



What Publicity Can Do

By LOUIS D. BRANDEIS

IN the previous articles of this series Mr. Brandeis has described the concentration of power in the hands of the investment bankers by undue multiplication of their functions and by consolidation of banks and railroads. He has discussed the manner in which interlocking directorates have made this possible and the bad effect on the small investor and how this may be prevented through legislation. In this issue he tells how all of us can help

PUBLICITY is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants; electric light the most efficient policeman. And publicity has already played an important part in the struggle against the Money Trust. The Pujo Committee and its able counsel, Mr. Samuel Untermyer, have, in the disclosure of the facts concerning financial concentration, made a most important contribution toward attainment of the New Freedom. The battlefield has been surveyed and charted. The hostile forces have been located, counted and appraised. That was a necessary first step—and a long one—towards relief. The provisions in the Committee's bill concerning the incorporation of stock exchanges and the statement to be made in connection with the listing of securities would have a very beneficent effect. But there must be a further call upon publicity for service. That potent force must in the impending struggle be utilized in many ways as a continuous remedial measure.

Wealth

COMBINATION and control of other people's money and of other people's businesses. These are the main factors in the development of the Money Trust. But the wealth of the investment banker is also a factor. And with the extraordinary growth of his wealth in recent years, the relative importance of wealth as a factor in financial concentration has

grown steadily. It was wealth which enabled Mr. Morgan, in 1910, to pay \$3,000,000 for \$51,000 par value of the stock of the Equitable Life Insurance Society. His direct income from this investment was limited by law to less than one-eighth of one per cent. a year; but it gave him control of \$504,000,000 of assets. It was wealth which enabled the Morgan associates to buy from the Equitable and the Mutual Life Insurance Company the stocks in the several banking institutions, which, merged in the Bankers' Trust Company and the Guaranty Trust Company, gave them control of \$357,000,000 deposits. It was wealth which enabled Mr. Morgan to acquire his shares in the First National and National City banks, worth \$21,000,000, through which he cemented the triple alliance with those institutions.

Now, how has this great wealth been accumulated? Some of it was natural accretion. Some of it is due to special opportunities for investment wisely availed of. Some of it is due to the vast extent of the bankers' operations. Then power breeds wealth as wealth breeds power. But a main cause of these large fortunes is the huge tolls taken by those who control the avenues to capital and to investors. There has been exacted as toll literally "all that the traffic will bear."

Excessive Bankers' Commissions

THE Pujo Committee was unfortunately prevented by lack of time from presenting to the country the evidence

covering the amounts taken by the investment bankers as promoters' fees, underwriting commissions and profits. Nothing could have demonstrated so clearly the power exercised by the bankers, as a schedule showing the aggregate of these taxes levied within recent years. It would be well worth while now to reopen the Money Trust investigation merely to collect these data. But earlier investigations have disclosed some illuminating, though sporadic facts.

The syndicate which promoted the Steel Trust, took, as compensation for a few weeks' work, securities yielding \$62,500,000 in cash; and of this, J. P. Morgan & Co. received for their services, as Syndicate Managers, \$12,500,000, besides their share, as syndicate subscribers, in the remaining \$50,000,000. The Morgan syndicate took for promoting the Tube Trust \$20,000,000 common stock out of a total issue of \$80,000,000 stock (preferred and common). Nor were monster commissions limited to trust promotions. More recently, bankers' syndicates have, in many instances, received for floating preferred stocks of recapitalized industrial concerns, one-third of all common stock issued, besides a considerable sum in cash. And for the sale of preferred stock of well established manufacturing concerns, cash commissions (or profits) of from 7½ to 10 per cent. of the cash raised have been exacted. On bonds of high-class industrial concerns, bankers' commissions (or profits) of from 5 to 10 points have been common.

