



The Truth About "The Truth About the Trusts"

Author(s): David Bunting

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## Notes

### *The Truth About "The Truth About the Trusts"*

Quantitative studies of the First Merger Movement (1898 to 1901) are to a large extent based on the 1904 compendium *The Truth About The Trusts*<sup>1</sup> wherein John Moody identified and described 445 "greater" and "lesser" Trusts. When published, one reviewer dubbed it "A Trust Encyclopaedia" because it contained "in a single volume all the important facts accessible regarding Trust investments."<sup>2</sup> Although harshly criticized for its explanation of the Trust movement,<sup>3</sup> *The Truth About The Trusts* quickly became the standard statistical account of the Trust era.<sup>4</sup> And today, as Hacker indicates, it retains its authoritative position, uncorrected except "in detail."<sup>5</sup> Consequently, such well-known studies as those by Nelson, Markham, Weston, and Nutter have relied heavily upon this book.<sup>6</sup>

Diverse reasons explain the continued dominance of Moody's compendium. First, by listing all large American corporations active around January, 1904, it succinctly summarizes the consequences of the First Merger Movement. Second, its financial information, especially the estimates of each corporation's "industry control," offers a ready statistical source germane to the Trust era. In one volume, it presents data found—if at all—in other, more difficult financial sources. Finally, *The Truth About The*

<sup>1</sup> John Moody, *The Truth About The Trusts: A Description and Analysis of the American Trust Movement* (New York: Moody Publishing Co., 1904).

<sup>2</sup> *Outlook*, LXVII (1904), 185-6.

<sup>3</sup> See reviews in *Ibid.*, *Current Literature*, XXXVI (1904), 499-502; *Arena*, XXXII (1904), 218-220; *Overland Monthly*, XLIV (1904), 93; *Political Science Quarterly*, XIX (1904), 305-7; and *Annals of the American Academy*, XXIV (1904), 387-9.

<sup>4</sup> For example, Moody's statistics were cited many times during Congressional debates over the "Money Trust"; see *Congressional Record*, XLII (1908), 3794; XLVII (1911), 192; and LI (1914), 14217.

<sup>5</sup> Louis M. Hacker, *The Course of American Economic Growth and Development* (New York: John Wiley & Sons, 1970), p. 249.

<sup>6</sup> Ralph L. Nelson, *Merger Movements in American Industry: 1895-1956* (Princeton: Princeton Univ. Press, 1959); Jesse W. Markham, "Survey of the Evidence and Findings on Mergers" in Universities-National Bureau Committee for Economic Research, *Business Concentration and Price Policy* (Princeton: Princeton Univ. Press, 1955), pp. 141-212; J. Fred Weston, *The Role of Mergers in the Growth of Large Firms* (Berkeley and Los Angeles: University of California Press, 1953); G. Warren Nutter and Henry A. Einhorn, *Enterprise Monopoly in the United States: 1899-1958* (New York: Columbia Univ. Press, 1969), pp. 1-54, 95-149.

Trusts had little competition; other lists usually contained fewer corporations and considerably less financial information.<sup>7</sup>

In his preface, Moody acknowledged "(i)n the general work of compilation, liberal references have been made to those invaluable standard financial authorities, such as the *Commercial & Financial Chronicle*, the *Boston News Bureau*, *Wall Street Journal*, and so forth. . . . Wherever quotations have been made, due credit has, of course, been given. . . . The more general source from which the information has been secured and arranged has, of course, been the several annual issues of *Moody's Manual of Corporation Securities*, supplemented by the statistical files of The Bureau of Corporation Statistics."<sup>8</sup> Thus, reviewers and scholars have reasonably assumed Moody based his book primarily on data he himself collected to publish his yearly *Moody's*.<sup>9</sup>

However, this assumption is not entirely correct. Comparison of the first *Moody's*, published late in 1900, with another, ignored financial manual, indicates that Moody either took much of his data from this unrecognized publication or purchased his information from some other unknown source. This unrecognized manual is the *Manual of Statistics: Stock Exchange Handbook*, published yearly from 1878 to 1924.<sup>10</sup> As far as can be determined, this manual has been completely ignored. Larson, in her *Guide to Business Literature*, does not cite it, nor (with one exception) has any other scholar utilized it.<sup>11</sup>

