

The process is well described in the Report of the American Industrial Commission:

"The profit of the promoter is generally that portion of the stock issued, that is left after paying for the plants entering into the combination and the expenses of the organization. Usually, therefore, the amount paid for the plants is not known to the investing public; the amount received by the promoter is not known to the vendors themselves; at times no careful estimate is published of the value of the tangible assets; even the earning capacity of the different plants is not always made public. In consequence, the speculative element in the value of the shares for the first few months after the organization, is possibly the most important feature in connection with them.

"The larger combinations usually issue to their stockholders once a year an annual report regarding the business. This report, however, is frequently in terms so general that it is difficult to learn much regarding actual conditions, and this speculative element still remains.

#### **Directors Take Advantage of Shareholders.**

"This seerey in promotion, combined with very large capitalization, gives a great advantage to directors and officers of the combination and others associated with them in knowing the value of the shares. There seems to be no doubt that in many instances the promoters of combinations have been able to unload large blocks of stock at prices far above their values, as shown by later experience. Parties interested in the International Silver Company attempted by a pool to unload stock at 30, which soon afterwards fell to 12. At other times insiders might be able to take advantage of the public in the stock market, as was charged against an officer of the American Steel and Wire Company, and there is no question that some of them do take such advantage of stockholders for whom they are acting substantially as trustees."

#### **Small Investors Suffer From Trusts.**

The small private investors, then, have suffered from the trusts only less than the consumers, though we do not