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THE MARKING OF STUART CHASE
AS A "RED ACCOUNTANT"--AN
EPIC (1917-1921)

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THE MARKING OF STUART CHASE
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Stuart Chase (SC) was excoriated as being a "Red Accountant" on the floor of the U.S. Senate on October 20, 1919 by Senator James E. Watson (1863-1948, IA, 1906-1933 USS, 1895-1897 HR, 1899-1909 HR, Republican) (Congressional Record (CR), pp. 7166-7169). SC was then a 31 year old CPA working for the Federal Trade Commission (FTC) and investigating the Big 5 Meat Packers (Armour & Co.; Swift & Co.; Wilson & Co.; Morris & Co.; and the Cudahy Co.) during World War I (1914-1918; U.S. entry into WWI was April 1917).

There has been recent scholarship by Bradley and Merino (1994) and Vangermeersch (2005) on this event and the subsequent eventual firing of SC by the FTC. Bradley and Merino's scholarship was limited to 1918 and 1919. Vangermeersch's scholarship was limited to two narrow time periods (Oct. 20, 1919 and then from June 1920 to mid January 1921). This piece is written to extend the time frame from early 1917 through August of 1921. This piece, not only takes a broader time period, also broadens the scope of the prior scholarship. This piece examines many documents, articles, and testimony not covered by Bradley and Merino and by Vangermeersch. It also comments on the differing conclusions of Bradley and Merino with Vangermeersch's and surmises as to the effect SC had on the ultimate result--the Packers and Stockyard Act of 1921.

This piece is meant to be the opposite of what Stephen P. Walker, former editor of the Accounting Historians Journal, labeled a portrayal of a myopic and introspective discipline (Accounting Historians Journal, Dec. 2005, p. 233). This piece does not tell

the whole story of the Packers and Stockyard Act of 1921 but does place accounting and SC into a fascinating swirl of events, people, and institutions.

The writer has determined that the story best be told in a chronological manner. He spent countless hours to grasp the essence of the story. In effect, the writer answers the questions of what was the basis of Watson's attack; what were the effects of the congressional and business views on the FTC; why did the FTC eventually hang SC out-to-dry; and what were the possible effects of SC's work on the Packers and Stockyard Act of 1921.

1917 Feb. 7 President Woodrow Wilson (1856-1924) (1913-1921, Democrat) wrote in a letter to FTC Chairman William J. Harris (1868-1932, GA, USS, 1919-1932, Democrat, FTC 1915-1918) that the United States had a shortfall in cereals and meats due to problems in distribution causing unjustifiable and demoralizing fluctuations in prices (Government Control of Meat Packing Industry: Hearings before the Committee on Interstate and Foreign Commerce, H.R., (65th Cong. 3rd sess. on H.R. 13324, pp. 4-5))

Wilson's formal charge to the FTC was:

...I direct the commission, within the scope of its powers to investigate and report the facts relating to the production, ownership, manufacture, storage, and distribution of foodstuffs and the products or by-products arising from or in connection with their preparation and manufacture; to ascertain the facts bearing on alleged violations and the antitrust acts and particularly upon the question whether there are manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law or the public interest (p. 5).

1917 Feb. 24 Rep. Borland (William J. 1867-1919, MO, HR 1909-1919, Democrat) requested the passage of an amendment to fund the FTC's aforementioned

investigation by allocating an additional \$400,000 to the FTC budget (CR p. 417).

Borland was both quite provocative and detailed in his rhetoric:

... We ought to have begun this investigation 9, 10, or 12 months ago; and yet we are confronted today with food riots in the metropolis of the richest and most productive country on the face of the globe. ... What we want is the inquisitorial powers with which we clothed the FTC to compel the production of books and papers to examine into the connection between the stockyards, the cold storage and packing houses, the bankers and the retail markets, and find out where is the cause of this shortage (CR, p. 4172).

Rep. Kent (William, 1864-1928, CA, HR 1911-1917, Independent and then Progressive Republican) gave a very good synopsis of those in favor of the FTC investigation. He stated:

The claim that the (U.S.) Agricultural Department, through its Bureau of Markets, can make such an investigation as is needed is belied by the fact that the Bureau of Markets has not inquisitorial powers and is stopped by a blank wall when it endeavors to investigate the business of those who wish to maintain secrecy in their business, and who, through complicated systems of bookkeeping, possibly through overloaded overhead charged, are enabled to feed the public with cheap sophistry...

...
The packers through costly advertising are telling the public of the smallness of their profit per pound of produce; but why should we accept their figures when the whole field of by-products is unknown territory, and the best of men can be deceived and can deceive themselves by systems of bookkeeping? (p. 4218).

1917 Sept. SC started with the FTC with the help of his father, Harvey Stuart Chase (HSC) (Bradley and Merino, 1994, p. 191)(U.S. Senate Committee on Agriculture and Forestry, Government Control of Meat Packing Industry, 1919, p. 165). SC was born on March 8, 1888. SC attended HSC's alma mater, MIT, for two years (1906-1908) and graduated cum laude from Harvard in 1910. SC joined his father's CPA firm, which had been a partnership with his great-uncle, George S. Chase since 1897 (Vangermeersch, 2005, p. 9).

SC joined his father in 1912 in Washington, D.C. when HSC was appointed to President William Howard Taft's Commission on Economy and Efficiency for the Federal Government (Ibid., p. 10). SC became a CPA and a partner in his father's firm in 1916 (Ibid.) (For further information on HSC, please refer to Vangermeersch, 2002.)

There was much to be after the FTC for SC. Some of his best known books were: The Tragedy of Waste (1925); with F.J. Schlink, Your Money's Worth (1927); with illustrations by Diego Rivera, Mexico (1931); A New Deal (1932); The Economy of Abundance (1934); Government in Business (1935); Rich Land, Poor Land (1936); The Tyranny of Words (1938); Idle Money, Idle Men (1940); Where's the Money Coming From? (1943); For This We Fought (1946); The Proper Study of Mankind (1956); Money to Grow On (1964); and The Most Probable World (1968).

1918 June 11 and 12 SC is part of the FTC team interviewing Swift & Co., Morris, Armour, Wilson, and Cudahy. The publication of these interviews were part of the FTC's response to Senate Resolution 177 of Sept. 3, 1919 from Senator Norris (George W., NE, 1861-1944, USS 1912-1943, HR 1902-1913, Republican). The Norris Resolution is quite significant, for it made public on Sept. 25, 1919 the correspondence to and from President Wilson and the then U.S. Food Administrator Herbert E. Hoover (1874-1964) (Food Administrator, 1917-1919, U.S. Secretary of Commerce, 1921-1929, U.S. President 1929-1933, Republican) Senate Resolution No. 177 follows:

Resolved that the FTC be, and it is hereby, instructed to inform the Senate whether said FTC, prior to July 1, 1918, made a special investigation of the reasonableness of the maximum profit limitations fixed on the meat-packing industry by the Food Administration; and if such investigation was made, that the FTC be instructed to report to the Senate its conclusions and findings there on (Maximum Profit Limitation and Meat Packing Industry, 1919, p. 3).

SC surfaced first during the testimony from Swift & Co. SC first discussed the profit limits present in Canada--a return on capital investment (7% with one half of the excess up to 15%) and gross sales (2%). The excess amount of profits went to the Canadian government (p. 45). SC defined "Capital" as "...the capital stock plus its surplus, providing that capital stock has been paid for in cash or its equivalent" (p. 45). SC and a representative of Swift & Co., Mr. Traynor, discussed the maximum return, as long as the 2% test of sales dollars was met, that could be kept by a Canadian company, 11% (p. 46). Traynor and SC discussed the use of Jan. 1, 1914 replacement values by Swift & Co. (p. 49).

SC testified that based on his study of the first four months of 1917, Swift & Co. would earn about 25 percent on its net worth (p. 65). Mr. Swift felt that this estimate was "a mistake" (p. 65), because the federal maximum regulation had only been in force a short time (November 1, 1917) (p. 65).

SC agreed with Edward Morris, Jr. that the U.S. regulation was based both on a gross sales test and a return on investment test (p. 140). Mr. Perley Morse--an accounting expert testifying for the FTC--and Mr. Morris then discussed the confidentiality of SC's analysis (p. 140). SC then stated that "Morris & Co. has made a request for an increase (in valuation) of seven or eight million dollars in assets" (p. 141). Mr. Timmins, representing Morris & Co., stated the \$7,000,000 was determined by a study of current replacement cost (p. 142). SC stated that the FTC "knocked out" Goodwill from the equity computations of the five big packers (p. 143). SC testified about the unlimited return allowed to the packers on class 3 line of business--for example, holdings in Argentina (p. 144). (The Big 5 Packers were allowed to have a profit return of 9%

invested in Class 1 and 2½% on sales; Class 2 investment was allowed a return on investment of 15%.) SC questioned Mr. Timmins on the variability of the depreciation amount (p. 145). SC and Mr. Timmins discussed the earnings by Class 1, Class 2, and Class 3 lines of business (pp. 146-148). Mr. Morris requested if SC could get first six-month figures for 1913, 1914, 1915, and 1916 (p. 152). SC answered in the affirmative (pp. 152-153). Mr. Timmins and SC discussed the meat packing business risk of a prolonged drought and hog cholera (pp. 162-163). SC testified that all of the Big 5 Packers subtracted the value of by-products from the total cost of the beef to determine cost allocated to beef production (p. 165). Mr. Timmins and SC discussed the transfer price issue of fertilizer (pp. 169-170). SC stated that 1917 earnings would be about 22% on net worth and asked if this return were higher than usual and, if so, was it justified (p. 179). Mr. Morris responded thusly:

I do for this reason: You fellows do not realize that our profits have been made on an advancing market. The probabilities are that the markets will go up rather than down while the war lasts. When this market goes down, we are not going to show so good. We are going to have mighty hard work to split even. You take on last year's business, the big part of the profit was made on the advancing market. Do you see what I mean? (p. 179).

SC agreed with that. He and Mr. Morris then bantered about whether Morris & Co. would reach the limit on profits established by the Food Administration (p. 179).

SC asked Mr. White, President of Armour & Co., if the Hamilton plant was its only plant in Canada, to which the response was in the affirmative (p. 77). SC was told that land was in Class 3--the part of the business not subject to the profit regulations of the Food Administration (p. 78). SC requested that Armour & Co. get a special ruling on 7% convertible preferred stock vis-à-vis the 5% limit on interest charged to operating

expense (p. 84). SC asked Mr. White if he preferred a regulation based on net profit on sales (p. 94). Mr. White answered in the affirmative (p. 95). SC asked this key question:

Mr. White, do you think that these figures I have prepared show earnings on net worth on the basis of the first four months of packers' returns for the Food Administration are a reliable index of the actual year's results? (p. 25).

Mr. White responded "No" and then explained:

We have gone through a period there of increasing values in products, which would show cumulatively in an inventory--these figures are only inventory closings, not actual sales. ... (p. 95).

Mr. Morse asked "You have taken book profits but not actual profits?" (p. 95). Mr.

White responded:

That is it exactly. We have not realized on the matter. We have simply taken a paper profit as shown in the inventory, and it would not be fair to assume a year's results by four months' profits on this business (p. 95).

SC agreed with Mr. Cowan from Wilson & Co. that it alone was running a bedding department (p. 99). SC and Mr. Cowan talked about the current value of Wilson & Co.'s plant account (p. 106). SC and Mr. Cowan then bantered about the earnings between Class 1, Class 2, and Class 3 (pp. 111-112 define these). Mr. Cowan said that there was not enough information to project returns for one year (p. 112). SC asked about the fluctuations between the Big 5 Packers within the three classes. Mr. Cowan could not explain that (p. 113). He also stated that SC's analysis was significant to report to President Wilson (p. 113).

SC and E. A. Cudahy, president of Cudahy Packing Co., bantered about beef extract (p. 119) and about the valuation of inventory (p. 128). SC and Mr. Anderson representing Cudahy Packing Co. discussed the statistical method that Cudahy used to

determine the investment amount in each of the 3 classes (p. 132). Bantering about projecting four months of profits for twelve months followed (pp. 134-135).

The writer makes these comments on these hearings. SC was certainly not aggressive and uninformed about the accounting issues involved, which were not uniform between the Big 5 Meat Packers. SC seemed to favor a percentage on sales approach and, thereby, avoid the earnings on the three classes--truly a nightmare from a uniformity viewpoint. There seemed to be no animosity shown by him or directed at him during the testimony. However, SC would have been noted as the key FTC employee on these matters, at least by the Big 5 Packers. SC, in the writer's view, became marked publicly as a "Red Accountant" only when this testimony became public Sept. 25, 1919--when it was released to the Senate Committee on Agriculture and Forestry and ordered to be printed (cover).

1918 June 18 SC reported to the FTC in "Regulation of Packer's Profits" (Maximum Profit Limitation on Meat-Packing Industry... pp. 25-39). SC found the maximums of profit for the Big 5 Packers (i.e., sales of over \$100,000,000) to be unreasonable. He wrote:

...As allowed profit of 9 percent on the total investment in Class I (meat business) allows the several packers to make from 13 to 17 percent on the portion of their own money invested in that business and an allowed profit of 15 percent on the total investment in Class II (specialty products) nets the packers from 24 to 34 percent on the proportion of their own money invested in that class. The present rate of earnings Class III (unregulated section) shows the several packers to be making from 16 to 41 percent on their own money invested in that class. ... (p. 25).

SC thought the profits of the Big 5 Packers were seemingly higher than similar sized companies in food, automobiles, rubber, coal, steel, sugar, hides, and electricity for

1913, 1914, 1915, 1916, and 1917 (pp. 26-27). Only steel companies earned more than 20% in 1916 and 1917 (p. 27). SC wrote:

The reason why these profits do not seem unreasonable to the packers themselves is because the big packers have from time immemorial followed the policy of extending their plants out of earnings rather than securing new capital. This practice has become such a part of their business thinking that it has taken on all the sanction of a moral philosophy. To limit earnings below the point where a surplus remains to extend construction to any point they desire, seems to them wrong and unreasonable (pp. 27-28).

SC commented that the Food Administration conducted very little intensive auditing of the figures of the Big 5 Packers. While the FTC did not do a thorough examination because of lack of staff, SC noted four very significant accounting problems: (1) difficulty of apportioning investments (pp. 29-30); (2) difficulty of determining transfer prices (p. 30); (3) difficulty of apportioning overhead expenses (pp. 30-31); and difficulty of apportioning branch-house results (pp. 31-33).

SC felt that regulation should be based on the whole company, not on many parts (p. 32). He protested including interest on borrowed money in the base for determining regulated earnings (p. 32). The Big 5 Packers did follow a consistent policy in valuing fixed assets. "The packers are all clamoring to be permitted to reappraise their properties on 1918 valuations" (p. 32). SC protested earning profits on the profits reinvested in the business (p. 32). SC compared U.S. regulations to Canadian regulations (pp. 32-34). SC chastised the Big 5 Packers for "following their old conservative practice of valuing inventory under the market, thereby successfully wrecking any intelligent figures on actual profits to date. ..." (p. 34).

SC proposed that excess profits of the Big 5 Packers should be credited to the U.S. Government (p. 35). SC proposed letting the Big 5 Packers freedom to develop

their specialty businesses, because they are more efficient than their smaller competitors (p. 36). He wanted to use property values as of November 1, 1917 (p. 30). SC would allow liberal inventory reserves for a possible rapid decline in inventory values (p. 36). He would allow liberal provisions for repairs and depreciation, as well as allowing interest as an expense (p. 36). SC concluded:

...The people must be assured that the packers are doing their part too and that there shall be no profiteering. The full confidence of the people is needed to win this war and the Government must see to it that there is no betrayal of that confidence. If we give the packers more profit than is provided for in this proposed legislation, we compromise the Government and betray the people (p. 37).

SC made, in the writer's view, many accounting solutions to the development of a "just profit." His proposals were not that of a "Red Accountant."

1918 June 24 SC was joined by Walter Y. Durand (FTC economist) and Perley Morse CPA (of Perley Morse & Co.) on Exhibit I of the report Maximum Profit Limitation on Meat-Packing Industry... (pp. 11-19). They noted that "the limited profit rates on investment of the 'Big Five' as calculated is the total of 'net investment' (capital stock, surplus, and total interest-bearing obligations of all forms) for the year employed in the business for the prospective classes" (p. 11).

SC was "the accountant in charge of the determination of uniform accounting methods in the meat packing industry" (p. 12). HSC "also aided in a consulting capacity" (p. 12). The group recommended similar accounting solutions that SC recommended in his report dated June 18, 1918. The group noted a prior dealing between the Food Administration and the FTC.

...The committee finds that the packers' books do not now show the segregation of investment by classes of business. The present regulation is proceeding on a dangerous basis in that the figures of

segregation as estimated by the packers are open to serious questions, and that correct classification of investment will require months of intensive work. It was perhaps chiefly in recognition of this danger that the Food Administration, prior to the recommendation of the President's Meat Committee, suggested that the Federal Trade Commission undertake the determination of uniform accounting methods for the packers, including a thorough examination of their investment in different lines (p. 15).

