

Profits, Mergers and Trust Busting in the U. S. A.

By I. Amter.

The profits that American concerns earned in 1922 and in the first quarter of 1923 have been equalled only a few times in the history of the country. In 1922, the railroads earned \$776,000,000 the General Motors Corporation \$66,000,000, the Indiana Oil Company \$55,000,000. United States Steel divided \$50,000,000. The coal operators' profits amounted to \$400,000,000 above those of the year before, despite the coal strike. In the first quarter of 1923, the Standard Oil group paid \$33,000,000 in dividends, the third highest on record. In February, the railroads earned \$60,000,000.

In 1920, the United States Supreme Court declared that „stock dividends“ were not subject to taxation as income. This was an excellent method for the big corporations to „fleece“ the government. In ten years, Standard Oil paid nearly \$1,000,000,000 in dividends, all of which might have been subject to taxation. By distributing the dividend in stock—that is to say, by increasing the amount of capital stock and making a gift of such stock to the stockholders—the corporations obviated the necessity of paying these taxes . . . which means a *pocketing of hundreds of millions of dollars.*

The ruling of the Supreme Court came as a godsend to the financiers and big capitalists of the country. The consequence has been a riot of stock dividends. In 1921, 129 concerns paid \$777,000,000 in stock dividends, the dividends varying from 3% to 700%. In 1916, Armour and Company raised their capital from \$20,000,000 to \$100,000,000, simply by issuing a stock dividend. Standard Oil, from its "dissolution" in 1911, when it was "busted" by order of the court, up to 1922 declared dividends varying from 10% to 2900%. The latter prize was captured by the Indiana Oil Company in 1912, the company increasing its original capital stock from \$1,000,000 to \$30,000,000 overnight. Today, by the accumulation of dividends, every original shareholder owns \$84 worth of stock for every dollar he put in. In ten years, the Standard Oil companies have returned in dividends about 100% of the original capital.

The years 1922 saw another riot of dividends. — \$2,000,000,000 being declared in stock dividends alone. The top notch was reached by the Evening News Association, which declared a dividend of 19,900%. Then followed other concerns with dividends of 16,000%, 9,900%, 7,500%, 3,233%, 2,000%, 1,400%, 900% to a mere 100%. It is a merry chase in this day of big profits and big dividends—and the law lets the issuer of stock dividends slip through the door of liability to taxation so nicely that the large concerns have dared to declare their tremendous dividends.

Did this law not exist, there is no question that the capitalists would not attempt to flaunt their "earnings" in the face of the workers as they do today . . . at the same time complaining about the high wages they must pay and demanding the admission of more labor to the country. This they are doing on the specious grounds that there is a "shortage of hands". What the employers understand by "shortage" is the absence of a reserve army upon which they may draw in order to reduce the pay, particularly of unskilled labor.

Capital in America, furthermore, is passing through a period of concentration and centralization. Despite the existence of a supposed law contravening such procedure, a steady process of concentration is taking place. Mergers are becoming daily occurrences. Although the Secretary of the Interior threatens with his big stick, the financiers pay little heed to him, having received "tips" from Washington.

Harding promised that the Republican Administration would interfere little in business. He went into office with the slogan—the main one, as far as capital was concerned—of "less government in business". Communists recognize that this is a mere pleasantry, since the government of the United States, as of every capitalist country, is a mere agent of the capitalist class.

Hence, recognizing the immense value of concentration and following that classic trend, despite years and periods of seeming abstinence, the large concerns of the United States are merging with concerns of equivalent power, absorbing the smaller ones. This process is taking place in all branches. The most notable mergers have been that of the Anaconda Copper Co. and the Chile Copper Co, the merging of which produced a concern with a capital of \$470,000,000. The Armour Packing Co., and the Morris Packing Co., under the tutelage of Wall Street, merged into a \$550,000,000 concern. The Bethlehem Steel Corporation and the Midvale Steel and Ordnance Co. have merged, this making them the second largest producer of steel in the United States. A third concern—the Cambria Steel Co.,—is about to enter the merger. There has been a merger of nineteen public utilities companies into a \$200,000,000 corporation. Oil companies, knitting mills, match manufacturers and banks are following suit.

The Interstate Commerce Commission has upheld the merging of the Central Pacific and the Southern Pacific Railways. A proposal had been made to merge the western railway lines of the United States into nine systems. Since the above-mentioned merging, a four-system proposal has been made, with considerable likelihood of its being approved.

With Wall Street—that is to say, the financial world—behind all of these moves, the power of capital is being centralized with tremendous speed in America.

The increase of cash and particularly of stock dividends has brought about increases in the capital stock of large concerns. Today there are five corporations in the "billion dollar" class. The American Telephone and Telegraph Company, recently increased its capital stock to \$1,000,000,000 thus overtopping the United States Steel Corporation whose capital stock amounts to \$950,000,000. Then follows the Standard Oil Company of New Jersey, which is capitalized at \$825,000,000, but with property far in excess of \$1,000,000,000. The General Motors has a

capital of \$1,200,000,000, this including \$500,000,000 worth of debenture preferred stock. The Pennsylvania Railroad Co. is capitalized at 660 millions, which is generally recognized as very conservative compared with the immense holdings of the company.

The concentration and centralization of capital naturally evokes the antagonism of the petty bourgeoisie, which endeavours to stop the process of time. Just as Roosevelt and the petty-bourgeois liberals „muck-raked“, that is to day, dug into the infamy of big capital and decided to break it up, in order to give „every American boy a chance to become a Rockefeller“, so today again, the petty-bourgeois muckrakers are tackling the big job of „trust-busting“.

Then again, election is coming, and slogans must be found to attract the dissatisfied farmers and fascinate the workers and shopkeepers. The arch-representative of the petty-bourgeoisie, its main champion and St. George, *Senator La Follette*, has declared war on the trusts in stentorian tones. In 1923, he intends to repeat what Roosevelt failed to accomplish in 1910—1912.

The Anthracite coal trust is to be „investigated“ and dissolved, to be sure. The railroad companies controlling it are to be completely dissociated from it, the government insisting upon the officers and stockholders of the railroad companies being separated from those of the coal companies. The sugar trust is to be investigated, since La Follette is convinced that, through its monopoly, it has fixed prices. Although the packing trust has been organized, Secretary of Agriculture Wallace has declared that he will take the case to the Supreme Court of the United States. The banks, copper companies and railroads are on the alert, since they fear similar proceedings against their recent mergers.

La Follette has ranted particularly against the Standard Oil Company. He has pointed out that since its „dissolution“ in 1911, the power of the company has constantly grown. The various components have divided up the domestic field, and have delegated the retail field in the British Isles to the Anglo-American Oil Co., Ltd. By control of the pipe lines, Standard Oil is said to have complete control over all competing groups.

The government is not to be outdone in pandering to the farmers and petty-bourgeoisie. It is answering the siren call to „bust the trusts“, in this manner aiming to raise the lean prestige of the Harding administration and break the lance of La Follette and of the other liberals who do not share this propensity with La Follette.

Year by year, following economic laws, Wall Street is accumulating power through dividends, profits and mergers. The shrill voice of the petty-bourgeoisie cannot stop history.