rush of the promoter, not interested in proving that two blades of grass can be made to grow where there was one, but in making us believe that it will be done if we will only put up the money to buy the machines which are to force them to grow.