A definition of "profiteering" was offered. "The ultimate criterion of profiteering is, and necessarily must be, the return to the individual shareholder after all costs and interest obligations have been met" (p. 16). "The principles governing the computation of net worth are as follows: Land should be valued at cost, plus assessments for improvements; buildings and machinery at cost less depreciation; inventories at cost wherever it is possible to determine cost" (p. 16). The group recommended dropping the percent of sales limitation and the adoption of an increasing percent on net worth based on increased sales in Class 1 and Class 2 (p. 18). The group noted that FTC chief economist, Dr. Francis Walker, did not agree with "the use of net worth as a base and as to the rate" (p. 19).

1918 June 28 The FTC sent a cover letter with attaching reports to President Wilson, using the May 27, 1918 request of the President's Committee on Meat Policy as the basis for the FTC work (Maximum Profit Limitations)... p. 4). The FTC followed the recommendations made by SC and, also, the group of three (p. 4).

1918 June 29 The FTC reported to the U.S. Senate about its resolution 255 (see CR May 31, 1918, p. 7231-7232; June 10, 1918, pp. 7558; June 29, 1918, pp. 3458-3462; July 5, 1918, p. 8778) which called for that it furnish the Senate with any and all facts, figures, data, or information to deal with profiteering (Report of FTC Regarding Profiteering, as mentioned in Part 25, Meat-Packer Legislation, p. 1835). The FTC, as

stated in the aforementioned section of June 28, 1918, relied on its study of meats undertaken at the request of President Wilson (p. 1835). The FTC used these words to describe “profiteering”:

The commission has reason to know that profiteering exists. Much of it is due to advantages taken of the necessities of the times as evidenced in the war pressure for heavy production. Some of it is attributable to inordinate greed and barefaced fraud (p. 1835).

This report utilized the exhibits just referenced. The FTC stated: “However delicate a definition is framed for ‘profiteering,’ these packers have preyed upon the people unconscionably...” (p. 1837). Surely, the report dated June 29, 1918 drew both the public eye and the public ire to the Big 5 Packers and, hence, to the conductor of the study, SC. In a more general manner, this specific report needs a much closer look in the literatures of accounting, business, economic, and war histories.

1918 June Lanier noted that SC began weekly meetings with representatives of the Big 5 Packers to develop a uniform accounting system. These meetings ended with the Armistice in November of 1918, which ended profit regulation. Lanier wrote:

...Chase had scored some partial victories. The packers had agreed to adopt uniform fiscal years, bi-monthly accounting periods, and comparable balance sheets and inventory procedures. After the Armistice, Chase returned to FTC headquarters in Washington where he was joined by his family. He now helped prepare an anti-trust suit against the big packers, which was settled out of court in December 1919 (pp. 31-32).

1918 July 8 The story now returns to the June 28, 1918 item, Maximum Profit Limitation Meat Packing Industry. Herbert Hoover responded to President Wilson about the June 28, 1918 FTC letter. Hoover raised a question about the deduction of taxes (corporate income taxes) in the FTC study (p. 6). He felt the FTC recommendations would cut profit of the Big 5 Packers to one third of a cent per pound, whereas the Food

Administration approach limited profit to 1 cent a pound (p. 6). The most significant difference--really the beginnings of a debate--dealt with the basis of the profit computation--was this to be net worth (FTC Method) or net worth plus interest-bearing liabilities (Food Administration Method). Hoover defended his approach, thusly:

...As we understand it, a large part of the commerce and trade of the country is founded on the earnings of an excess sum on borrowed capital over the bare interest cost and we feel that if this principle proposed by the Trade Commission were laid down as a precedent, it would produce an absolute panic in the United States. ... (p. 8).

Hoover noted the overall goal of increasing exports to the Allies and the Army and Navy as necessitating the packers to increase (stimulate) their production (p. 7). However, Hoover did not want the Big Packers to eliminate the smaller packers, as he felt the FTC did (p. 7). Hoover favored an Excess Profits Tax in preference to increased food regulation (p. 8).

1918, about this time frame Almost 60 years later, SC reminisced about the difference between his (FTC) approach of profit based on net worth and the Hoover (Food Administration) approach of profit based on net worth plus interest-bearing liabilities. SC in an oral interview told Norman Silber of the Center for the Study of the Consumer Movement on September 29, 1977 of the Chase/Hoover debate:

When I was working on The Profits of the Packers for the FTC, I noticed that while they had a lot of publicity about how miserable their profits were, I saw that their profit on their sales--percentage of profit on sales--seemed low, but if you transferred that, as a good accountant should, to the profit on net worth it was very substantial, right through the war. ... I telephoned Mr. Hoover in Washington and said that I wanted to see him. He said "Well, come on down," so I went down, and showed him these figures, and he went over them, and he said, "Well, Chase, the boys in France are getting their meat, aren't they? I said "Yes, they're getting meat all right." "Why bother about it?" "I'll never forget that phrase, "Why bother about it." So I went back to Chicago very much disillusioned (p. 10).

This relationship between Herbert Hoover and SC still is puzzling to the writer, as SC said he started with the FTC in July 1917 (p. 8) and was later transferred (loaned) to the Food Administration under Herbert Hoover (p. 7). SC then returned to the FTC (p. 10). James C. Lanier (1970) in his dissertation Stuart Chase: An Intellectual Biography (1888-1940) offers this explanation:

For the period between November 1917 and May 1918, Chase worked officially for the Food Administration. Except for a change in the officer to whom he reported, there was no difference in the kind of work he performed (p. 31).

1918 July 20 William Colver, Chairman of the FTC, rebutted Hoover's letter in a letter to President Wilson (Maximum Profit Limitation... p. 8-10). Before looking at the specifics in the letter, the writer has not fully discovered the background of this key player in this epic, William B. Colver. The only coverage found so far was from the NY Times of February 20, 1917 (3:5). Colver was a St. Paul newspaper publisher and a Democrat. He was nominated by President Wilson, also a Democrat. Colver succeeded Edward N. Hurley, who had just resigned. In the writer's view, Colver seems to be a "muckraker" type of journalist, well within the mode of Upton Sinclair--the author of The Jungle (1906), an exposé of the slaughtering practices of meat packers. Since the Big 5 Packers were, in the writer's view, more condemned for their past behavior than their behavior during 1917-1921, Colver's background must be explored further.

Colver stated that this FTC investigation sprang from Herbert Hoover's request to President Wilson for a commission (meat commission) to study the Food Administration's regulation of the meat packers. Hoover requested that the FTC report

on this matter to President Wilson by July 1, 1918. President Wilson approved the requests (p. 8). This matter was to be a “private one” (p. 8).

Colver quoted Col. Robert H. Montgomery--a founder of Lybrand, Ross Brothers and Montgomery, a long-time member of the Big 8 public accounting firms.

Montgomery’s Income Tax Procedure, 1918 was utilized to define “Capital.”

Borrowed money is the capital of the lender, not the borrower. Much has been said in favor of considering borrowed money as invested capital, but the author thinks that the arguments used are fallacious and impracticable (p. 9).

The inclusion of interest as an expense of the business is a sufficient recognition of the use of borrowed money by the borrower (9).

Colver included two more paragraphs about Montgomery. They were:

Being asked if there was any more extensive written authority on this subject, Col. Montgomery has told us that since there is not even a schism on this principle and since it is of universal acceptance, its mere statement was considered by him to be sufficient in this textbook.

Col. Montgomery is an attorney, a certified public accountant, a former president of the American Association of Public Accountants, a professor of accounting in Columbia University and at present the expert advisor of the War Department in such matters as well as the War Department’s representative on the price fixing committee of the War Industries Board (p. 9).

Colver strongly opposed Hoover’s notion of an excess profits tax, as being unfair to consumers (pp. 9-10). Colver also felt that the excess profits tax is unhealthy for business, as it encourages waste and unnecessary expenditures (p. 10).

Vangermeersch (2002) noted many relationships between HSC and Col. Montgomery through the years (p. 108). HSC was a consultant to the FTC on the aforementioned Exhibit I dated June 24, 1918; hence, one can see SC, HSC, and Montgomery joined together on this issue of the profits of the Big 5 Meat Packers. HSC was influential but Montgomery was the accounting leader. Hence, SC’s June 1920

article in the Journal of Accountancy, the official organ of the successor of the American Association of Public Accountants (American Institute of Accountants), fits quite well into an explanation of the accepted view of the accounting profession.

1919 Jan. 17 SC testified before the U.S. Senate Committee on Agriculture and Forestry as noted in the Government Control of Meat Packing Industry... USS (1919) (pp. 164-176). SC stated he had completed a statement of packer's profits for the entire business years (fiscal years from Nov. 1 through Oct. 31) from 1912 through 1917. SC further explained his FTC and Food Administration relationship.

I was put in charge of investigation (September 1917) of costs at Armour & Co.; and the work lasted two months, until about the first of November, at which time I was called to Washington and wrote a report on packers' costs;...I was transferred from the FTC to the Food Administration to take charge of the accounts that the packers were to render the Food Administration profit regulation. I remained with the Food Administration until the fifteenth of May 1918, at which the Food Administration, having made an arrangement with the FTC that the Commission should take over the certification and the inspection of the packers' accounts transferred back to the FTC (p. 165).

In response to a question from Senator Norris about the profits of the packers, SC hedged. He testified:

...There are certain inherent difficulties in packers' accounting that make it impossible for the packers themselves always to accurately determine their profits. But they can do a great deal better than they have been doing, in my judgment (p. 166).

SC then talked about the inventory policies of the packers. He said:

...and the more we go into inventories the more dubious the whole situation becomes. The packers have said all along that their inventories were at cost, and at market when they could not secure cost; but we find by analyzing those departments where costs rule, that these costs are from the accounting point of view not dependable...(p. 167)

SC quoted Swift's Mr. Chaplin--a person SC considered the most knowledgeable accountant in the industry--"We get our inventory prices out of our own heads" (p. 168). SC stated that the three-class system for the packers could very easily transfer profits from one class to another and that it was practically impossible to deduct (p. 169). Senator Gronna (Asie Jorgenson, ND, 1858-1922, USS 1911-1921, Rep. 1905-1911, Republican) asked about the balance sheet base of the profit percent. SC answered "Net Worth" (p. 171). SC was hesitant to testify about the percent return on just capital stock, excluding accumulated surpluses. He used this example from Armour & Co.

Now you see by examining that alone you would be led to believe that they made a tremendous profit in 1916 and fallen off sharply in 1917, but the fact of the matter is that on the net worth basis they had a higher percentage in 1917 than they did in 1916, the answer being that Armour's capital stock in 1916 was \$20,000,000 and they issued a stock dividend of \$80,000,000; and by the time they got around to the next year you have to figure it on a \$100,000,000 basis (p. 172).

SC gave his opinion as to the accounting placement of the excess profit taxes. It was not a view that would make the Big 5 Packers happy. SC said this, while being questioned by Senator Norris:

...You see the packers have a way in reporting their profits to the public through advertisements and annual statements and elsewhere of deducting their reserves for excess profit taxes. Now the law in regard to excess profit is the amount before making any provision for these excess profits taxes... (pp. 173-174).

Just about as he was closing his testimony, SC, perhaps, used a term "comedy" which he later might have regretted. In answer to Senator Norris about the effects of regulation by the Food Administration, SC stated:

Now, in justice it must be said that the packers have not equaled--or they don't appear to have equaled--their profit allowance, but from the standpoint of the profit allowed the regulation was nothing more than a comedy, in my estimation (p. 175).

1919 Feb. 13 or 14 SC appeared before hearings on Government Control of Meat-Packing Industry 65th Cong., 3rd sess. of the House Committee on Interstate and Foreign Commerce (Part V). He accompanied FTC Commissioner Victor Murdock, who was standing in for FTC Chairman Colver (p. 2293). Murdock used the study of packer profits done by SC (pp. 2319-2328). He then presented a chart on Percent of Profit on Stockholders Investment (p. 2329). Murdock asked SC to explain the chart (p. 2330). Representative Winslow (Samuel, E., MA, 1862-1940, HR 1913-1925, Republican) grilled SC on the topic of profits of large companies in other industries.

Mr. Winslow. And the 34 per cent maximum in one year is out of proportion to the profits made by large businesses in other directions(?) in this country?

Mr. Chase. I do not see that other businesses are relevant.

Mr. Winslow. You had better let the committee decide whether it is relevant or not.

Mr. Chase. I prefer not to answer, then.

Mr. Winslow. Let it go at that. I have asked all I care for. I wanted it to go on record here that here is a man introduced as a registered, chartered public accountant, supposed to be capable of handling the figures of this great undertaking, who proposes not to answer straight questions in reference to going business in the country making large profits, of which there are 20 conspicuous illustrations (pp. 2331-2332).

1919 June 23 Senator Kendrick (John B., WY, 1857-1933, USS 1917-1933, Democrat) introduced a bill to stimulate the production, sales, and distribution of livestock and livestock products (CR, p. 1542). Senator Kenyon (William S., IO, 1869-1933, USS 1911--1922, Republican) also introduced a similar bill as a follow up of his bill introduced the previous Congressional session and on the aforementioned hearings before the Senate Committee on Agriculture and Forestry (CR, p. 1543). The NY Times reported that Rep. Anderson, Senator Kenyon and Senator Kendrick introduced different,

but very similar, bills on the meat packers. Senator Kenyon and Rep. Anderson favored regulation by the Secretary of Agriculture, while Senator Kendrick favored the appointment of a commission (June 24, 17:2).

1919 July 21 Senator Kenyon warned Representatives and Senators about the undue propaganda emanating from the packers (CR, p. 2914).

1919 July 23 Senator King (William H., UT, 1863-1949, USS 1917-1941, HR 1897-1899, 1900-1901, Democrat) attacked the merged Kenyon-Kendrick bill and the Anderson bill (CR, pp. 3019-3020). King submitted a letter from one of his constituents (p. 3020). Senator Smoot (Reed, UT, 1862-1941, USS 1902-1933, Republican) made this insightful point:

Mr. President, I hope this practice will not continue, but I wish to say that the names mentioned by my colleague (Mr. King) are among the very best citizens of my state. I do know that they are interested in the cattle and sheep business. This seems to be a propaganda between the packers and the National Grocer's Association, one upon one side and the other upon the other. I think myself we have published in the RECORD about as many of such letters as ought to be published (CR, p. 3020).

1919 Sept. 3 Senator Norris introduced S. Res. 177 already noted in the coverage of June 11 and 12, 1918. William Colver responded to the Senate Resolution on the same day (Maximum Profit Limitation,... p. 3). The writer is of the opinion that this was a coordinated step to put pressure on the packers.

1919 Sept. 24 Senator Norris releases the FTC report, Maximum Profit Limitation on Meat-Packing Industry, and orders it to be printed. This action brings SC even more in the public eye as he was the author of Exhibit III and a co-author of Exhibit I, as already noted. SC had already testified in 1919 before the USS Committee on Agriculture and Forestry (Jan. 17) and HR Committee on Interstate and Foreign

Commerce (Feb. 13 or 14). All of this, put together, probably put SC in jeopardy of an attack from the packers and their supporters in Congress, i.e., the other shoe was about to fall on SC.

1919 Oct. 20 The other shoe falls on SC as Senator Watson excoriates SC and his FTC colleagues on the floor of the Senate (CR, pp. 7166-7169). Watson moved S.R. 217 to investigate the FTC with these two whereas:

Whereas, there is reason to believe that a number of the employees of the FTC have been, and now are, engaged in socialistic propaganda and in furthering the organization and growth of socialistic organizations; and

Whereas, if Bolshevism, with all that it implies, is to be met and overcome in our country, it must be done by first ousting all its adherents and advocates from public office.

Senator Watson devoted 7 paragraphs to SC (see Item 1 in the Appendix); 2 paragraphs to Samuel Tator and SC (See Item 2 in the Appendix); one paragraph to A.S. Kravitz; one long paragraph on Raphael Mallen, including a reference to SC; 2 paragraphs to R.N. Buck; 4 paragraphs to Basil M. Manly with SC in the first paragraph and with William L. Colver in the fourth; 2 paragraphs to Johann G. Ohsol; one long paragraph and 2 shorter ones to Martin L. Sorber; one paragraph to Daniel A. Kemper with a reference to SC; one paragraph to Earl S. Haines; one to Mrs. Baldwin; and the last paragraph to SC, A.S. Kravits, Martin L Sorber and Daniel A. Kemper (CR pp. 7167-7168). Watson, in his second to closing paragraph, said:

...but I trust I have mentioned enough to demonstrate that that office was, during all that period, a center of radicalism, a nesting place for socialists, a spawning ground for sovietism, and that while professing to investigate business with a view to eradicating its evil features, they constantly plotted for the destruction of the business they were charged to investigate and for the confiscation and collective ownership of all the means for the creation and distribution of wealth (CR, p. 7169).

The NY Times (Oct. 21, 1919) reported the attack under the caption “Links Socialists with Beef Inquiry.” Four paragraphs were devoted to SC (19.6). Acting FTC Chairman Victor Murdock called for an immediate investigation by the Senate Interstate Commerce Commission (19.6).

1919 Oct. 21 Senator Watson’s speech immediately energized the Bureau of Investigation (which became the Federal Bureau of Investigation in 1924) of the U.S. Department of Justice. J. Edgar Hoover was a key player in the Bureau in 1919 and played an important role in its efforts on SC and the other noted FTC employees.