<sup>7</sup> "Exhibit A," *Congressional Record*, XXXVI (1903), 1848-1854, compiled by the Congressional Information Bureau, Washington, D. C. contains 453 industrial and 340 "natural" trusts, but the only financial data presented relate to authorized capitalization. Similar information is presented for 565 Trusts found in the *United States Investor*, X (December 30, 1899), 1759-1763. Considerably more information was included by Holt in his list of 265 Trusts; see (Byron W. Holt), "Principal Trusts in the United States," *The World Almanac*, VII (1900), 120-23. Holt's relationship with Moody is discussed below. Also, no information could be found on the nature and purpose of the Congressional Information Bureau. Better-known compilations are discussed in Markham, 146-150.

<sup>8</sup> Moody, *The Truth* . . . , p. xxii.

<sup>9</sup> See fn. 3.

<sup>10</sup> The publishing history of the *Manual* is obscure. It was published in 1885 by the Financial News Association. By 1891 its publisher was the Investors Publishing Company which sold it to Nicoll & Roy in 1893. By 1895 Charles H. Nicoll had become publisher; he was succeeded in 1902 by the Manual of Statistics Company. Some time after 1918 the Commercial Newspaper Company assumed publishership. In 1923/24, the last year it appeared, the Manual's title was changed to the *Banker's and Investor's Manual*. See *Manual of Statistics*, various volumes; *United States Catalog Supplement*, January 1918-June 1921 (New York: H. W. Wilson Co., 1921), p. 1206; and American Institute of Accountants, *Accountants' Index: Second Supplement 1923-27* (n.p.: n.p., 1928), p. 90.

<sup>11</sup> Henrietta M. Larson, *Guide to Business History* (Cambridge, Mass.: Harvard Univ. Press, 1948). The one exception is Frederick A. Cleveland and Fred W. Powell, *Railroad Promotion and Capitalization in the United States* (New York: Longmans, Green, and Co., 1909), p. 296, wherein the *Manual* is included among various railroad statistical sources. Chandler refers to the *Manual* in a footnote comment: It "was the closest thing to a competitor (to *Poor's*) before Moody began publication."

Moody's lack of originality is demonstrated by comparing his first volume, copyrighted May 9, 1900 (two copies received at the Library of Congress on November 14, 1900) with the 1899 *Manual of Statistics*, copyrighted March 11, 1899 (two copies received at the Library of Congress on March 29, 1899).<sup>12</sup> In the following eight comparisons, selected from a much larger number of corporate descriptions, word order and punctuation have not been altered, while an ellipsis indicates omission of dissimilar phrases.

#### American Radiator

*Manual of Statistics*, p. 286. . . . A corporation formed under the laws of New Jersey, February 14, 1899. The company is the successor of an Illinois corporation, also named The American Radiator Co., which controlled fully one-half of the steam radiator business in the United States.

*Moody's Manual*, p. 581. . . . Incorporated under the laws of the State of New Jersey, February 14, 1899, to succeed to an Illinois corporation of the same name, which controlled about one-half the steam radiator business of the country.

#### American Tin Plate

*Manual of Statistics*, p. 290. . . . The charter of the company . . . has attracted . . . attention by reason of . . . innovations, particularly the safeguards which are thrown around the rights of stockholders, all tending to preserve the integrity of the stock as an investment security.

*Moody's Manual*, p. 394. . . . The charter of the company . . . is distinguished for the safeguards which are thrown around the rights of the stockholders, the main idea being to preserve the integrity of the stock as a genuine investment security.

#### William Cramp & Son's Ship & Engine Building

*Manual of Statistics*, p. 310. . . . The company took over the large ship-building and general machinery plant established early in the present century . . . by William Cramp, and which has grown into the largest establishment of its kind in the United States.

*Moody's Manual*, p. 655. . . . It succeeded to the large ship-building and general machinery business of William Cramp, which was established early in the present century. It is the largest establishment of its kind in the United States.

#### International Silver

*Manual of Statistics*, p. 322. . . . This company, incorporated under the laws of New Jersey, in Nov., 1898, was formed to combine the leading manufactories of silver and silver-plated ware in the United States and Canada. The companies included were: . . . the firms and companies

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Chandler apparently did not examine the *Manual* because he confuses title page descriptive statements with its actual contents; see Alfred D. Chandler, Jr., *Henry Varnum Poor* (Cambridge, Mass.: Harvard Univ. Press, 1956), fn. 10, p. 342.