Before reviewing J.E. Hoover’s role in the SC epic, the writer notes that he discovered that the Bureau of Investigation’s files up through 1924 were located at the National Archives and Records Administration at College Park, MD. He contacted an official there in charge of the Bureau of Investigation files. Cynara Robinson, archivist, informed the writer that SC appeared on 6 files in the microfilm collection and on 1 hard-copy file. The writer obtained all of these seven sources, which were extremely helpful and useful for this piece.

Because of the fame and/or notoriety of J.E. Hoover, the writer includes a brief review of J.E. Hoover up to 1921. J. Edgar Hoover had a meteoric rise to the top of the federal bureaucracy in charge of the “Red Scare” and then, in 1924, at the age of 29 to be in charge of the newly-named Federal Bureau of Investigation (FBI). Hoover was born in 1895 in Washington, DC, to a family well connected to the U.S. Government bureaucracy (Powers, p. 37). He was a very good student at Central High School in Washington and a champion debater there (Powers, p. 28). He was also a member of the Central High Cadet Corps and graduated in 1913 (Powers, p. 32 and p. 36).

Hoover immediately became an employee of the Library of Congress and started a law school program at George Washington University as a late afternoon student. In those days he could skip the undergraduate degree and in three years get a bachelors degree in law. With a fourth year, he could attain a master of law degree. Hoover did and graduated in 1917 (Powers, p. 39). He joined probably the U.S. Justice Department as a special agent in its Bureau of investigation in 1917.

The Bureau of Investigation recently enlarged to 300 agents augmented by detectives borrowed from the Immigration Service, was led by A. Bruce Bielaski, another GWU Law School graduate. To supplement its own small staff, the Bureau joined forces with a civilian force, the American Protective League (APL), an army of 260,000 amateur spy-hunters organized in March by Albert M. Briggs ... (Powers, p. 45).

Hoover quickly became reclassified from “clerk” to “attorney” (Powers, p. 44). He worked on the subject of German aliens and by mid-summer 1918 he had assumed significant responsibilities (Powers, p. 54). Hoover hitched his wagon to A. Mitchell Palmer, who was Alien Property Administrator and then on March 5, 1919, the Attorney General of the United States. Mitchell had been a Democrat member from Pennsylvania of the U.S. House of Representatives from 1909 to 1915. On July 1, 1919 Palmer promoted Hoover to the rank of special assistant to the Attorney General (Powers, p. 63), in charge of the anti-Communist campaign (Powers, p. 65). Powers wrote: “At this critical moment in his life, Hoover had the luck to be at the right place, at the right time, with the right aptitudes, credentials, and confidence” (p. 66).

Hoover soon immersed himself in studying Communist literature (Powers, p. 67). He, from August 1, 1919 to August 1921, could operate both in the Bureau of Investigation and the Justice Department (p. 67). Hoover’s power is illustrated by this quote from Powers:

Hoover prepared for his antiradical operations by collecting information on radical publications, organizations, and individuals in his central files in Washington. By November, his division had completed a classification of over 60,000 “radically inclined” individuals. He reported that “one of the first matters receiving the attention of the Radical Division after its organization were the various societies in the United States adhering to anarchistic doctrines.” He organized and trained a team of forty translators, assistants, and readers to monitor 471 periodicals published in this country and abroad. ... Within a year, Hoover had assembled a vast collection of research materials on the “ultra-radical movement.” Congress was informed that “the work of the General Intelligence Division necessitates a large amount of research and the study of the various ultra radical movements theoretically and historically. ... The nucleus for an excellent working library has been procured.” A year after the organization of his division, Hoover had at his disposal a Publications Section that scanned 625 papers for information on the radical movement, and a card catalog of 200,000 entries on “various subjects or individuals” (p. 68).

James O. Peyronnin of the Chicago office of the B of I started his investigation per telegrams of October 20 and 21 on Senator Watson’s speech. He noted no files on SC and his wife, Margaret Hatfield Chase (MHC), except for their being on a committee of an amnesty meeting held in Chicago on Lincoln’s birthday in 1919. Peyronnin interviewed a lady stenographer at the Fabian Club office, to no avail. He then went to SC’s former residence in Chicago. Peyronnin noted this:

... In conversation with George Thompson, janitor of the building ..., he stated that SC and family lived in the first flat of No. 1648 for about six to eight months, and that he moved about April 1, 1919. Thompson further stated that while helping the colored maid pack the personal effects of the Chase family, he was informed by her that Mr. and Mrs. Chase were going to Washington. Thompson of his own volition stated he often talked with Mr. and Mrs. Chase, mostly to Mrs. Chase, who he said went under the name of Mrs. Hatfield Chase, and that she often talked socialism to him and on one occasion made the remark that the day for the Socialists was coming and not far off. Thompson further stated that from his conversation with both Mr. and Mrs. Chase, he thought them to be radicals or what you might class as Bolsheviks. (He expressed himself that way.) Thompson, who is American born, about 36 years old, and fairly well educated, further remarked that SC at one time had written an article about the packers, but that on account of its strong

radical language he was compelled to change the wording before it could be published. ...Thompson remarked that he found it “funny” for a Government investigator to be a Socialist of the kind SC was. Thompson spoke freely, without much questioning and Employee was particular to take down his remarks verbatim in short-hand (NA + RA file #373887 on Roll #821).

The writer found these 6 files to be in helter-skelter both within the rolls (of which there are about 1000) and within the specific file. The writer did purchase the 6 rolls and examined them to note what other data had been collected and in what order. He concludes that it was indeed fortunate the NA + RA had a voluminous index system or surely his search would have been physically impossible.

1919 Oct. 22 A gale of activity took place this day. Senator Kenyon responded:

Mr. President, a few days ago the second gas bomb in the attack of the packers was exploded on the floor of the Senate, and a number of gentlemen were accused of being socialists and reds. ... Some of these gentlemen have no chance to reply to the attacks made upon them on this floor at the instigation, I believe, of the packers. Mr. Basil Manly, one of the gentlemen attacked has written me a letter concerning it, and I think it is fair that the letter should be read to the Senate. No man has done more patriotic work in this war than Mr. Manly (CR, p. 7307).

In his letter, dated Oct. 21, 1919, Manly joins Kenyon on blaming the packers’ predatory activities for Senator Watson’s attack (CR, p. 7307). Manly made this comment about SC. “During my employment with the FTC, SC was in the employ of the Food Administration, and I was only in his office on two occasions, both of which were on important business for the FTC” (CR, p. 7307). The NY Times on this day covered Manly’s comment on SC. It also covered an “almost sneering” comment by Victor L. Berger--a noted socialist and later Congressman--about SC:

I never heard of Stuart Chase...

He mentioned Mr. Chase as head of the Fabian Society.

This organization has never had any connection with the Socialist Party. If it is an off-springing of the English Fabian Society, whose main

spokesmen are H.G. Wells and George Bernard Shaw, then it must be about as radical as Secretary of War Baker and Senator Watson himself.

Senator Watson's attack is a stupid bit of propaganda in behalf of the meat packers "(19:5).

There also was an editorial in the NY Times captioned "The Watson Resolution."

The editor wrote: "But there have been many Socialist and radical agitators in the service of the Government at Washington and abroad. How do they get there? Who is responsible? ..." (16:2).

Senator Harris (William Julius, GA, 1868-1932, FTC Commissioner 1915-1918, USS 1919-1932, Democrat) was a logical one, given his experience with the FTC, to retort the attacks of Senator Watson. Senator Harris said:

...The speech of the Senator, in my judgment, will do more harm to efforts to reduce the high cost of living than anything that has occurred since I have been a member of the Senate. The FTC has made known certain facts in regard to the methods of the five meat packers which are being considered by the Senate Agricultural Committee. The facts cannot be contradicted, and an attack on a few minor employees will not deceive the public or prevent the consideration of these facts on their merit (CR, p. 7309).

...

...The FTC is composed at present of former Gov. Fort of NJ, Mr. William B. Colver, of MN; Mr. Huston Thompson of CO. ...Mr. Colver is very able man, and whatever else may be said of him, no one charges that he is not the friend of the consuming public. Mr. Murdock was for many years in Congress a leading Republican and Progressive--a man who has the confidence and respect of everyone who knows him. Mr. Huston Thompson had been Assistant Attorney General, where he rendered most able service. He has been a Republican in politics, but, I understand, voted for President Wilson... (CR, p. 7309).

Senator Harris indicated the political contributions made by the packers (CR, p. 7310). Senator Watson said Senator Harris was in favor of his resolution of investigating the FTC (CR, p. 7310). Senator Kenyon asked Watson to comment on Manly's letter

(p. 7410). Watson said he personally investigated Manly and stands by the accuracy of the finding (CR, p. 7310). Kenyon then asked Watson for the sources of his charges.

Did they come from the packers? (CR, p. 7310). Watson responded:

In other words, my information about the FTC came from the inside of the FTC itself. This is where I got it, and after I got it I hunted out one man in this town and asked him whether or not he had information along the same line (CR, p. 7311).

Senator Harris' reference to campaign contributions of the packers brought this retort for Senator Watson. "Mr. President, no packer ever contributed one dollar to any campaign fund of which I have had any knowledge. ... Certainly, if the Senator had any reference to me personally, I would repel it as an outrage" (CR, p. 7312). Senator Watson's further response is truly a classic:

There are at least 49 varieties of socialism, 57 varieties, ... But I do mean that I do not believe that men who believe in the fundamental principles of socialism--and fundamentally socialism and Bolshevism are the same, as I could prove beyond a doubt if I cared to go into it--men of that stamp of character who are opposed to all governments, ought to be permitted to work for any government. ... And I will say to the Senator from Iowa [Mr. Kenyon] that I think I shall show to his satisfaction that these men are guilty of the very things I have charged (CR, p. 7312).

The FTC responded on this day, as reported in the NY Times of Oct. 23 (11:1) The response was, in this writer's view, a major miscalculation of the FTC and ultimately wounded SC and the others in a grievous manner. Here are two paragraphs about the FTC response:

In a formal statement the FTC charged Senator Watson with having relations with the Chicago meat packers and declared that his allegations against the Commission's employees were part of the warfare of the packers against the Commission and the Department of Justice with the purpose of subverting justice.

The Commission further alleged that it was not a "coincidence" that the employees attacked by Senator Watson were those who had been

summoned to testify in the case against the packers, which the Department of Justice soon is to present to a Federal Grand Jury in Chicago.

At this point, the writer believes it necessary to state SC's relationship with the Fabian Society. SC joined the Fabian Socialist Club in Boston during his days with his father's accounting firm. SC apparently started a like club in Chicago in late 1917, when he was with the FTC. This fact was used by Senator Watson in his Oct. 20, 1919 attack on SC. Senator Watson surely did not distinguish between Fabian Socialists, Socialists, left-wing Socialists, Communists, and Bolsheviks (CR, Oct. 22, 1919, p. 7309).

A useful explanation of Fabian Socialism was found in Harry W. Laidler's (1968) History of Socialism: A Comparative Survey of Socialism, Communism, Trade Unionism, Cooperation, Utopianism, and Other Systems of Reform and Reconstruction.

Laidler wrote:

It was in England (1865-1885)...that Fabian socialism developed, as a flexible school of socialist thought. It therefore differed in a number of respects from Marxian socialism, formulated during the revolutionary period of the late forties (1840's). Adapting itself to these changed conditions, Fabian socialism regarded the transition from capitalism to socialism as a gradual process; looked forward to the socialization of industry by the peaceful economic and political agencies already at hand; saw in the middle class a group that could be utilized in developing the technique of administration in behalf of the new social order; and felt that an important step in the attainment of socialism was the arousing of the social conscience of the community in favor of the socialist ideal (p. 184).

The name "Fabian" was used because of the Roman general Fabius who practiced the art of out-waiting Hannibal (p. 188). The Fabian Club was founded in 1883 in England (p. 186). Its most famous members were H.G. Wells; George Bernard Shaw; Sidney Webb; and Beatrice Potter Webb (pp. 189-190). Laidler described the Fabian Society as being a very loosely organized (if organized at all) society.

The Fabian Society never had a president and no person or group of persons ever claimed to act as its authoritative spokesman. ... (p. 192).

The writer thinks that SC made an error in using the name "Fabian." We have already seen how Senator Watson used SC's formation of the Chicago Fabian Club. The same treatment was given to Fabians by leftists; like Friedrich Engels--Karl Marx's co-author and chief provider of funds--and Leon Trotsky--with Lenin the leader of the Bolsheviks in Russia.

Engels, as referenced by Laidler, described the difference between "Socialists" and "Communists":

In 1847 socialists were commonly regarded, on the one hand, as adherents of the various utopian systems and, on the other, as social reformers who, "by all manner of tinkering, professed to redress, without any danger to capital and profit, all sorts of social grievances; in both cases men outside the working class movement, and looking rather, to the "educated classes for support." On the other hand, "Whatever portion of the working class had become convinced of the insufficiency of mere political revolutions, and had proclaimed the necessity of a total social change, that portion then called itself communist. ... And as our notion from the very beginning was that the emancipation of the working class must be the act of the working class itself, there could be no doubt as to which of the two names we must take" (from the 1888 edition of the Communist Manifesto, as quoted in Laidler (1968), p. 130).

The writer has read much about H.G. Wells, in the process of doing this piece. H.G. Wells' thoughts remain today quite alive in England, as witnessed by the H.G. Wells Society. Anthony West (1984) wrote a biography of his father, HG. Wells: Aspects of a Life. West quoted Trotsky, thusly:

Together with theological literature Fabianism is perhaps the most useless, and in any case the most boring form of verbal creation. ... The cheaply optimistic Victorian epoch in which it seemed that tomorrow would be a little better than today, and the day after tomorrow still better than tomorrow, found the most finished expression in the Webbs, Snowden, Macdonald and the other Fabians... these arrogant and ranting

poltroons...systematically poison the Labour movement, befog the consciousness of the proletariat and paralyze its will. ...At any costs these self-satisfied pedants, these gabbing eclectics, these sentimental careerists, these upstart liveried lackeys of the bourgeoisie must be shown in their natural form to the workers. To reveal them as they are will mean their hopeless discrediting (p.76).

Vangermeersch (2005) noted the entry about SC in the 1978 Great Soviet Encyclopedia. Trotsky's view seems to predominate in that entry:

Chase considers government economic regulation to be the principal means of curing capitalism's ills. In Chase's opinion, the capitalist economy becomes mixed as a result of the combination of private enterprise with government regulation. In actuality, Chase's "mixed economy" is nothing but an apology for state monopoly capitalism. ... (Vol. 29, pp. 69-70) (as quoted by Vangermeersch p. 107).

Vangermeersch (2005) noted in his chronology on SC that "S. Chase was 'savaged' in the right-wing polemic None Dare Call It Treason by John A. Stormer" (p. 166). Actually, this writer noted two incidents in Stormer's book. The first source Stormer used was the Reece Committee of the U.S. House of Representatives 1952-1954 (Special Committee to Investigate Tax-Exempt Foundations, 83rd Cong.). This Committee was first chaired in 1952 by Congressman E.E. Cox (D-GA). It was continued in the 83rd Congress chaired by Carroll Reece (R-TN) (Stormer, 1964).

The first quote Stormer used was from the Reece Report of 1954 (Dec. 16).

"The Carnegie Corporation financed the writing and publication of The Proper Study of Mankind. Written by Stuart Chase, the book praised the communist agents, Harry Dexter White and Lauchlin Currie, and outlined an 'ideal' society in which the individual is suppressed. Over 50,000 copies of the book were distributed by the Carnegie Foundation to libraries and scholars. One of Chase's earlier books recommended that profit-making be punished by firing squads" (Stormer, pp. 174-175). (Stormer referenced the Reece Committee Report, pp. 85-87).

Stormer followed that by this paragraph:

When advised of these facts and of Chase's record of support for more than 20 Communist fronts and causes, Dr. Charles Dollard, president of Carnegie Corporation, defended the selection of Chase to author the book. In a statement filed with the Reece committee, Dollard said that Chase was "An extremely able writer" (p. 175). (Stormer referenced p. 945 of the Reece Committee Hearings).

The next attack Stormer made utilized the term "Fabian." Stormer wrote:

Stuart Chase, a longtime Fabian, in his book, A New Deal, written in 1931, outlined the ideal government. He said:

"Best of all, the new regime would have the clearest idea of what an economic system was for. The sixteen methods of becoming wealthy would be proscribed (punished)--by firing squad if necessary--ceasing to plague the orderly process of production and distribution. The whole vicious pecuniary complex would collapse as it has in Russia. Money-making as a career would no more occur to a respectable young man than burglary, forgery, or embezzlement" (pp. 185-186). (Stormer referenced A New Deal, p. 163).

Stormer followed with these three paragraphs:

One year later, FDR used Chase's title as the rallying cry for his Administration. He named Chase to the National Resources Commission where he is credited with authoring FDR's order banning ownership of gold by U.S. citizens, the first step in the destruction of the citizen's independence and U.S. financial strength. Fabians, like Chase, advocate firing squads when their gradual methods fail (Stormer, p. 188).

Chase moved steadily upwards in the New Deal hierarchy. He served successively on the Securities and Exchange Commission, the Tennessee Valley Authority, and finally settled in UNESCO, the United Nations agency charged with the re-education of the United States to accept a one-world socialistic state (p. 186). (Stormer referred to Who's Who in America, 1961).

Thousands of others like Chase swarmed into Washington to join holdovers strategically placed during World War I and the ensuing ten years. They played the ego of FDR and the economic plight of the nation like the strings of a violin. Congress was induced and coerced to transfer its Constitutional powers to the new bureaus, agencies, boards and commissions which sprung up almost overnight. ... (p. 186).

The writer noted that there was no mention of Stormer and his attacks, other than Vangermeersch's note. The writer obviously will be researching the Reece Report and

the Reece Hearings. However, the writer wonders why SC never raised the attacks by Senator Watson, by the Reece Committee, and by Stormer in interviews to Lanier in 1970, to Norman Silber in 1977, and to Sybil Shainwald in 1972. Why didn't SC discuss the word "Fabian" in his classic book The Tyranny of Words (1938)? The writer has worked with SC's daughter and grandson and there appears to have been no family discussions of the "savagery" that SC faced--unfairly in the writer's view--by his interest in the Fabians. One thing is sure to the writer and that is SC may have rued the day he locked himself into being a "Fabian" and founding the Chicago Fabian Club. SC also may have felt that some terms like "firing squads" may have been a mistake, as they attracted the storm of Stormer. No wonder SC was cautious of being typecast in years subsequent to the 1930's.

1919 Oct. 23 Senator Watson responded, not surprisingly, quickly on the floor of the Senate. He stated the FTC attack was based on a 1909 situation, raised in 1913 by [Colonel] Mulhall. Watson stated a Senate Committee studying Mulhall's charges did not even report to the Senate:

...over on the House side they did report, and they exonerated me, save to say that it was doubtful whether anyone who had had the influence that I had in the House of Representatives should afterwards use that influence for the purpose of obtaining fees even in a good cause; and that was the sum and the substance of their funding against me (CR, pp. 7376-7377).

The FTC intimated Watson was implicated by a Feb. 1, 1918 letter from a representative of the Wilson Packing Co. to a lobbyist, John C. Eversman. Watson said: "He asked me about my position with reference to this, and I told him I was diametrically opposed to the views which the Wilson people took" (p. 7377). Watson again tossed down the gauntlet to the FTC:

...The only charge I made was that certain employees of the FTC were guilty of socialistic activities; and there is no use to throw mud, there is no use to fill the air with dust on a proposition of that kind. The question is, Is it true? And the only way to determine its truth is to investigate it. ...

Watson once again raised the issue of "Socialism." He stated:

Senators, with me the question of socialism has been a lifelong study. I have perhaps made more speeches against socialism than any other man of my age who has not regularly been in the Chautauqua business in this country, and even on the Chautauqua platform. Over and over again I have inveighed in the most vigorous fashion against socialism and the socialistic tendencies of the time (p. 7377).

Oct. 23, 1919 The Bureau of Investigation by Peyronnin in Chicago continued with a notation that Henry Veeder, the General Counsel of Swift & Co., was not present but one of his coworkers considered the revelations about SC as drawing the comment "All of this is news to him." M.P. Alden of the B of I noted in Washington, D.C., that SC "received a temporary appointment as an examiner for the FTC on May 16, 1918 (NA + RA file #373887 on Roll #821).

1919 Oct. 24 Senator Jones (Wesley L., WA, 1863-1932, USS 1909-1932, HR 1899-1909, Republican) submitted S.Res. 219, in which he requested the FTC to affirm its role in its charge against Senator Watson (CR, p. 7416). Watson said, "It is entirely satisfactory to me to have the resolution passed" (CR, p. 7416). It did.

1919 Oct. 24 Peyronnin wrote: "Representatives of the Police Department, who are familiar with the radical situation in Chicago and vicinity and detailed on this class of work, do not believe that the Fabian Club, although having a membership consisting principally of conscientious objectors, their relatives, and a good many socialists, is affiliated with any radical organization." Later on Peyronnin noted that there were a great many debates taking place at the meetings. Peyronnin concluded: "Unless further

investigation is requested, matter will be considered closed” (NA + RA file #373887 on Roll #821).

1919 Oct. 29 The Senate received the FTC response to Senator Jones’ request (CR, p. 7662). In the response, FTC Commissioners Murdock, Thompson, and Colver took responsibility for the public statement (Statement of the FTC in Reference to Senator James E. Watson, of IA..., Oct. 27, 1919, S. Doc. No. 145, 66th Cong., 1 sess., p. 1). The cost of the response, \$2.35, was charged to the current expenses of the clerical division of the FTC (p. 2).

1919 Oct. 30 Senator Myers (Henry Lee, 1862-1943, MT, USS 1911-1923, Democrat) attacked the FTC in its treatment of Senator Watson. Myers felt the FTC action was “entirely out of place and a violation of all propriety” (CR, p. 7745).

1919 Oct. 20 to Oct. 30 Reflections on. John Reed, SC’s classmate at Harvard, wrote a famous book Ten Days that Shook the World in 1919 to describe the Bolshevik revolution of November 1917. This writer was tempted to title this section as “Eleven Days that Libeled SC as a Red.” As this damage was the gist of this paper, much space will be given to the section. While the story will continue into 1921, so to give a broader perspective to SC’s efforts from 1917 through 1920, the subsequent events and analysis will be briefer.

The first point is a minor one and that is to offer a different classification of Senator Watson than did Lanier (1970, p. 32) and Vangermeersch (2005, p. 27). Both used the term a “Right Wing Republican” to describe the political philosophy of Watson. This writer points out that this term was not one of Watson’s time. Perhaps Lanier and Vangermeersch, subconsciously, used the term in a pejorative manner. Be that as it may,

Watson--in his book (1936) As I Knew Them: Memoirs of James E. Watson--described himself as a “Regular Republican” in a conversation with President Theodore Roosevelt (p. 60) and then told Roosevelt that he was supporting President William Howard Taft at the 1912 Republican Convention, even though Watson originally was going to support Roosevelt (p. 146). The writer has spent much time studying the William H. Taft presidency and does not think Taft would be labeled a “Right-Wing Republican” in the parlance of today or even 1970. The writer believes Watson deserved to be labeled “a Regular Republican” of the turn of the 20th Century type and believes that just because Watson was not a “progressive” as Theodore Roosevelt, Watson was not the equivalent of a “Right Wing Republican” of today--at least as noted by some more “liberal-type academics.”

The writer does believe Watson behaved in a “Joe McCarthyite Manner” but was clearly not the long-term “red-baiter” that McCarthy (Joseph R., WI, 1908-1957, USS 1946-1957, Republican) was. The writer of this piece has vivid memories of the Army-McCarthy Hearings of 1954, which led to the end of McCarthy’s five years of playing the “red card.” Watson did make some belligerent threats during his October 1919 speeches but never seemed to follow up on them. For instance, Watson made these statements, which would tend to indicate a long-term assault on “Reds”:

Mr. President, I have been for many years a student of socialism. I think I understand its underlying philosophy as advocated by its adherents and those who have espoused its doctrines, from Karl Marx down to the present time. Fundamentally there is no difference between socialism and Bolshevism... (CR, Oct. 20, p. 7166)

...

Mr. President, for some weeks I have been investigating socialism in the various departments of the Government, and I have been astounded at the number of its adherents in office and the very solid manner in which they seem to be entrenched in our governmental affairs. From time to

time I may call the attention of the Senate to the number of socialists engaged in the different departments and the methods of their activities, but my present purpose is to deal only with those employed in the FTC (CR, Oct. 20, p. 7166).

We introduce many resolutions in this body on Bolshevistic activities, but nothing results. We talk much but do little, and yet all believe that something must be done to overcome the socialistic tendency of the time, and especially to prevent socialists from seizing the reins of government (CR, Oct. 20, p. 7168).

Senators, if socialists and anarchists are recognized in official life, they will not be condemned in private life. If they are fostered and protected by the Government, they will flourish in business and industrial institutions, and we will not succeed in overcoming the Bolshevistic tendency of the day unless we oust from office every red radical holding a place under the Government (CR, Oct. 20, p. 7168).

...
Mr. President, for many weeks I have been investigating the activities of socialists in the departments in Washington, not only in this department but in other departments; and I will say to the Senator [Kenyon] that I propose from time to time to bring up these other departments, and to give the names of men who are employed, and to give the socialists activities of these other men (CR, Oct. 22, 1919, p. 7311).

...
...My information is entirely reliable and entirely trustworthy, and I propose, if this investigation is ordered, to prove the truthfulness of the charges I have made... (CR, Oct. 22, 1919, p. 7312).

...
...I do not believe that a man who is opposed to the fundamental principles of this Republic ought ever to be employed in any official capacity by this Republic, and that is the thing I have in mind. ... [p. 7312).

The writer will further discuss this issue in coverage of December 3, 1919. The writer did search for further comments by Senator Watson on “reds” in the NY Times Indexes and in the Congressional Record but found nothing. The writer thought Watson would have espoused about his studies of “socialism” and about his “red-hunting” in his memoirs. However, Watson (1936) only gave this brief coverage in his memoir:

Anyone at all familiar with the situation (immigration reform) must admit that, even if so imperfect a law as the one providing the Literacy test had been passed at that time, a different condition socially, economically, and patriotically, would today exist in this country. There

are now six millions of aliens in the United States, and there is no radical movement of any kind started that they do not join and promote. Socialism, communism, sovietism are tremendously fostered by these groups (pp. 81-82).

The writer was quite surprised about the depth of “The Big Red Scare (1918-1920)” described in M.J. Heale’s (1990) American Anticommunism: Combating the Enemy Within 1830-1970 (pp. 60-78). Heale put a narrow time frame of spring, 1919 to May Day 1920 (p. 60) for this scare and stressed the March 1919 meeting of the Third International created to further world revolution (p. 65). U.S. Attorney General A. Mitchell Palmer regarded every strike as a prelude to revolution (pp. 63-64). Heale mentioned the foundation in WWI of the American Protective League (APL) as an informal investigation group. The APL was supposed to have ceased functioning in February 1919 but continued on looking for radicals (p. 66). The founding of the American Legion led to a channel for veterans to lobby for antiradical measures (p. 66). In this setting, one would not be surprised by the acts taken against SC, primarily discussed in this piece in the coverage of his dismissal from the FTC in December 1920.

Vangermeersch (2005, pp. 60-61) did mention an incident related by SC ten years after his dismissal in “The Luxury of Integrity.” Chase wrote this about one of his FTC co-workers who he befriended for two years:

He ransacked my private files and turned over any evidence showing liberal political tendencies on my part to the aforesaid mammoth corporations. He came into my office late one evening--“Chase, I’m a Bolshevik. I’m fed up with the whole damned capitalist system. I’d like to help kick it over. I’d like to join something. You know about these socialists and I.W.W.’s. I see you reading pieces about them. Tell me all about it, shoot the works, tell me what I ought to join. I’ll pay my dues.”

At first I thought the poor boy had really come to the end of his rope; that this was a last desperate gesture before the white-collar routine doomed him altogether. Then I began to realize that he was lying; that he was hoping to pick up some information from me which could be twisted

in such a way as to discredit my work in the investigation. (Not that I had much to offer.) I went on with my columns of figures, and gradually his receptive attitude waned. “Aren’t you going to tell me anything?” he whined. “No,” I said. “And I guess you had better go.”

He took his hat and went and, as the door closed behind him, I knew that the man I had befriended could not afford the luxury of integrity. Someone was paying him to act as a spy. His government salary was little enough, while he wife had definite ideas about her proper position in the world. He had been bought (I doubt if the vendee got his money’s worth). I was bitter at the time, but today that bitterness is tinged with pity. He is only one among many Americans who increasingly cannot afford the luxury of integrity. ... (p. 60).

Lanier (1970) does a good job in describing SC’s predicaments. Lanier, referencing an FTC memo, which is included as Item 3 in the Appendix of this paper, writes:

...With the Red Scare building at a furious pitch, it was not difficult to discredit a young man with leftist sentiments. Chase did agree with the socialist indictment of capitalism, and he had committed some indiscretions which a more seasoned government employee might have avoided under similar circumstances. He realized that private detectives hired by the packing companies were keeping close tabs on all employees of the Chicago office. Although he took some precautions, he attended rallies sponsored by the Socialist Party and he marched in a parade organized by the Party to celebrate Armistice Day. Somehow information about these activities worked its way into the hands of Senator Watson (pp. 32-33).

Bradley and Merino (1994) briefly noted Senator Watson’s attack. They concluded:

...The Senate held a private investigation of the eleven staffers, but no public hearings were held. Through 1920, the four staffers remaining with the Commission were subject to various forms of harassment (including inspection by Senate investigators of all the trash taken from their homes). Chase remained a focal point; his work had been too effective, his reports too harsh. ...(p. 197).

Vangermeersch (2005) wished SC had ‘cooled-it’ with politically partisan activities while he was an FTC employee. SC gave Senator Watson and the meat packers a huge target at which to shoot (p. 28).

Item 3, undated but most likely late 1919, in the Appendix was noted in the Chase manuscripts at the Library of Congress and, undoubtedly, was the document Lanier used in 1970. This writer feels that SC should not have written articles in such journals as “The Liberator” while he was an employee of the Federal Government (see point 3 in Item 3 in the Appendix). The writer could find no trace of the small publications like “The Liberator,” and wonders about SC’s decisions to write for such journals during his government employment.

SC probably should have avoided the January 1918 meeting at which Lincoln Steffens and Jane Addams spoke (point 9 in Item 3 in the Appendix). Jane Addams had, at that point in time, fallen from public grace because of her pacificism during World War I and her defense of immigrants and political radicals (Elshtain, 2002, p. 240).

Perhaps the writer is taking a “too cautious view” about SC’s activities from 1917-1920 as a federal employee. The writer was twice a federal employee and noted the “extreme patriotism” of many federal employees, which definitely placed a limit on any extreme political views, to the right or to the left. Perhaps Lanier’s conclusion about SC’s not being a more seasoned government employee is correct.

The writer cannot come to a conclusion about Senator Watson. He may have been overcome by his anti-immigration views to grow to despise SC’s actions and opinions as being “red-based.” Senator Watson may have been overly influenced by the packers. However, the writer concludes his attack on SC was a most unfair one. The

writer wishes the FTC had published Item 3 in the Appendix. Senator Kenyon should have defended SC (and possibly the others), rather than just Basil Manly. SC was not a “Red Accountant.”

1919 Nov. 10 An unsigned memo on the FTC investigation is sent to Mr. J.E. Hoover. This memo summarized Peyronnin’s findings (NA + RA file #373887 on Roll #821).

1919 Nov. 14 The headline read “Colver Again Hits Packers: Defends Federal Trade Commission’s Inquiry and Conclusions” (NY Times, Nov. 15, 10:7). William B. Colver used the National Coffee Roasters’ Association meeting at Atlantic City to roast the Big 5 Packers.

Fifteen years ago, when they told it to Garfield, the combined net worth of the five Chicago packers, as shown by their own books was \$92,148,000. Operating, as they say practically for nothing, their combined net worth this year is \$479,000,000. ...

...

Because the Federal Trade Commission has obeyed the order of the President and Congress in examining these affairs, it finds itself, and not the packers, on trial.

1919 Dec. 3 Senator Cummins (Albert B., IO, 1850-1926, USS 1908-1926, Republican) amended Watson’s Oct. 20th motion by calling for a full-scale review of the FTC (CR, p. 66). This amendment passed (CR, p. 67). Senator Walsh of Montana (Thomas J., MT, 1858-1933, USS 1913-1933, Democrat) moved to drop the second “Resolve” from the original motion, as amended, as being superfluous (CR, p. 67). Watson responded: “Mr. President, I care nothing about the preamble. All I want is the investigation” (CR, p. 67). Senator Walsh (of MT), as there was a Senator Walsh from (MA), stated:

...But I am at a loss to understand how in this country where free speech is guaranteed by the Constitution of the United States, we can deny to a man the right to embrace or to teach the doctrine of socialism, nor, can I understand how you, can deny him an opportunity to seek employment in the public service because he is a socialist (CR, p. 67).

Senator Thomas (Charles S., 1849-1934, CO, USS 1913-1921, Democrat) held similar views as Senator Walsh from Montana. He stated:

... I do not think that because a man is a socialist he should be condemned, even in the abstract. I am acquainted with a great many socialists, high-minded men and women, conscientious men and women, who believe as firmly and sincerely in their doctrines of socialism as I believe in the ancient doctrines of the Democratic Party (CR p. 68).

At a point in time later in the debate, Senator Walsh of Montana and Senator Watson agreed to modify the preamble by changing his words to: “That a number of the employees of the Federal Trade Commission have been and now are engaged in socialistic and Bolshevistic propaganda, and in furthering the organization and growth at Socialistic and Bolshevistic organizations” (CR, p. 72). The amended bill and preamble passed (CR, p. 72).

1920 Jan. 28 A letter from Senator Townsend (Charles E., 1856-1924, MI, USS 1911-1923, HR 1903-1911, Republican) to the Attorney General clearly indicated that a Subcommittee of the Committee on Interstate Commerce was to investigate the FTC “Reds.” Senator Townsend was the Chair of the Subcommittee. The other members were not indicated but the letterhead did list the full Committee membership. It was: Albert B. Cummis, IO, chairman; Charles E. Townsend, MI; Robert M. LaFollette, WI; Miles Poindexter, WA; George P. McLean, CT; James E. Watson, IA; Frank B. Kellogg, MN; Bert M. Fernald, ME; Joseph S. Frelinghuysen, NJ; Davis Elkins, WV; Ellison D. Smith, SC; Atlee Pomerene, OH; Henry L. Myers, MT; Joe T. Robinson, AK; Oscar W.