<sup>12</sup> Dates indicated in volumes at the Library of Congress.

represent some 75 per cent of the total silverware output of the country. The company acquired the trademarks, etc., of all these establishments.

*Moody's Manual*, p. 615. . . . Incorporated under the laws of New Jersey, November, 1898, to combine the leading manufactories of silver and silver-plated ware in the United States and Canada. The company includes the following named plants: . . . The foregoing firms and companies represent about seventy-five per cent of the total silverware output of the country. The International Co. acquired the trade marks, etc., of all these establishments.

Marsden Co.

*Manual of Statistics*, p. 330. . . . manufactures a variety of products from the cornstalk, such as cellulose for the protection of battleships, for smokeless powder, dynamite, pyroxyline varnish, etc. The fibrous portion of the stalk, together with the leaves and husks, is used for stock feeding; the outer shell, or shives, for the manufacture of paper, etc. The pith, owing to its wonderful obturative qualities, excludes water from a vessel whose armor has been pierced.

*Moody's Manual*, p. 623. . . . The cellulose is used for packing warships and as a substitute for nitrated cotton in the manufacture of smokeless powder, dynamite, pyroxide varnish, and so forth. The fibrous part of the stalk, with the leaves and husks, is used for cattle feeding, and the outer shell for the manufacture of paper. The pith, because of its remarkable obturative qualities, excludes water from a vessel whose armor has been pierced.

Quincy Mining

*Manual of Statistics*, p. 350. . . . Owns and works one of the richest copper mine properties in the Portage Lake District, Houghton County, upper Michigan.

*Moody's Manual*, p. 727. . . . it owns and works one of the richest copper mine properties in the Portage Lake District, Houghton County, upper Michigan.

Tamarack Mining

*Manual of Statistics*, p. 356. . . . Company was formed in 1882 for the purpose of sinking a shaft to the Calumet lode, which it was believed existed in its property about half a mile below the surface. Shaft . . . was completed June, 1885, when the formation sought was struck at a depth of 2,270 feet . . . shafts have been constructed, and the company has mills, reduction works and other plant.

*Moody's Manual*, p. 771. . . . Incorporated in 1882 . . . for the purpose of opening a shaft to the Calumet lode, which was supposed to exist on the property about half a mile below the surface. The shaft was completed in June, 1885 and the formation looked for was struck at a depth of 2,270 feet. Four additional shafts were afterwards constructed, and the company has mills and reduction works of value on its lands. . . .

Westinghouse Electric & Manufacturing *Manual of Statistics*, p. 368. . . . In 1895 entered into arrangements with Baldwin Locomotive Works, Philadelphia, for joint manufacture of electric railroad motors. In March 1896, made agreement with General Electric Company for pooling and joint use under agreed royalties of patents owned by both companies. In September, 1898, company purchased the stock . . . of the Walker Electric Co. . . .

*Moody's Manual*, p. 333. . . . In 1895, the company entered into an agreement with the Baldwin Locomotive Works, Philadelphia, for joint manufacture of electric railroad locomotives. In 1896, an agreement was made with the General Electric Company for pooling and joint use of patents owned by both companies. In 1898, the company purchased the stock of the Walker Electric Co.

However, Moody did not rely entirely on the *Manual of Statistics*. His volume included more corporations than the *Manual*; also small factual differences as well, instances of very different descriptions of the same company by each publication indicate he used other sources. Therefore, it appears Moody began his enterprise in the following manner. On the one hand, financial information was sought by systematically inquiring into the affairs of a large number of corporations. Moody was well prepared to use this method: it was a continuation of his activities at Spencer Trask & Company where he was known as a "walking statistical table."<sup>13</sup> On the other hand, he relied on contemporary sources, including the *Manual of Statistics* or some private service dispensing financial information to compilers such as himself.