Underwood, AL; Josiah O. Wolcott, DE; and Augustus O. Stanley, KY (NA + RA File 373887 on Roll #821).

The most interesting member was Senator Watson. Hopefully, he was not a member of this Subcommittee.

1920 Feb. 10 B of I Special Agent Robert Mickle wrote to Charles W. Miller, Counsel for the Investigation Subcommittee. Mickle referred to a request of Jan. 30 from Miller. Mickle had been an FTC employee and had a serious dispute with Earl S. Haines. Mickle concluded:

I wish further to say that the personnel of the commission, for the most part, is composed of a splendid type of men and I feel that if the radicals referred to by Senator Watson are eliminated (,) no other department of the government has a greater opportunity of serving the people (NA+RA file #373887 on Roll #821).

1920 Feb. 20 Two key communications from the Attorney General were dated on this date. One was the response to the Jan. 28, 1920 letter from Senator Townsend. Acting Attorney General C.B. Ames concluded:

“It therefore appears that there is no information in any of the files mentioned which refers to the radical activities of employees or ex-employees of the FTC” (NA + RA file #373887 on Roll #821).

The second letter was to Victor Murdock, Chairman, FTC from C.B. Ames, Acting Attorney General, about a request from Murdock on Feb. 2, 1920 about the “Reds” investigation. Ames wrote that SC had no present radical activities disclosed (NA + RA File #373887 on Roll #821).

1920 Feb. 21 The Watson resolution, as amended, soon focused on a survey of the FTC and not the investigation of “reds” in the FTC. Senator Norris commented: “It

strikes me that it would be similar to providing for the trial of a judge before a jury composed of criminals whom he had sentenced in his court” (CR, p. 3222).

1920 Feb. 24 Edward J. Brennan, B of I Division Superintendent in Chicago, wrote to J.T. Suter, Acting Chief of B of I, about a letter of Feb. 20 initialed J.E.H..

Brennan wrote this:

...I respectfully beg to advise that I have again caused a careful and exhaustive search to be made for the information requested in Senator Townsend’s letter, without result. However, during the course of said search I found reports rendered by the American Protective League under their File Nos. 47667 and 25382, relative to STUART CHASE of 1648 E54th St., Chicago, Ill. for April 8, 1918 and January 9, 1919, which are self-explanatory... (NA + RA File #373887 on Roll #821).

1920 Feb. 27 Division Superintendent Brennan wrote to Frank Burke, Assistant Director and Chief, B of I, with ATTENTION MR. HOOVER. This letter noted that SC and MHC both held one share of the Radical Book Shop. Apparently SC was a Director of the Radical Book Shop but was unavoidably absent at a number of meetings and resigned on March 12, 1919. One of the other directors was Irwin St. John Tucker “now under twenty years’ sentence to the Federal Prison at Fort Leavenworth, but out on bail while the case is being appealed” (NA + RA file #373887 on Roll #821).

1920 March 1 and 2 E.C. Lasater, a farmer and chairman of a committee appointed by the Farmer’s National Board on the packer situation, testified before the U.S. House Committee on Agriculture. He made this inflammatory comment: “...I think that every male adult of the houses of Armour, Swift, Morris, Wilson, and Cudahy, with their personal attorneys, could be put in the penitentiary without seriously disturbing the economic slaughter and distribution of live stock and live-stock products for more than

90 days...” (Meat-Packer Legislation, H.R. Part 5, pp. 308-309). Lasater referenced SC’s work with the FTC in its report of June 28, 1918 (Part 6, pp. 380-381).

1920 March 24 The APL files were summarized in a MEMORANDUM FOR MR. HOOVER. They covered three items: (1) Irwin St. John Tucker’s speech on April 14, 1918; (2) Mr. Anderson; and (3) Radical Book Shop. “As to the Radical Book Shop, while I don’t think they hold formal meetings there, there are always one to half a dozen radicals I.W.W.’s or Bolsheviki in this store every evening. They are very close mouthed when strangers come in” (NA+RA file #373887 on role #821).

1920 April 23 Edward Brennan sent to Frank Burke, with attention to Mr. J.E. Hoover, a copy of the Socialist Review of April 1920. It appeared from a memo of March 12, 1920 that focused on a member of the contributing editors, Santeri Nuorteva, as being a frequently investigated person. SC was also listed as a contributing editor (NA+RA file #386507 in Roll #844).

1920 After April Basil Manly’s April 1920 article “War Profits of the Patrioteers” was reprinted in 1920 as Searchlight Pamphlet No. 1. On the back page of the pamphlet, there was a description of the organization:

...The Searchlight’s staff constitutes a great truth-telling machine that turns the bright white light of publicity into the dark corners in Washington and reveals to the people what is actually done by the government.

Manly utilized the aforementioned Senate Document No. 248, June 29, 1918, ordered by Senator Borah (William E., 1865-1940, ID, USS 1907-1940, Republican) on Senate Resolution 255 on May 31, 1918 (CR, pp. 7231-7232). Manly started with a paraphrasing of a statement by Secretary of the Treasury William G. McAdoo:

When the coal controversy was at the height, former Secretary of the Treasury McAdoo startled the nation by declaring that in 1917 the mine owners made shocking and indefensible profits on bituminous coal. He stated that their income tax return revealed that during that year the earnings in their capital stock ranged from 15 to 2000 percent and that earnings of from 100 to 300 percent on capital stock were not uncommon (Manly, p. 2).

Manly did not stop with the coal industry. It was quite a list:

...At the time that the coal operators were making profits ranging as high as 7,856 percent, canners of fruits and vegetables 2,032 percent, woolen mills 1,770 percent, furniture manufacturers 3,295 percent, clothing and dry goods stores 9,826 percent, and to cap the climax, steel mills as high as 290,999 percent (pp. 5-6).

It is important to note Manly's specific comments about the Packers, as SC's reports and article are substantially different from that of Manly. This difference is, in this writer's view, the reason why the editor of the Journal of Accountancy agreed to publish SC's June 1920 article. Manly wrote:

The Story of the Packers

The newspapers have carried advertisements costing millions of dollars telling how little profit is made by the meat packers. The Treasury Department's reports show that of the 122 meat packers, 30, or one out of every four, made more than 100 percent profit on their capital stock. One of these companies, not one of the "Big Five," made the nice little profit of 4,244 percent on its capital stock in 1917 (pp. 9-10).

Manly used the dollars of common stock approach mentioned by SC as being misleading (see discussion of Armour on the Jan. 17, 1919 coverage). It is probably appropriate here to note Vangermeersch's (2005) coverage of SC's 1923 book, Special Accounting Examinations and Reports. In that book SC warned against "Cheap Journalism." Perhaps he was referring to Manly. SC wrote:

To write interestingly it is not necessary that the accountant should stoop to cheap journalism. His style must be dignified and restrained or his work and reputation will suffer. It is quite possible to be dignified and

exact and yet interesting at the same time (pp. 2, 38). (Vangermeersch, 2005, p. 37)

1920 May 18 Senator Walsh of Massachusetts (David Ignatius, MA, 1872-1947, USS 1919-1925, 1926-1947, Democrat) in a long speech on profiteering (CR, pp. 7191-7195) referenced Basil M. Manly's article "War Profits of the Patrioteers" in the April, 1920 issue of the Searchlight (p. 7193). The tenor of Walsh's comments are best typified by this quote:

...Larceny, in the main, is a wrong only against the individual, yet it is one which society undertakes to prevent and to punish. Profiteering is an offense against the whole structure of society, and one which, if allowed to continue unchecked, will result in the demoralization of patriotic sentiment and good citizenship, by means of which the Government exercises its authority and in which its security depends. To extort unjustifiable, unreasonable profits is an offense in the sight of God, an infringement of that moral law which is entrenched in the consciences of all mankind. It is an offense which we cannot condone or permit to go unpunished (p. 7197).

1920 May 19 Senator Kenyon used Senator Walsh of Massachusetts' speech to attack the packers (CR, p. 7281). Kenyon's rhetoric was in line with Senator Walsh of Massachusetts:

...Is it any wonder there is discord, unrest, discontent among the people when they observe the shrinking purchasing power of their earnings, when they read of the tremendous profits that patrioteers have gathered to themselves during and since the war, and with what unction they wrap the flag about them and denounce everyone who questions their right to rob the American people as Bolshevists, pro-German, and creators of unrest (p. 7283).

Kenyon then raised the specific issue of SC and the other FTC employees condemned by Senator Watson of IN. Kenyon stated:

Seven months have passed. I have tried to find out what the committee or subcommittee have done in the investigation of the socialistic tendencies of the FTC and the Bolshevism that we were told

existed in that body. It is certainly dangerous to have that matter going on any further without some investigation. Nor have I been able to find any other resolution for any other department of the Government introduced by any Senator to investigate their socialistic proclivities and tendencies (p. 7285).

1920 May 22 The debate continued and focused on the meat-packing industry (CR, pp. 7459-7466). Senator Sherman (Lawrence Yates, IL, 1859-1939, USS 1913-1921, Republican) certainly matched Senator Kenyon from a rhetoric viewpoint. Senator Sherman stated:

The bill is not sponsored by its original creators in good faith. The Senators who present it are in good faith, but the malevolent outfit back of it and the agitation for the last five or ten years in this country is made up of a gang of the most arrogant demagogues that ever infested any community. I know them of old...they are mere agitators and destroyers, ... They have never created anything. No industry has arisen from their efforts. No payrolls ever follow their footsteps save that imposed on the Public Treasury (p. 7461).

...
...Then Mr. Colver turned around and anathematized the Constitution as an ancient, antique document that is designed as a sheltering place of rogues. It is such a pass that affairs in this country have reached (p. 7462).

...
...Well, when I have nothing to do but go out and debate with Brother Colver, I trust that I shall be taken to an asylum for the feeble-minded. He receives attention only when he is found spreading official inaccuracies. ... (pp. 7465-7466).

1920 May Selected pages of the May issue of the Socialist Review were in this file. That issue included a list of the articles in its first three issues. The Socialist Review was a monthly publication of the Intercollegiate Socialist Society. SC and S. Nuorteva continued as being among the 18 contributing editors. Some of the others were Charles P. Steinmetz, Norman M. Thomas, and Louis Untermeyer (NA+RA Roll # 386507 on Roll #844).

1920 June Vangermeersch (2005) noted this SC effort to determine a “profiteer.” Vangermeersch noted SC’s use of the investor as the best basis for determining profit (pp. 21-22) and rate of profit on investment (p. 22) as the best basis for determining profiteering. SC chose “net worth with some adjustments” (for goodwill, unwarranted appraisals, and other intangible assets) (p. 22). The reader should note that this was in line with the June 28, 1918 report by the FTC on the meat packers sent to President Wilson.

Having just reviewed Manly’s article, the reader should note the comment SC made on the use of Capital Stock as the basis of determining profiteering. SC wrote:

b. Capital Stock is a common measure of profit but a highly unsound one. On this basis, a company which capitalizes its surplus by issuing stock dividends will show a much lower rate than one which does not, although earnings of the two companies on the basis of economic capital or net worth may be identical. Morris & Co. in 1917 earned about the same rate on net worth as did the Cudahy Packing Co. (23 per cent) but this profit applied to capital stock shows some 260 per cent in the case of Morris and only 35 per cent in the case of Cudahy because Morris has not capitalized surplus in recent years. The futility of comparisons, on this basis, needs no further argument (SC, 1920, June, pp. 426-427).

Bradley and Merino (1994) made a brief mention to this June 1920 article by SC. They wrote:

Chase made one effort to alert accountants to what he believed were the critical issues of the day. He published an article that addressed the major issue facing the FTC, i.e., what constitutes a “reasonable profit” in the Journal of Accountancy in June 1920. It is unclear why the Journal published the article; it simply may be that AIA’s leadership felt an obligation to Harvey Chase and agreed to publish an article by his son. The younger Chase clearly felt that the opportunity to reach this audience was important since he was willing to moderate his tone (p. 197).

Apparently, neither Vangermeersch (2005) or Bradley and Merino (1994) had access to Manly’s article. Vangermeersch would undoubtedly respond with his

conclusion: “This research on Stuart Chase seems to indicate his writings have been slighted in the Accountants’ Index. Perhaps this slighting is applicable to left-wing literature and writers rather than just to SC” (p. 127).

Vangermeersch also did not note the involvement of Robert H. Montgomery in the FTC matter of the meat packers (see coverage of the events of July 20, 1918 in this paper), nor did Vangermeersch note the involvement of HSC (see coverage of the event of June 24, 1918). If Vangermeersch had reviewed Manly’s article and known about the involvements of Robert H. Montgomery and HSC, Vangermeersch could have better explained SC’s June, 1920 article. However, Vangermeersch’s (2005) conclusion is still interesting:

This piece was published in the Journal of Accountancy, despite its controversial subject matter. The writer views the decision to publish this piece in the Journal of Accountancy to be courageous in nature by the editor. It may also show the continued importance of HSC in accounting. SC, in the writer’s view, benefited by his family status when getting this controversial piece published by the chief publication of the American Institute of Accountants--later in 1957, the American Institute of CPA’s (p. 23).

This writer is stunned that Senators Kenyon and Walsh of MA would have “stuck up” for Basil M. Manly--an out-an-out “yellow-journalist leftist,” in the writer’s view--and not defended SC on the floor of the Senate. SC deserved better than that from Senator Kenyon, Senator Walsh from MA and, even Senator Norris.

1920 June 10 J.E. Hoover transmitted to a Mr. Latimer a report of June 9, 1920 on the National Popular Government League. In it, addressed to Hoover, Basil M. Manly was the first person reviewed. He was noted as meeting with other socialists at SC’s office. This was based on Senator Watson’s attack on the floor of the Senate (File #379228 on Roll #831).

1920 sometime Finally, SC's work on the meat packers was published as: Report of the FTC on the Meat-Packing Industry: Part V Profits of the Packers. This report was extended to fiscal year 1917 and, thus, compared the three pre-war years of 1912, 1913, and 1914 to the three war years of 1915, 1916, and 1917. Merino and Bradley (1994) did not reference this specific FTC report. Vangermeersch (2005) did:

The writer (Vangermeersch) gives Chase a very high grade for an excellent study of reported figures with adjustments to get at a more uniform accounting, and in doing so, to draw conclusions about possible profiteering during the uncontrolled pricing period of 1915, 1916, and 1917. Certainly, the report recognized profit as a legitimate outcome of a business, and recognized that different internal organizational structures would lead to different costs per unit of output and profits per dollar of sales (p. 25).

1920 or late 1919, thereabouts Apparently SC prepared a Memorandum on Uniform Accounting for the Packing Industry in conjunction with the Anderson bill of June 23, 1919. This is reprinted as Item 4 in the Appendix to this paper. This memo was, undoubtedly, a part of an overall effort by the Packers to get a more rational basis of costing. The writer decided not to cover this topic as being too peripheral to the paper but refers the readers to two pieces by George E. Putnam of the Commercial Research Department of Swift & Co. in the Journal of Political Economy--April, 1921: "Joint Cost in the Packing Industry" and Oct., 1921: "Unit Costs as a Guiding Factor in Buying Operations." These items were noted in Chapter XVIII of the (1922) book The American Livestock and Meat Industry (as reprinted in 1966, pp. 410-431). That source notes that: "The material for this chapter has been furnished through the courtesy of Mr. J. H. Bliss, Chairman, Committee on Standardized Cost Accounting, Institute of American Meat Packers" (p. 410).

1920 Sept. 14 James P. Rooney, agent in Charge of the Chicago office of the B of I, sent J. E. Hoover a copy of the September 1920 Socialist Review. This issue “contains a very interesting article entitled ‘The Communist Party in Secret Convention’ and contains among other important features a table of membership of the present organization as presented by the party secretary” (NA+RA File #386507 on Roll #844).

1920 Nov. Senator Warren G. Harding, Republican, from Ohio is elected president over James Cox, Democrat, by a landslide. Bradley & Merino (1994) noted that the Republican platform of 1920 contained a clause “censuring the FTC for ... attacks on legitimate business” (p. 197). Lanier (1970) wrote: “The election of Warren Harding and Republican Congressional majorities in the same year forced the FTC to accommodate to the political tide of normalcy...” (p. 33).

1920 Dec. 1 The NY Times reported that on Nov. 30, 1920, Huston Thompson was appointed to chair the FTC. He had been appointed to the FTC in December 1918 after serving some years as an Assistant Attorney General (9:2). He was listed as a Democrat when he retired on Sept. 24, 1926 (NY Times, Sept. 26, 1926, 27:1).

1920 Dec. 4 SC is notified by the FTC that he will be dismissed due to lack of funds. Lanier (1970) noted a book by Thomas C. Blaisdell, Jr., The Federal Trade Commission: An Experiment in the Control of Business (1933) (pp. 78-79) to conclude: “Liberals who protested the firing of Chase and others had no effect on Commission policy” (Lanier, 1970, p. 34). Hodson and Carfora (2004) noted: “When his (SC’s) study of the meat packing industry revealed corporate accounting irregularities, congressional Republicans (including then senator and future president Warren G. Harding) successfully pressured the commission to fire him in 1920” (p. 38). Both

Bradley and Merino (1994, p. 197) and Vangermeersch (2005, pp. 25-27) relied on George T. Odell's report from Washington, Dec. 30, 1920 "The Federal Trade Commission Yields to Pressure" (The Nation, pp. 36-37). This source is not referenced. This writer believes that Odell based it on personal conversations with SC and William B. Colver. The writer will now stress the points raised by Odell not covered by Vangermeersch (2005), Hodson and Carfora (2004), Bradley and Merino (1994), and Lanier (1970).

Odell did note the most current work then being done by SC, Odell noted:

...When the blow fell Chase was in charge of cost finding for canned milk companies, covering refunds payable by them to the Government under War and Navy Department contracts. The amount of these refunds will exceed \$200,000, but the work cannot be completed by December 31, and after Chase leaves, the commission must either abandon it or else with a large waste of time and money have someone else check back over all the work already accomplished so as to be able to certify the amounts. ... (p. 36).

O'Dell then mentioned the William B. Colver.

In September of this year William B. Colver wrote to the President (Woodrow Wilson) asking him not to re-nominate him as a member of the FTC at the expiration of his term, about the first of October. That letter has never been made public by the White House. Inside the Commission Mr. Colver was looked upon as the backbone of the struggle against the packers and it was largely through his efforts that the Commission took up the cudgels against Watson, answering his charges, defending its agents, and denouncing the senator as a tool of the packers. Before he wrote to the President, Mr. Colver learned from "reliable sources" that his appointment would not be confirmed by the Senate. In the November elections, Watson was re-elected. ... (p. 37).

The first part of this paper examined why SC was marked as the "Red Accountant." The second part tells of the consequences to SC as being so marked. The third part of the paper briefly covers the remaining part of the story, the ultimate passage

of the Packers and Stockyard Act of 1921, as to note the issues for which SC had fought “the good fight.”

1920 Dec. 8 The Senate debate on the meat packing industry resumed (CR, pp. 45-86). Senator Kenyon started off with the economic plight of the farmers (during the mini-but severe-depression of 1920-1921) (CR, p. 45). Kenyon again raised the issue of Watson’s resolution:

...Resolutions were introduced in the Senate to investigate the FTC as a socialistic body--a resolution which, by the way, passed nearly a year ago, as I remember it, and under which a subcommittee was appointed. This has been barren of any results. Its purpose, of course, was to discredit the FTC. Why does the inquiry not proceed? It is probable that it never will proceed (p. 47).

Kenyon reverted to the 1906 struggle to secure a meat inspection law and the support that effort received from Senator Lodge (Henry Cabot, 1850-1924, MA, USS 1893-1924, HR 1887-1893, Republican) (p. 48). Senator Overman (Lee S., 1854-1930, NC, USS 1903-1930, Democrat) asked Kenyon about the packer consent decree. Kenyon said the decree has not been finally worked out, due to a controversy about the stockyards (p. 54). Kenyon did reference one version of the decree: “The packers admitted it when they agreed to the consent decree on February 27, 1920. Does anyone imagine they would agree to this decree if they had not been and were not at the time engaged in an unlawful combination” (p. 65). Kenyon then went further back:

From 1885 to the present time this combination has gone on in various forms and under various guises, but nevertheless it has been a combination that the Government has tried at times to dissolve and at other times to suppress. From 1885 it existed through the Veeder pools up to 1902. Later it existed through the National Packing Co. period... That company was dissolved after the criminal prosecution in 1912. That has been followed by the present livestock pool, which pool is sufficiently shown in this evidence and is proof of combinations. ... (p. 65).

Kenyon gave a long discussion of accounting figures and the importance of uniform accounting (p. 70). Senator Pomerene (Atlee, OH, 1863-1937, USS 1911-1923, Democrat) asked Kenyon if the packers disputed the FTC figures. Kenyon's response was: "Some of them are; some of the figures are disputed very vigorously" (p. 73). Kenyon noted that in the consent decree the packers agreed to get out of the wholesale grocery business (p. 74). Senator Reed (James Alexander, 1861-1944, MO, USS 1911-1929, Democrat) gave the recurring theme of opposition to a government meat board:

... We forget that the authority to exercise a power wisely is also a power to exercise it unwisely, and that when we vest these powers in a little coterie of gentlemen who are brought in here to Washington, most always inexperienced, most always incompetent to make a living at home and therefore belonging to the brigade who are seeking a salary and a livelihood away from home, that the power of discretion that we vest in them is very likely to be unwisely exercised (p. 79).

Also, on this day, the Department of Justice summarized its files on Basil Manly, SC (see Item 6 in the Appendix), Samuel W. Tator, Robert M. Buck; Earl S. Haines; Mrs. Nellie H. Baldwin; Raphael Mallen; Martin L. Sorber; Aron S. Kravits; Daniel A. Kemper; and Johann G. Ohsol, alias John Osol. The file on SC included a copy of What Happens in Military Prisons. The memorandum on SC included much "old stuff." The writer had not previously found the comments by Lieut. R. M. Cunningham written on April 8, 1918 for the A.P.L. The writer finds Cunningham's comments on SC a good summary of SC:

...reports that subject is the son of Mr. Chase who is head of one of the statistical bureaus of the Government in Washington. The family is an old one in Boston, MA. He is a socialist in that he does not believe in wealth but is a strong supporter of the Government at this time. He is head of the auditing of the meat packers books which work is being done by the Food Administration Office. He is a certified accountant and the job he has of seeing that the packers' profits do not exceed the amounts fixed by the recent new law just suits him and his work has been most

satisfactory to the bureaus. He has written his father expressing the thought that he was doing work of a most necessary kind that was as important as carrying a gun, and that he felt he could render much more efficient work this way than any other. From what I can learn there is no question as to his loyalty to the Government at this time... (File NA+RA 207699).

1920 sometime The writer of this paper makes no pretense to be a legal scholar and, hence, does not discuss the legal history of the (US Attorney General) Palmer-Packer Agreement of 1920, which was approved by the Supreme Court of the District of Columbia (Williams and Stout, 1964, pp. 632-633). The writer does believe that SC's work on the determination of the three classes of packer activity was supported by the barring of many of the packer activities in Class 3. William and Stout's coverage of this decree is Item 5 in the Appendix.

1921 Jan. 22 The Senate debate on the Meat Packing Industry resumed (CR, pp. 1869-1887). Senator Kendrick wanted the Senate bill to put the consent decree into legislation (p. 1872). Senator Sterling (Thomas, SD, 1851-1930, USS 1913-1925, Republican) mentioned the work done by Walter Y. Durand, Perley Morse & Co., and SC and then by SC alone (CR, p. 1874). These reports showed that the FTC could do the job of regulating the packers (p. 1874). Senator Stanley (Augustus, O., KY, 1867-1958, USS 1919-1925, HR 1903-1915, Democrat) stated in opposition to the bill:

This is the plan of Lenin and Trotski to which we are approaching by successive and inevitable steps.

Is it not the time to return to basic principles, to say that this bill and all others like it shall safeguard the liberty of the private property so long as the property is owned and operated in obedience to the law and without the infraction of the rights of any other citizen (CR, p. 1885)?

1921 Jan. 24 Another long debate occurred (pp. 1915-1962). Senator Smoot attacked the use of the history of the meat packers:

The report attempts to treat all of these matters of ancient history as if they were new discoveries and attempts to invest them with a living significance, although they admit in their report that the so-called “Veeder pool” was terminated early in 1902--18 years ago--and that the National Packing Co. was dissolved in 1912 (p. 1916).

The testimonies of Mr. Armour, Mr. Swift, and SC (see 1919, Jan. 17) were included in the CR by Senator Gronna (pp. 1937-1943). Senator McCumber (Peter J., 1858-1933, ND, USS 1899-1923, Republican) said “...People were tired of being governed by bureaus and by commissions. They were suffering from their operations in the operation of railways, shipping, and other industries. ...” (p. 1944). The Senate passed the bill by 47 yeas, 35 nays, and 16 not voting (p. 1962). However, the House of Representatives did not pass its meat packing bill nor substituted the Senate bill for it. Hence, once the session ended, the legislative books were closed on that topic. The process would have to be restarted by the newly elected House and Senate.

1921, Feb. 6 It was reported in the NY Times of Feb. 7 (23:2) the National Chamber of Commerce opposed the regulation of the coal and the packing industries. Senator Kenyon was reported as saying: “I notice that one of the large packers is a member of the Board of Directors of the Chamber of Commerce of the US, and that may have something to do with the attitude of the organizations.”

1921 May Representative Haugen (Gilbert N., IO, 1859-1933, HR 1899-1933, Republican), Chairman of the House Committee on Agriculture, opened hearings on meat packing legislation for the 67th Congress, first session. A subcommittee of 5 members met to write HR 14, which substituted the Secretary of Agriculture for the FTC in terms of control of the meat packers (Meat Packer, Hearings Before the Committee on Agriculture, p. 7). There was a significant change on the policy of the overall accounting

uniformity issue. HR 14 adopted a philosophy which, in the writer's view, was more in tune with individual farmers getting advice and help rather than the FTC industry uniformity approach.

Section 207, provides that every packer shall keep such accounts, records and memorandums as fully and correctly disclose all transactions involved in his business including the true ownership of such business by stock holding or otherwise. Whenever the Secretary finds that any packer does not fully and correctly disclose all transactions, the secretary may prescribe the manner and form in which such accounts, etc., shall be kept (p. 8).

Representative Anderson (formerly of the House Committee on Agriculture, Sydney, 1881-1948, MN, HR 1911-1925, Democrat) testified that the Gronna bill--the meat packing bill that passed the Senate in the previous Congress--was dissimilar to his bill in many respects (p. 26). The big story of the hearing on HR14 came from Mr. Thomas E. Wilson, President of Wilson & Co. His key point in supporting HR 14 was the restoration of public confidence in the meat packers:

In my opinion the principal thing wrong is the unwarranted suspicion that something is wrong.

No industry can continue to serve the public efficiently when it is suspected, condemned without proof, and is distrusted without adequate cause. Such a public attitude lowers the morale and the effectiveness of every person in the industry; a lowered morale means poorer service, it reacts on the laborer as well as the executive. It sometimes makes work half-hearted and undermines the faculty for wise decision (p. 396).

Mr. Wilson did make a significant contribution to the prior study done by SC by expanding SC's analysis to the years from 1913 through 1920. Wilson undoubtedly did not reduce net worth by SC's adjustments but Wilson's study from the annual reports of Swift & Co. did illustrate the cyclical nature of the meat packing business. The returns on Capital and Surplus for Swift & Co. were: 1913, 7.1%; 1914, 7.6%; 1915, 10.0%; 1916, 16.0%; 1917, 19.8%; 1918, 12.0%; 1919, 6.1%; and 1920, 1.2% (p. 399). [In this

writer's view, 1921--a severe depression year--would have yielded a negative return on investment]. The profit per dollar of sales was: 1913, 1.7¢; 1914, 1.7¢; 1915, 2.3¢; 1916, 3.2¢; 1917, 3.3¢; 1918, 1.6¢; 1919, 0.96¢; and 1919, 0.24¢ (p. 399).

Mr. Wilson also (with some degree of truth, in this writer's view) described previous legislation--Sims-Kenyon bill; Kenyon, Kendrick, Anderson bills; Norris/McLaughlin bill (p. 408)--as having dealt more with the past than the current situation. Mr. Wilson said:

In fact, the whole scheme of legislation seems to be predicated upon the idea of penalizing the packers for some unproven and imaginary offense of the past or to shackle them because of the fear that they may exercise some illegal power in the future. ... (p. 409).

...
Now you can easily go back 20 to 25 years and find faults, and I am not defending those things. We have a different vision today than the people of 25 years ago had, and maybe the things that we are condemning some of these large industries for doing at that time were things that through that constructive period were not condemned by the citizens, and it is hardly fair now for us to take that background, as was mentioned here yesterday and continue with that background, to constantly condemn this great industry... (pp. 416-417).

1921 May 5 The NY Times of May 6, 1921 (8:2) reported the opposition to HR 14 of Everett C. Brown, President of the National Live Stock Exchange of Chicago. At the hearings Mr. Brown said he favored control by the Interstate Commerce Commission.

Mr. Brown pulled no punches:

Mr. Brown said he saw nothing in the pending legislation which tried to control "what everybody in this room knows to be the greatest profiteer, during the war and the present time, that this country has ever known," adding: "Why does not Congress try to control these people who, by their retail butcher's associations in the large distributing cities, have as close or closer an organization than any of the big trade union organizations."

1921 May 7 It was reported in the NY Times of May 8 (21:3) that the Senate Agriculture Committee reported favorably on the Norris-McLaughlin Packer Regulation bill. “Opponents of the legislation in its original form were successful in obtaining elimination of the proposed federal live stock commission, the committee bill providing for a federal live stock commission under the Department of Agriculture to be appointed by the President and paid an annual salary of \$7,500.”

1921 May 14 It was reported in the NY Times of May 15 (18:2) that the Haugen Packer Control Bill was approved by the House Agriculture Committee. It was also reported that the Senate Agriculture Committee “restored a provision terminating jurisdiction of the FTC over investigations and affairs relating to the meat business, except upon specific direction of Congress. ...”

1921 May 26 The House debate on the Packer Legislation started off with Representative Haugen moving the bill (CR, pp. 1799-1818). Representative Tincher (Jasper N., KA, 1878-1951, HR 1919-1927, Republican) made this important point.

I will say to the gentleman that this bill was drawn without any reference to the consent decree. ... (p. 1810) [The Consent Decree was published in the CR of that day (pp. 1815-1818)].

1921 May 27 The House debate concluded (CR, pp. 1860-1890). A long history of past packer abuses was presented (pp. 1864-1866).

1921 June 2 The Haugen bill passed by a voice vote (CR, p. 2036).

1921 June 9 The Senate debate (CR, pp. 2319-2325) on the meatpacking bill (now numbered H.R. 6320) began with Senator Norris requesting amendments which would basically convert the House bill into the Norris bill (pp. 2319-2320). This included the ability for the meat commissioner “to prescribe uniform systems of accounts

and records and require the installation and use thereof by packers and operators...” (p. 2320). The NY Times of June 11 (3:2,8) was titled “Recall Party Slogan to Fight Packer Bill: Some Republicans Say It Belies Promise of Less Government in Business.”

1921 June 13 The Senate debate continued (CR, pp. 2486-2500). Senator Norris certainly fought for his version of accounting for the packers. He said:

Mr. President, the Senate Committee bill undertaken to give to the commission the right to go into all of the offices of the packers and to examine their books. It provides that he can say what system of bookkeeping shall be used and how the books shall be kept. This bill is drastic in that respect, but I do not know how to accomplish anything and be less drastic. If I did, I should do so (p. 2492).

...but if there is anything in bookkeeping--and every Senator knows there is, and that bookkeeping sometimes covers up as well as reveals--somebody must have the authority to provide a uniform system for all the bookkeeping of these institutions and must compel them to follow that system. Then their books will show what actually takes place (p. 2494).

1921 June 14 The Senate debate continued (CR, pp. 2553-2571). Senator Wadsworth (James W., Jr., NY, 1877-1952, USS 1915-1927, HR 1933-1951, Republican).

...I think it is going to result in increasing the cost of doing business. I think it will rob the business of certain elements of elasticity and of promptness in responding to ever-changing economic conditions under the law of supply and demand, for wherever the Government lays hand upon a business and imposes regulations it takes away from the thousands and thousands of persons engaged in that business, to a certain degree at least, liberty of action (p. 2564).

1921 June 15 A long day of debate on the Meat Packing Industry occurred in the Senate (CR, pp. 2581-2631). Senator Caraway (Thaddeus H., AK, 1871-1931, HR 1913-1921, USS 1921-1931, Democrat) stated:

...It would be almost a farce to concur in the House bill, because what it really does no one knows, except it gives no relief to the public and

is no doubt entirely satisfactory to the packers. If we are to have any regulation at all, we must take the Senate bill (p. 2611).

1921 June 16 The debate in the Senate continues (CR, pp. 2649-2682). Senator LaFollette (Robert Marion, WI, 1855-1925, USS 1905-1925, HR 1885-1891, Republican [Progressive candidate for US Presidency, 1924]) spoke in favor of uniform accounting for the packers:

That goes to the question of uniform accounting. There can not be any regulation of any industry in the country by the Government unless uniform bookkeeping and uniform accounting is required. ... The Haugen or House bill now before the Senate fails to provide a uniform system of accounting. Such a system of accounting is provided in the Senate bill. ... (p. 2679).

The Senate voted not to substitute its bill from its Committee on Agriculture and Forestry for the House bill. The vote was 34 votes to substitute and 37 votes not to substitute (p. 2686). The headlines of NY Times of June 17 (1:5) read: “Hot Senate Fight Blocks Packer Bill--Party Lines Break as More Drastic Substitute is Beaten 37 to 34.” Twenty-one Democrats and 13 Republicans teamed up against 33 Republicans and 4 Democrats. Another way of looking at this, the NY Times reported, was Standpatters 37 to Progressives 34.

1921 June 17 The issue was not yet dead on the floor of the Senate (CR, pp. 2697-2713). Senator Kenyon did get into the bill the uniform accounting provision at the discretion of the Secretary of Agriculture (p. 27). That amendment passed 41 to 21 with 34 not voting (p. 2712). The NY Times of June 18 (2:2) reported “In the end and just before the vote on the bill itself the leaders of the progressive group succeeded in getting the publicity and uniform accounting provisions of the Senate bill and opted as amendments to the House measure.”