Rediscovery of the *Manual of Statistics* raises some interesting questions. What was the *Manual of Statistics*? Basically, it was a yearly financial handbook containing detailed descriptions of various corporations as well as diverse data related to banks, security prices, and raw materials. In its earlier years, the *Manual* concentrated on major railroads, coal mining companies, and well-known "miscellaneous" corporations. In 1896, it began to expand its coverage of non-railroad organizations. By 1900, it had grown to nearly a thousand pages, and fully half of the

<sup>13</sup> John Moody, *The Long Road Home: An Autobiography* (New York: Macmillan Co., 1933), p. 88. Moody (1868-1958) indicates a corporation was formed to publish the initial *Moody's* which consisted of \$5000 cash (provided by Eliphalet Nott Potter, a fellow Spencer Trask employee) and \$20,000 "good will." Success followed immediately; it paid a 20 percent dividend after its first year.

Moody's subsequent career is curious. Despite his financial expertise and Wall Street knowledge, he invested in "several get-rich-quick schemes": a brick-making plant, Nevada "bonanza" fields, and Canadian silver mines. He founded a financial magazine which would "cater honestly to the private investor . . . and incidentally make a pot of money for me." Finally, he spent and loaned considerable funds supporting New Jersey political reform and the single-tax movement.

He lost everything, including control of the *Moody* corporation, in the Panic of 1907. Saddled with debt, avoiding speculation and causes, he continued compiling the *Moody's* and slowly recovered. In 1931, Moody came to the end of "the long road home": he embraced Catholicism. His later writings consist of ruminations on this experience.

volume was devoted to industrial and mining companies. Since small, obscure, or closed enterprises were usually omitted, it appears the *Manual's* editors prepared their publication as a ready reference or general handbook for individuals active in stock exchanges or corporate activities throughout the nation. A review in the *Railroad Age Gazette* recognized this: "Without undertaking to furnish information of a very studious character the book is a pretty complete record of the kinds of facts most wanted on Wall Street and wanted quickly."<sup>14</sup>

Data found in the *Manual* were well organized and usually detailed. Information presented included a short corporate history, securities authorized and issued, officers and directors, and a range of security prices for three consecutive years. In many instances, the constituent parties to various mergers were identified in detail. While the *Manual* does not surpass the *Commercial & Financial Chronicle* as a basic data source, it is much easier to use than this voluminous, intricately cross-referenced weekly. In summary, the *Manual of Statistics* offered, in concise volumes, a continuous record of the Trust Movement. It focused on large corporations and presented a yearly synopsis of their activities. It is small wonder that Moody turned to this source when he first began to compile his compendium.

Why has the *Manual* been ignored? Apparently the *Manual* was known during its existence. J. P. Morgan advertised in it as did other financial firms, industrial corporations, and major New York City banks. It was favorably reviewed: "Each recurring edition of this annual publication deserves a hearty welcome. . . . In almost every paragraph the reader finds evidence that not mere hack work, but sound knowledge and intelligent judgement have been devoted to the preparation of the volume."<sup>15</sup> Early guides to business literature included it among basic sources of financial information.<sup>16</sup>

Most likely, the *Manual of Statistics* was a victim of ambiguous purpose. It was a "stock exchange handbook," designed for users generally

<sup>14</sup> *Railroad Age Gazette*, XXXVIII (1905), 596. In various reviews the *Gazette* consistently refers to the *Manual* as a concise, condensed, or convenient handbook, covering "a very wide range, and this is its chief value." *Ibid.*, XLV (1908), 368. On the other hand, *Moody's* and *Poor's* are described by such terms as: well-known, complete, indispensable, and standard; *Ibid.*, XLV (1908), 989; XL (1906), 481; and XXXVII (1904), 119, 551.

<sup>15</sup> *Jr. of Accountancy*, IV (1907), 475; see fn. 14; and *United States Investor*, XIII (1902), 889; XIV (1903), 878.