1921 June 20 The NY Times had an editorial “Regulation of Private Business” (12:2). It editorialized that “If the packer bill is to become law, it ought not to be without instructions to the unfortunate Secretary charged with a duty too great for any one brain.”

1921 June 23 The House disagreed with all the Senate amendments, as reported in the NY Times of June 24 (17:5). Five Representatives were appointed by Speaker Gillette (Frederick H., MA, 1851-1935, HR 1893-1925, USS 1925-1931, Republican). Three U.S. Senators--Kenyon, Kendrick, and Norris--were appointed by, this writer believes, the majority leader of the Senate. H.R. Report No. 324 of August 2, 1921 and S. Document 59 of August 2, 1921 noted the victory of the House on most issues, including uniform accounting.

1921 August 4 Senate Kenyon stated that the House was much more successful than the Senate in the Conference Committee (CR, p. 4642). He noted Senator Norris refused to sign the conference report, because “the House bill took away too much power from the FTC” (p. 4643). The Conference bill was accepted 48 to 10 (including Watson of Indiana).

1921 August 9 Representative Haugen was unhappy with “the champion of the people’s rights” [i.e., Senator LaFollette] (CR, p. 4780). Haugen gave this explanation about the dropping of uniform accounting:

...While there may be no serious objection to the uniform system of accounts, it seems of much importance that accounts, records, and memoranda of packers market agencies, stockyard owners, and dealers should fully and correctly disclose all transactions involved in their business. If it is proper and necessary to apply it to one, I can see no objection to applying it to all... (pp. 4781-4782).

The conference report was passed (p. 4787).

1921 August 17 President Harding signs the bill as reported in the NY Times of Aug. 18 (16:2).

Certainly SC's work on uniform accounting was, undoubtedly, helpful to the meatpacking industry and, at least for the field of cost accounting, did lead to clearer accounting. The financial accounting issues raised by SC were premature in terms of "Generally Accepted Accounting Principles," which were to become more uniform during the mid-1930's and beyond. The writer, like Vangermeersch, found SC's tightening of "Net Worth" to be something useful even for today's accounting. Certainly, SC was no "wild-eyed" critic of accounting. This, in and of itself, should have belied the "Red Accountant" issue.

Apparently, Senator Watson never did name anymore "Reds" and the unrecorded subcommittee to investigate the "Reds" named by Watson on Oct. 20, 1919 never reported its findings. The damage to SC was severe, even though hard to measure as SC did continue his life-long interest in the USSR over the years (Vangermeersch, 2005, pp. 11-12, 14, 67, 69, 75-76, 110).

Perhaps Vangermeersch (2005) should have noted the possible influence John Reed--the author of the infamous book on the takeover by Lenin and Trotsky of the Russian government in November 1917, Ten Days that Shook the World, (1919)--on SC. SC responded to a question about the Harvard Class of 1910 for Norman Silber during an oral interview:

Well, you see I was a special student and not in any of the clubs or anything. But I saw something of Heywood Broun, and Walter Lippmann. And John Reed. I wrote a story and took it to John Reed, who was an editor of the Harvard Lampoon then. He read it carefully and then shook his head (Sept. 29, 1977, p. 6).

This writer concludes that SC was motivated by his dealings with John Reed to be very interested in the USSR.

The writer has finally “tied-in” John Reed and SC outside of their Harvard acquaintance. Granville Hicks (1936) in John Reed: The Making of a Revolutionary noted John Reed spoke to SC’s Fabian Club in Chicago in September of 1918 (p. 310). Hicks used, apparently, SC as an interview source (p. 403), as well as Art Young (p. 404). Art Young was a newspaper cartoonist traveling with Reed to cover the I.W.W. Trial in Chicago (p. 310). Hicks writes:

Reed and Young went to Chicago. Reed spoke at a big meeting in one of the theatres and his classmate, Stuart Chase, who was working for the Federal Trade Commission had him speak for the Fabian Club he had organized. ... (p. 310).

Hence, the writer is of the opinion that a research trip to the John Reed papers in the Louise Bryant Collection at Harvard might even bring the John Reed/SC hypothesis to an even more sound footing. In the writer’s view, any further tie-in between SC and John Reed would be a great attention getter for those interested in bringing SC back.

SC and his ideas were resilient and were not stopped by being the “Red Accountant.” This writer, like Vangermeersch (2005, p. 28), finds SC to be a “moderate radical” or a “reluctant radical.” Certainly, the writer found nothing in SC’s musings on accounting from 1917 to the end of 1920 to be out of line of an auditor concerned with the abilities of management to manipulate net worth and to be too flexible with such topics as inventory valuations, transfer prices, and allocation of overhead and expenses. The real culprits in this story were William B. Colver, Basil Manly, Senator Kenyon, Senator Norris, and Senator Walsh (MA) for their scurrilous misuse of profits/par value of common stock figures. At least, Colver and Manly gave some sort of a defense for

SC. The three senators should have mounted a Senate campaign to defend SC. Their silence was deafening.

SC deserves to be better known, not only by accountants, but also by all those interested in history. SC is surely “A Man for all Ages.”

Appendix

Item 1

Senator Watson's Attack of
October 20, 1920 on SC
Congressional Record, pp. 7166-7169

My information is that Mr. Stuart Chase, as the above-acknowledgement recites, had general charge in Chicago of all the investigations of the meat-packing industry and supervision of all the investigations of independent packing companies throughout the United States. He was married in 1915 and, together with his wife, spent their honeymoon doing slumming work and making an investigation of a social character in Rochester, N.Y. They collaborated in writing a book called "A Honeymoon Experiment," which plainly shows the socialistic views of each. Since that time he has been a great contributor to magazines and newspapers of a socialistic character, and has written many articles against what he is pleased to call capitalism.

His office at Chicago, the office of the Federal Trade Commission, during the investigation of the meat packers was in the Conway Building and it at once became the center of socialistic activities. He organized and afterwards became the president of the Fabian Club, a society founded for the express purpose of furthering the doctrines of socialism. About him in the Federal Trade Commission headquarters were grouped such men as Victor Berger and Irwin St. John Tucker, both of whom have been indicted and convicted under the espionage act, and many other extreme socialists, and his office became the rendezvous of a number of men devoted to the destruction of property, the overthrow of government, and the consummation of the ideals of socialism.

He was active in securing the attendance of the employees of the Federal Trade Commission at a meeting at the Coliseum in Chicago at which Victor Berger and other socialists and radicals made inflammatory speeches. He signed and approved a pamphlet called "What Happens in Military Prisons" and also a "Report on the Treatment of Conscientious Objectors at the Camp Funston Guardhouse." The later pamphlet closes with this appeal:

Do you not believe that now that the war is over and the ideals for which these men stand, right or wrong, can no longer have an influence upon the military success of this country, that a liberal Government can well afford to be generous with war's heretics? All of these men were usefully employed before the war and longed to serve their country in ways to which their consciences agreed. Is it not poor economy to deny them this privilege?

Under his direction there were issued a series of publications called "Fabian Tracts," all of which breathe the spirit of sedition and intense opposition to existing institutions, both financial and governmental. He was also instrumental in organizing a meeting at the Chicago Theater in

January, 1918, at which Lincoln Steffens spoke. That anarchist had just returned from Russia and his address was delivered for the purpose of aiding in the recognition by our Government of Lenin and Trotski.

Chase wrote an article for the New Majority, an extreme radical paper, under date of July 5, 1919, in which he excoriated this Government for having failed to recognize the Russian soviet government.

It can be verified by affidavit that Chase instructed members of the Federal Trade Commission's investigating staff that in the event the figures obtained from the packer's books were not the equivalent of those submitted by the packers in their various financial statements, they should in all cases take the larger figures. In a number of instances it so happened that the figures obtained by the Federal Trade Commission from the packers' books were not as large as those submitted by the various packing companies, and in each case the Federal trade Commission used the larger figures which would be arrived at by putting back various reserves into profits, thereby inflating the profits, all of which was done upon Chase's positive instructions.

During all of this time the office of the Federal Trade Commission in the Conway Building, under his instructions and with his active consent, became the headquarters of all the active members of the Fabian Club, including such men as Tucker and Berger and the other socialistic members of the Federal Trade Commission.

Item 2
Attacks by Senator Watson on Samuel Tator and SC
Congressional Record, Oct. 20, 1919, p. 7167

Samuel W. Tator, who, with Stuart Chase, had general charge of investigations, is well known in socialistic circles. During this time he was an avowed admirer of Lenin and Trotski and frequently expressed his admiration of the soviet government of Russia. He was an active member of the Fabian Club and was pronouncedly against the Allies in the World War. He was an intimate friend of Chase, always met with the other members of the Federal Trade Commission, and to them frequently made the statement that all big business should be confiscated and owned by the Government.

After the armistice was signed he warned his fellow investigators of the Federal Trade Commission that the Washington office had notified the Chicago office to cease all revolutionary activities, stating that if they continued they would get into trouble with the Department of Justice.

Item 3
 Analysis of Senator Watson's Charges
 Against the FTC and Members of
 Commission's Staff.
 From SC papers at National Archives in
 Washington DC, Container #2

(From Senator Watson's speech as
 reported by the Congressional Record of
 October 20, 1919, pp. 7585-7598)

In the following analysis no attempt will be made to comment specifically upon the numerous general statements of the Senator's, or the blanket charges of "Socialism," "Bolshevism," and "Anarchism" which he uses illogically and ignorantly. Our purpose is to examine only his concrete charges so far as they affect the specific acts and utterances of members of the Commission's staff.

SENATOR WATSON'S INTRODUCTORY REMARKS

1. The agents of the Government should be sent out to investigate and not to persecute. They should impartially collect facts in order that the Federal Trade Commission may come to just conclusions concerning the quest involved, but this course has not always been pursued.

Where is the Senator's evidence that members of the Federal Trade Commission's staff have not impartially collected the facts? In all his speech there is no attack on the evidence collected and reported to the Commission, except the ambiguous statement regarding the juggling of profits attributed to Mr. Chase, to which no answer can be made until the affidavits are presented.

CHARGES AGAINST STUART CHASE

1. Mr. Chase had general charge in Chicago of all the investigations of the Meat Packing Industry, and supervision of all the investigations of the independent packing companies.

Mr. Chase was never in general charge of all investigations but acted as a subordinate for the Food Administration and for the Federal Trade Commission and was their agent in certain specific parts of the Meat Investigation and the regulation of packers' profits. A great deal of the work carried on at Chicago he knew nothing about and had no connection with.

2. Mr. Chase was married in 1915, spent his honeymoon doing slumming work in Rochester, N.Y. and wrote a book called "A

Honeymoon Experiment” which plainly shows the socialistic views of himself and his wife.

Mr. Chase was married in 1914, did spend a part of his honeymoon in Rochester, N.Y. investigating social conditions from the viewpoint of a jobless man. He did write a book published by Houghton, Mifflin & Co. of Boston, recounting the experiences of himself and his wife, but the only recommendations made in that book were the necessity of Governmental employment bureaus, minimum wage, protection of women in industry, and the introduction of a tax on land values to alleviate poverty.

3. He has been a great contributor to magazines and newspapers of a socialistic character, and has written many articles against capitalism.

Mr. Chase has not been a great contributor to magazines and newspapers and has not written many articles against capitalism. He has written a few articles dealing with the high cost of living, household budgets, economic wastes, the ethics of salesmanship, problems of accounting, and these articles appeared in “Good Housekeeping,” the “Independent,” “New Republic,” “Reconstruction,” “New York Call,” “The Liberator,” and one or two other small publications.

4. His office at Chicago was the center of socialistic activities and about him there were grouped Victor Berger and St. John Tucker, and other extreme socialists devoted to the destruction of property and the overthrow of government.

The Chicago office was not the center of socialistic activities, no meetings except in the line of business were there held, no propaganda of any kind was carried on. Victor Berger was never in the office and does not know Mr. Chase. Mr. Tucker came into the office once or twice to inquire for news items concerning the investigation, as did other newspaper men and interested persons.

5. Mr. Chase organized the Fabian Club, a society founded for the purpose of furthering the doctrines of socialism.

He did found the Fabian Club which had no purpose whatsoever except to provide an open forum for discussion of current social, political and art problems. The attempt of the Club was always to have both sides of any given question represented and to stimulate the greatest possible discussion from the floor from a variety of angles. The Club had no affiliations with the Socialist party, the Labor party, or any other organized group.

6. Chase was active in securing the attendance of employees of the Commission at a meeting in the Coliseum in which radicals made inflammatory speeches.

Chase attended that meeting, but made no attempt to secure the attendance of others. The meeting was under the auspices of the Socialist party and its primary purpose was to celebrate the German Revolution and the downfall of Kaiserism.

7. He signed and approved a pamphlet called "What Happens in Military Prisons" and also a report of the treatment of conscientious objectors at the Camp Funston Guard House.

This is true. Can any statement better reflect the true spirit of America than the one quoted by the Senator from the latter pamphlet, which reads:

"Do you not believe that now that the war is over and the ideals for which these men stand, right or wrong, can no longer have an influence upon the military success of this country, that a liberal Government can well afford to be generous with war's heretics? All of these men were usefully employed before the war and longed to serve their country in ways to which their consciences agreed. Is it not poor economy to deny this privilege?"

8. He issued a series of publications called "Fabian Tracts," all breathing a spirit of sedition.

He collaborated with a committee of the Fabian Club in preparing one tract entitled "Peace Conference Hand Book." This tract was mainly an appeal to support the fourteen points of President Wilson and the principle of the League of Nations.

9. He was instrumental in organizing a meeting January 1918 at which Lincoln Steffens spoke.

This is true. Mr. Chase cooperated with Miss Jane Addams and other citizens of Chicago in organizing a meeting at which both Miss Addams and Mr. Steffens spoke, the latter recounting his late experiences in Russia. Mr. Steffens denied that the Soviet Government was in any way pro-German, an opinion then universally held. Subsequent events have vindicated the stand that Mr. Steffens then took. This meeting was not under the auspices of any organization but was undertaken by a citizens' committee.

10. Chase wrote an article for the "New Majority" an extreme radical paper in which he excoriated this Government for having failed to recognize the Russian Soviet government.

Mr. Chase wrote a letter to the "New Majority" pointing out the reasons why the United States Government had failed to recognize the Soviet government, but had at the same time recognized the Finnish government, although the charges of pro-Germanism, Terrorism, and minority rule were much more serious when applied to Finland than to Russia. He inquired under the circumstances, why Finland should be recognized and not Russia, but did not excoriate the United States Government.

11. Chase instructed members of the Commission's staff to juggle the packers' profits in order that the blackest case might be made out against them.

This charge is to hopelessly muddled as to its context that it is impossible to make any meaning out of it. Not until the affidavits which the Senator says he has, are produced, can any logical answer be made.

Mr. Chase has always been scrupulously careful to report the profits of the packers as accurately as is possible, recognizing that his reputation as an accountant stands or falls with the method that he uses in determining the figures.

CHARGES AGAINST SAMUEL W. TATOR

1. He is well known in socialistic circles. This is false. He is only known in governmental and collegiate circles.

2. He was an active member of the Fabian Club.

He was not an active member of the Fabian Club, only attending a few meetings, and the only occasion upon which he spoke before the Club was when he defended the Federal Reserve System.

3. He was pronouncedly against the Allies in the World War.

An absolute falsehood.

4. He frequently made the statement that all big business should be confiscated and owned by the Government.

He never advocated confiscation of private property.

Item 4
Memorandum on Uniform
Accounting for Packing Industry

From SC papers at National Archives in Washington, D.C.
 Container #2

Memorandum on
UNIFORM ACCOUNTING FOR PACKING INDUSTRY

(In connection with Licensing
 Bills now before Congress)

The Anderson Bill of June 23, 1919, provides:

“Sec. 9 - That every licensee shall keep such records and statements of account and make such reports or returns (verified under oath or otherwise, as will fully and correctly disclose all transactions involved in his business and the true ownership of such business by stockholding or otherwise) in such form (and at such times) as may be requested under general or special orders of the Secretary of Agriculture.

“Sec. 14 - (3) - It shall be the duty of every licensee in this section

(g) To keep complete and accurate accounts and record of his business and to submit reports when called for in such form as may be prescribed by the Secretary...”

Section 9 thus give the Secretary power to prescribe the form of accounts, as well as the form of reports, apparently.

Suggested Amendment to Licensing Bills

Sec. That the Licensing Authority (whatever it may be) shall prescribe a uniform system of accounts for all licensees from maintaining any side records or accounts for his own information. That such uniform system shall include a uniform classification and definition of asset, liability, income, and expense accounts, together with a uniform method of determining the cost of the several products derived from slaughtered animals, and such other cost methods as may be deemed expedient from time to time. That every licensee shall make such reports or returns based on the aforesaid uniform system of accounts in such form and at such times as may be required by the Licensing Authority.

Reasons for Amendment

Under Section 9 of the Anderson Bill, it is not altogether clear that the Licensing Authority has the power to prescribe a system of accounts, but rather only the form of the reports required from licensees. While it is probably possible to force a system of accounts by prescribing a certain form of reports, this is a round-about way of getting at the situation, and may also give rise to considerable misunderstanding and difficulty. It would seem much better to let licensees know at once what is to be expected of them and prepare them for the necessary changes in their accounting methods.

The question of "Uniformity" should be stressed in the bill itself, as otherwise the Licensing Authority might prescribe different forms for different companies - due to special pleading on their part - and thus disrupt the wonderful survey of the whole industry that will come to light when substantial uniformity throughout is prescribed.

What might prove to be the joker in the present form of the bill, is the fact that if only uniform reports were required, each licensee would be free to define his underlying accounts and costs to suit himself, throwing those figures into a report form which might be uniform for all companies, but which would be worse than useless so far as securing real accuracy went. The amendment by giving the Licensing Authority power to prescribe the composition of the underlying accounts achieves a true organic uniformity, while the bill as it now stands might only result in a surface uniformity.

Outline of Work Already Done in Respect of a Uniform Accounting System for the Packing Industry, together with Suggestions for Completion of Such Work

There were three main objectives in view, when, in June 1918, the Commission undertook the preparation of a uniform accounting procedure for the five great packers. These objectives were:

(1) The unification and simplification of the profit regulations imposed upon the packers by the Food Administration. The lack of uniformity was so grave under the old system of reporting that neither the Food Administration nor the Commission could feel that the public interest was adequately protected under the regulations, and a change in accounting methods was accordingly imperative.

(2) Looking beyond the period of war regulation, it was felt that a uniform system of reporting, once inaugurated, would be invaluable in future years to inform the Government and the public of the exact financial position of the packers. It was proposed to outline a method of reporting whereby profits, assets, liabilities, status of subsidiary companies, production, prices, etc., would be accurately and currently set

forth - the whole program to be somewhat akin to the reports required from common carriers by the Interstate Commerce Commission.

(3) Finally it was thought very desirable to erect if possible a cost system for the packing industry. Heretofore, the packers, lacking a reliable cost system had used a hit-and-miss method of accumulating costs for their several meat products - a method which was not only faulty in principle but faulty in application. It was hoped that a system based on the theory of joint costs, rather than on main-and-by-product costs, could be inaugurated.

Of the above three objectives, the first is no longer pertinent. The Food Administration dissolved its regulation of packers' profits in January 1919. But the remaining objectives are as much in order now as ever they were - perhaps, in view of impending legislation even more in order than before. If the packing industry is to be subject to license and a measure of Federal control, the necessity of accurate and current accounting reports, based on accurate costs, needs no argument. Without such reports, intelligent control is impossible. That the question of uniformity is broadened to include reports from all interstate packers, as well as from the big five, is also obvious.

The Original Program

The program as originally laid out by the Commission in June 1918, and subsequently tempered by conference and discussion was substantially as follows:

(1) The determination of uniform accounting periods covering which reports were to be rendered.

(2) A uniform classification and definition of controlling asset, liability, income and outgo accounts, together with supporting detail for such controlling accounts.

(3) A uniform classification of branch house and car route income and outgo accounts.

(4) A uniform classification for subsidiary company accounts - both 100 per cent owned, and less than 100 per cent, and over 50 per cent owned by the main company.

(5) A uniform definition of packing plant "sections," and ultimately of packing plant "departments."

(6) A uniform method of pricing inventories.

(7) A uniform method of fixing billing prices of goods shipped from packing plants to branch houses and other selling agencies.

(8) A uniform method of determining transfer prices between departments.

(9) A uniform method of distributing overhead expense.

(10) A uniform method of equalizing the valuation of fixed assets, and treating depreciation thereon.

And, in a class by itself,

(11) An intensive study of the possibilities of erecting a joint-cost system for the packing industry.

What Has Been Accomplished

Considerable work was done by the Chicago staff under the general direction of Mr. Chase following the provisions of the above program. A series of conferences (a dozen or more) were held with the accountants of the great packers, a subject being assigned for discussion at each conference. In addition a great deal of illustrative material was collected from the packers' books, and a series of studies were made by various members of the staff. Outside accountants representing three professional firms also assisted in the work.

As a result of these activities, a comprehensive classification of asset and liability accounts was devised, together with supporting detail (see Exhibit 1) and accepted by the packers. Swift & Co. installed the classification in toto into its books,

A tentative classification for packing plant income and outgo accounts was arrived at, together with forms of reports for branch houses, car routes and subsidiary companies. (Exhibit II).

A uniform inventory procedure (in lieu of the finding of actual costs upon which inventory prices should be based) was determined.

Some progress was made in outlining the principles for a proper distribution of overhead expense.

An exhaustive report was made on the treatment of service departments, and the possibilities of securing uniformity therein and a great deal of attention was given to the question of uniform "sections" and departments.

Much preliminary thought was given to the question of a sound cost system.

While the balance sheet classification is the only part of the program that was really carried to final completion, it can be confidently stated that were reports now required from the packers based on the tentative studies already made, the Government would secure more comprehensive insight into packing house accounts than has ever been heretofore compiled, and for the first time a flood of light would be shed upon what has always been a confusing mystery.

These tentative schedules go a long way towards clearing up the question of uniform reporting, but needless to say, before finally accurate results can be obtained, much additional work needs to be done. It would seem that this initial work into which a great deal of labor and energy has gone, should not be scrapped and forgotten, but should serve as the foundation upon which uniform accounting for the packing industry may ultimately be developed.

Work Still to be Done

To carry this preparatory work to a successful conclusion it will be necessary to:

- (1) Complete the classification for income and outgo accounts.
 - (2) Finally determine the principles governing the distribution of overhead expense.
 - (3) Complete the study governing the principles of the valuation of packing house properties, and the proper depreciations thereof,
 - (4) Complete the classification of packing plant “sections” and departments,
 - (5) Finally determine the principles governing billing prices to selling agencies,
- And, finally, and most important,
- (6) Complete the preparation of a sound cost system for packing house products. A system which will furnish the basis for pricing inventories, valuing transfers between departments and computing accurate profits or losses by specific products, as well as for the company as a whole.

Item 5
“The Packer’s Comment Decree” from Williams and Stout
Economics of the Livestock-Meat Industry,
pp. 632-633.

The Packer’s Consent Decree

When further investigation and prosecution under the Sherman Anti-Trust Law were eminent, the packers arranged for conferences with the Attorney General, A. M. Palmer. The conferences lasted about two months and resulted in the Palmer-Packer Agreement certified by a decree handed down by the Supreme Court of the District of Columbia in 1920 known as the “Consent Decree.” The packers did not admit guilt to charges of monopoly nor did the decree carry any connotations of guilt. Under provisions of the decree the “Big Five” packers agreed to (1) sell, under federal supervision, their holdings in public stockyards, stockyard railroads, terminals, and market newspapers; (2) dispose of their interests in public cold storage warehouses not essential to the handling and distribution of meat products, (3) disassociate themselves from “unrelated lines” of activity including wholesale groceries, fish, and more than 100 other enumerated commodities, (4) abandon use of their wholly owned distribution systems for purposes other than the distribution of their own meat and dairy products, (5) disassociate themselves forever from retailing, and (6) submit perpetually to the jurisdiction of the U.S. District Court under an injunction forbidding any unfair or unlawful practices, combinations, or conspiracies leading to monopoly control of food products in the United States. In general, they were restricted to meat packing and processing and among foods to closely related animal products. They were permitted to continue their operations in certain vegetable products such as cottonseed oil and to retain possession of their refrigerator cars. They were not prohibited from entering nonfood lines of activity that clearly were not related to foods.

The Packer’s Consent Decree was not a law; it was an agreement. Furthermore, it was not an agreement between the U.S. Government and the entire packing industry because it involved only the five principal packers. Although slightly modified, it still is in effect today and applies to Swift, Armour, Wilson, and Cudahy. The decree did not directly affect concentration in meat packing as livestock purchases and slaughter volumes were not restricted. The Consent Decree, however, was one factor, among many others, that set the stage for a decline in market concentration in the industry. As indicated in Chapter 14, the decline has been significant.

Item 6
Comments on SC from December 8, 1920
Summation by the
U.S. Department of Justice

In re: STUART CHASE.

Senator Watson charges that subject, who had general charge of the investigation of the packers, was a socialist; was president and organizer of the Fabian Club of Chicago, a society founded for the express purpose of furthering the doctrines of socialism; that grouped about subject in his offices at the Federal Trade Commission Headquarters were extreme socialists, devoted to the destruction of property, the overthrow of government and the consummation of the ideals of socialism; that subject organized a Chicago meeting at which the Anarchist Lincoln Steffens spoke in aid of the recognition of Lenine and Trotsky by our Government; that subject later wrote a magazine article assailing the U.S. Government for not recognizing the "Russian Reds"; and that upon subject's specific instructions the Commission accountants inflated the showing of profits of the packing companies (Washington Post and Star, 10-20, 21-19).

Subject was temporarily appointed as an examiner for the Federal Trade Commission on May 16, 1918, under Act approved September 26, 1914. Subject's last-known address was 1648 E. 54th St., Chicago, from which place he moved on April 1, 1919, supposedly to go to Washington. Subject and his wife were very radical in their conversations. Subject at one time wrote an article about the packers, but on account of its strong radical language, he was compelled to change the wording before it could be published. Subject was Chairman of the Fabian Club of Chicago, Ill., during 1918. This Club had a membership principally of conscientious objectors, their relatives and socialists; it is not believed that the Fabian Club is affiliated with any radical organization; it is further understood that the only activities the Fabian Club have is at their regular semi-monthly meetings; these meetings are socialistic (Memo. GFT, 11-10-19).

Assistant Inspector W. N. Rudd, A.P.L., Chicago, March 21, 1918, complains that subject is employed in the Meat Investigation on clerical work; thinks his appointment comes from the Department at Washington. Both subject and his wife are socialists and much opposed to war. They belong to the intellectual university group and have been engaged in socialistic experiments. Both subject and his wife are college people of high

grade. Subject is known to have secured the appointment in order to avoid serving in the army, being a rank pacifist. Complainant is advised that they have written home to their people boasting of the socialist and pacifist meetings that subject is leading. Subject's father-in-law is said to have remarked that he hoped that they would not get into jail but feared that they would and stated that they would have no one to blame but themselves if they did. Complainant stated that it certainly would seem that an investigation of this man's activities is advisable (A.P.L. 25382).

Lieut. R.M. Cunningham under Captain Randle under Inspector Corby, A.P.L., Chicago, April 8, 1918, reports that subject is the son of Mr. Chase who is head of one of the statistical bureaus of the Government in Washington. The family is an old one in Boston, Mass. He is a socialist in that he does not believe in wealth but is a strong supporter of the Government at this time. He is head of the auditing of the meat packers books which work is being done by the Food Administration Office. He is a certified accountant and the job he has of seeing that the packers' profits do not exceed the amounts fixed by the recent new law just suits him and his work has been most satisfactory to the bureaus. He has written to his father expressing the thought that he was doing work of a most necessary kind that was as important as carrying a gun, and that he felt he could render much more efficient work this way than any other. From what I can learn there is no question as to his loyalty to the Government at this time. Robt. H. Young, Badge 9701, reports that subject is in the meat department of the Food Administration, 727 Conway Bldg. (A.P.L. 25382. Note Subject's name spelled Stewart Chase).

STUART CHASE - (4)

A.R. Webb, 957-208 S. La Salle St., 'Phone Harrison 4133, submits the following complaint:

Chase is the temporary chairman of the Club. Both Stuart Chase and Theron P. Cooper and their wives are cronies and close acquaintances of Clark G. Getts, now in Leavenworth on 25 year sentence. Chase and Cooper are ring leaders of this society and belief and theory of them as promulgated by them can be considered among the principal primary causes of Getts' views and ideas and actions. Getts is young and influenced in his notion by the above subjects. This organization and subjects are radical in views and preaching socialism and anti-draft and army propaganda. Between March and June, 1918, I attended two Fabian Meetings. The conclusions I deduced were that the society

was a vestibule to a radical anti War Coterie of which Chase and his wife were, because of their education and wealth, presiding geniuses. To me, people there said such saying in such way as to indicate to me that they considered that Uncle Sam's view of the International situation and his way of acting in it were both wrong and ludicrous. It was evident that there was a spirit in the society which delighted in feeling that it was so hostile to Uncle Sam as to get Uncle Sam's attention and surveillance. It is my opinion that in this society, back of the scenes, young chaps like Clark Getts are ribbed up to do what Getts and Allison did. While occupying a safe position, I understand that Chase is in the Government employ, these birds rub up young zealots like Getts to do the real work and suffer for it. Chase and his wife, both, are condemnable in my opinion (A.P.L. 47667 - October 23, 1918).

Lieut. G. L. Conley, under Capt. Clark, under Inspector Howes, A.P.L. Chicago, Jan. 9, 1919, reports: I am inclosing an unfinished report by Operative F. J. Smith, who unfortunately has been sick and I have made an exhausted investigation of this case and have found that it had been very difficult to get anything against the subjects in question. The only testimony that I could get that is worth considering is from E. K. Wheeler, 5648 Stony Island Ave., who lives next door to the Coopers, and H.E. Bradley, 5344 Hyde Park, who is a neighbor and owner of the apartment building where the Chases live. Both of these people referring respectively to the Coopers and Chases, speak very highly of them. All four are college graduates and they are what might be called, intellectual freaks. They are connected with all the high thought movements and free thought religion and societies that believe in utopian forms of government. They have always been pacifists and believe there are other ways of settling disputes between nations besides by bloodshed. It is difficult to describe their attitude. They are simply a harmless people who possibly have been misunderstood by the complainant, but as far as I can find out there is nothing dangerous regarding their doctrine, because the average person will take them as a joke. I understand that the Fabian Club is one of those clubs that stand for this utopian existence and ideal form of government. I do not think it is necessary for us to go any further in this case.

Interviewed complainant on Nov. 2, 1918. Complainant states that he has known Clark G. Getts for over twenty years. That prior to Getts' confinement at Leavenworth Getts' associations with the Chases and the Coopers complainant states that he never had any suspicion of Getts' interest in socialism, his anti-draft feeling, etc., but subsequently, complainant states that

Getts displayed great interest in anti-draft propaganda. Complainant says that he will be very glad to accompany A.P.L. operative to next meeting of Fabian Club - which meets on Friday November 15th at 304 So. Wabash Ave. 'Phone Central 2461. Complainant says that shortly before Getts was taken to Leavenworth he (Getts) asked complainant to send to Cooper a bottle of sherry wine. Complainant says that he believes that this was intended to convey some message - a code that was used between Getts and Cooper. Complainant believes that it was meant to convey the fact that Getts would continue to keep inviolate any information he might have had that would incriminate Cooper (However this is entirely suppositional). Complainant states that Chase was given appointment by the Government in the capacity of Auditor or similar position to handle work at the Chicago Stock Yards. He believes Cooper still retains this appointment (A.P.L. Chicago, 1-9-19 #47667).

Subject is known to the Bureau's Chicago Office as one of the leaders in the Amnesty League movement to bring about the release of political prisoners (A.H. Loula, Chicago, 9-12-19).

Subject and his wife were on a committee of the Amnesty Meeting held in Chicago on Lincoln's Birthday, 1919. The balance of the Committee of thirty nine consisted of prominent socialists of Chicago and relatives of conscientious objectors in prison. At the office of the Fabian Club, 1505 Lake View Bldg. 116 South Michigan Ave., a young lady stenographer in charge stated that to the best of her knowledge subject was, or is, Chairman of the Fabian Club, and that the records show subject resides at 1648 E. 54th St., Chicago. At this address, George Thompson, janitor of the building, stated that subject and family had lived there and moved about April 1, 1919, and from conversations with subject and Mrs. Chase, he thought subject was a radical or a bolshevist; that subject had written an article about the packers, but on account of its strong radical language had to change the wording before it could be published, and that it was funny for a Government investigator to be a socialist of the kind subject was. On a second visit to the Fabian Club agent ascertained that subject was Chairman of said Club for the 1918 period and one Ernest R. Reichman was chairman of said Club at the date of agent's report. The registration books for October, 1918, Ward 6, Precinct 55, Chicago, give subject's age as 30, in the precinct 9 months, one year in the county and in the State of Illinois, and previously registered at Boston, Mass. Subject did not vote at the primaries, but voted at the general elections in November, 1918 and April, 1919. Subject left no forwarding

address with the Chicago post office, but the Boston Mass., City Directory for 1917 gives subject's address as 1697 Commonwealth Ave., Phone Brighton 2249-W (Jas. O. Peyronnin, Chicago, 10-24-19).

Subject and his wife, 1622 - 19th St., Washington, D.C., each hold one share in the Radical Book Shop, a purely radical propaganda enterprise, and subject was a director thereof, his resignation effective Jan. 15th being accepted at a director's meeting Jan. 3, 1919 (Letter E.J. Brennan, 2-27-20).

Subject's name appears as one of the contributing editors of "The Socialist Review," 70 5th Ave., New York, which generally speaking contains what might be considered as "insidious radical propaganda" (N. H. Castle, San Francisco, 3-15-20).

Subject is a leading member of the Amnesty League for the Release of Political Prisoners (Card; A. H. Loula, 9-12-19).

Subject's name appears on a pamphlet entitled "What Happens in Military Prisons," from Room 1505, 116 South Michigan Ave., Chicago and The National Civil Liberties Bureau, 41 Union Sq., New York City, (Attached hereto), in which is described the treatment given conscientious objectors and military prisoners.

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