<sup>16</sup> In Alice B. Kroeger, *Guide to the Study and Use of Reference Books* (Boston: American Library Association, 1902), p. 24, the *Manual* is listed with *Poor's*; in *Ibid.*, 2nd ed. (1908), p. 43, *Moody's*, *Poor's*, and the *Manual* are included; in *Ibid.*, 3rd ed. (1917), p. 83, *Moody's* and the *Manual* are listed. H. G. T. Cannons, *Classified Guide To 1700 Annuals, Directories, Calendars & Yearbooks* (New York: H. W. Wilson Co., 1923), p. 37, includes all three manuals. Also the *Manual* was in the Crerar Library: The John Crerar Library, *A List of Books in the Reading Room* (Chicago: Printed by Order of the Board of Directors, 1900), p.64, and *Ibid.*, (1909), p. 114. Finally, it was "among books which must be included in a complete financial library"; see the *Financial and Investors Manual*, XLI (Sept. 11, 1912), 11.

interested in corporate activities. Reviewers consistently indicated that the *Manual's* uniqueness lay not in its financial information but in its extensive compilation of stock and bond quotations.<sup>17</sup> Yet apparently this was not enough. Few potential buyers had general interests if they could get specific quotations from other sources. Consequently the *Manual* languished in obscurity while more complete publications flourished.

Since the *Manual* never gained wide acceptance, it never gained a wide circulation. Although isolated volumes were found,<sup>18</sup> a complete set could not be located on the West Coast. On the East Coast, a complete series does not exist in the Library of Congress, nor could one be found in various financial libraries in New York City. However, two apparently complete collections were located, one at the New York City Public Library and the other at Princeton University. Thus, in addition to not being widely used, the *Manual* was difficult to utilize.

What of Moody's use of the *Manual*? It seems incredible that Moody could reproduce parts of the *Manual* without suffering copyright infringement charges. Yet no record of such charges can be found.<sup>19</sup> On the other hand, data for the first *Moody's* might have been legitimately acquired. Possibly, some form of cooperation existed between the respective manuals. But what advantage would the senior publication gain from cooperating with an untested, yet obvious competitor? Further, no evidence of collaboration could be found in the biographies of individuals connected with each enterprise.<sup>20</sup>

A more reasonable conjecture is that Moody purchased his information from some private source. As opposed to other financial publications, both *Moody's* and the *Manual* included issued capitalization in their individual corporate descriptions. Nelson, in his study of merger movements, indicates these data could generally not be found in the *Commercial & Financial Chronicle*.<sup>21</sup> The only other writer to include issued capitalization was Byron W. Holt in his 1900 "Principal Trusts" list.<sup>22</sup> Holt's compilation is essentially an abbreviation of data found in the *Manual* with one important exception: Holt includes some companies not found in the *Manual* for 1899 or 1900. Therefore, it appears that Holt, Moody, and the *Manual* had access to the same information sources. Further, since Holt and Moody were active in reform activities and

<sup>17</sup> See fn. 15.

<sup>18</sup> A *Manual of Statistics* for 1920 was found during idle browsing at the University of Oregon Library. Curiosity dictated further inquiry. The *Manual* is currently being exploited for my dissertation, "The Rise of Large American Corporations: 1896 to 1905."

<sup>19</sup> Each *Federal Reporter* from LXXXVIII (1898) to CLXX (1909) was examined.

<sup>20</sup> Sources examined: *Who Was Who*, *National Cyclopaedia of American Biography*, *Dictionary of American Biography*, and *New York Times Obituary Index*.

<sup>21</sup> Nelson, pp. 17-20. Nelson assumed Moody relied upon the *Financial Chronicle* (fn. 8, p. 13), yet he never questioned how it was possible for Moody to include information Nelson, himself, was unable to find in the *Chronicle*.

<sup>22</sup> See fn. 7.



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single-tax circles as well as jointly forming *Moody's Magazine*,<sup>23</sup> it might be that Holt provided initial access to data Moody used for his manual and as the basis for his Bureau of Corporation Statistics. But, available information does not indicate that Holt, himself, conducted a financial statistics service.<sup>24</sup> Consequently, the possibility exists that somewhere, most likely in New York City, there is (in some dusty loft or dark cellar) a file—a complete statistical file—of the First Merger Movement. And therein lies the truth about *The Truth About The Trusts*.

DAVID BUNTING, *University of Oregon*

<sup>23</sup> "Byron W. Holt," *Who Was Who In America: 1897-1942* (Chicago: A. N. Marquis Co., 1942), p. 582. Holt (1847-1933) was secretary of the Reform Club's Tariff Commission. In 1899 he wrote "Single Tax Applied to Cities," *Municipal Affairs*, III (1899), 328-49. In 1905 he and Moody formed the magazine.

<sup>24</sup> *Ibid.*