



CHAPTER X

The Methods of Monopoly

AS HAS BEEN SEEN, it was clear to Joseph that there was no necessary conflict between legitimate capital—that is, capital destined for actual use in the provision of equipment—and the labour necessary to make use of it. It was equally clear that profits could be derived from illegitimate capital, simply because some mode of constraint was brought to bear upon the choice of workers which forced them to lower their margin and sell their labour cheaply. His concern was to discover the origin of this constraint, and he found it in the conditions which make agriculture unattractive and unprofitable, conditions associated with the private ownership of land used for the exploitation of rental values. His further consideration of the question led him to an understanding of monopoly in general and how it always operates to keep labour in servitude. The same forces that exploit labour exploit the consumer of commodities in so far as this is possible. The consumer's only protection lies in the perfectly free play of all the activities

of production and exchange, which is known as competition. It is difficult to see how the economic world could keep itself going among a people with even a semblance of freedom without that determination of values which commodities find on the market under competitive conditions. There is no other way in which any one of the indefinitely divided and specialised functions of production can automatically find its place.

But there are elements in every business which strive to make a commodity pay more than its actual value, to intervene in what may be considered the natural economic process and so restrain it as to take an undue share of profits either from consumer or worker. An extreme example may be found in that type of South American enterprise which secures peons by the trickery of loans, keeps them bound by debt, pays them what it pleases, and compels them to purchase all supplies at its own store and at its own price. This is interference in the normal adjustment of values, both of labour and of supplies. A ring of coal dealers, acting in conjunction with producers, who held the claims of labour in abeyance by threats of Government intervention to avoid disturbance in war time, was able to force consumers to pay for a necessary commodity something more than double its value. The operations of a shipping ring is another example. Any large aggregation of capital, dealing

in any commodity, can throttle small competitors and collect the losses involved through subsequent enhanced prices to consumers. These commonplaces illustrate the fact that the capitalist is always endeavouring to overreach and levy a tax for the use of commodities. Such factors are difficult to trace and more difficult to deal with, but they exist everywhere and prove that under existing conditions competition permits the most ruthless exploitation.

Joseph held that the function of the State was one of intervention in the economic process, not, however, in the old manner of being itself a monopolist. The days are past, except in backward countries, when the privilege of exclusive dealing in any commodity is sold by king or government. There is diminishing tolerance for the derivation of revenue from the direct monopoly of any article of continuous necessity. Obviously a tax upon salt could secure whatever income a State might require. The article merely goes upon the market and collects from the consumer its own value plus the tax. Any article so treated, whether matches or tobacco in France, spirits in Russia, or tea or tobacco in England, comes within the same category. Excise or tariff duties involve no difference in principle; the liquor traffic in Great Britain is, as a matter of fact, a form of Government monopoly. The tendency is away from crude and primitive forms of interference in the economic proc-

ess and more in the direction of restraint upon the more obviously predatory elements in the business world. To redress economic grievances and maintain the balance fair seems to be increasingly a function of the State.

It is obvious, however, that regulation is a mode of interference which differs in principle from intervention, or playing a direct part in the business world. Possibly regulation could be carried far enough to prevent exploitation in some kinds of industry, but its machinery would have to be elaborated to an extensive degree, and there would still remain many modes of evasion; and it is not always certain that inspection is efficient. The British railways provide a good example. The conditions of labour may be perfectly defined and well enforced, tariffs may be adjusted with great precision, there may even be control over the issue of capital and the collection of dividends, but the railway remains in principle a business for exploitation and not for service. Again, the most careful and thoroughgoing inspection of the coal industry can hardly alter the fact that neither labour nor the consuming public has more than a small portion of the benefit from this national possession.

In America, experience proves that the Inter-State Commerce Commission, even after great efforts, can have only a slight and momentary effect upon the gigantic interests that it endeavours to hold within

bounds. It needs to be recognised, therefore, that while regulation and inspection are probably always necessary as a mode of State interference, they differ essentially and in principle from direct participation in the economic process. The opinion is always growing, however, that the State should be able in the last analysis to play a decisive part in the conduct of business, and that this part should somehow be associated with the derivation of the national income. If some guiding principle could be discovered which would place in Government hands the special territory in which the most extensive forms of exploitation are practised, and from which others are derived, the State would at once be in a position to apply a large income to national purposes and at the same time hold the economic balance.

Only slight examination of existing facts is needed to show that in productive industry neither capital expended on equipment nor labour hired for operation receives an undue share of returns. It is, therefore, to the other factor in production—namely, natural resources—that attention must be given. When the combined effort of capital and labour brings to the surface a ton of coal, one of the first charges upon it is a royalty to the landowner. The accident that a man possesses a plot of land beneath which Nature has placed a carboniferous deposit, enables him, without the expenditure of capital or applying the labour

of his hands, or exercising an effort of any kind, to levy a tax for his private emolument upon the consuming public. It shows great consideration on his part to allow the nation to make any use of these natural and national resources, and the people, possibly out of gratitude, as nothing else can explain this curious fact, reward him with a fortune which he does nothing to earn. One has only to mention oil, coal, steel, and copper, together with the railways which transport them, to account for nearly all the great fortunes made in America. Probably the capital actually expended in boring and pumping machinery is never overpaid; it is certain that the workers who carry on the work never receive their due. How, then, can oil produce fortunes? The answer is perfectly simple. It is by securing control of the oil supply and levying a tax upon the consumer for being permitted to use it. This tax is merged in the price of oil, but the consumer does not realise it; indeed, does not give it a thought. A London worker who, with his family, occupies a single room, pays for the privilege of being somewhere above a few square feet of ground a tax to some individual who exerts himself no more than to check his receipts, and usually even this is deputed to someone else. One is taxed if one walks or sits or sleeps upon the earth's surface, and even for the privilege of being buried. The rule for fortune-making is, then, a simple one. It is to corner some por-

tion of Nature and charge the world an admission fee.

So far, in commercial evolution there has appeared only one mode of protection for the purchasing public. The housewife's reply, "It is cheaper across the way, I will buy it there," contains the whole philosophy of competitive prices and the fixing of values. It is therefore of prime importance for any would-be monopolist to drive his opponents from the field, so that the purchaser may have no alternative but to buy his commodity, if it is an object of necessity, at his, the monopolist's, own prices. If a competitor cannot be driven out he may perhaps be absorbed and the spoils shared. As capital aggregates, it becomes easier to make life impossible for the smaller opponents. For this purpose it is useful to control the means of communication. The great monopolistic trusts of America invariably dominate the important railway lines. The practical effect is simple enough. If you are a great colliery owner in any district, and a small opponent begins to work a coalfield that he happens to possess, you have only to see that he is given no railway trucks to transport his produce; you may then purchase the mine at your own price.

There is much talk in these days about the morality of business. It is held to be a reprehensible thing to strangle a small competitor or to exploit the public in a ruthless manner; is this attitude altogether sensible? Business is business, and men do what the conditions

permit them to do. There are not many who would refuse the prerogatives of president of the Standard Oil Company or of a London ground landlord. If the business of highway robbery had not been excluded by a very efficient set of conditions and if it had depended upon merely moral sanctions, it would now be in a flourishing condition. As circumstances made it more difficult for the highwayman to practise his profession, he doubtless developed strong convictions regarding the inviolability of the person. It is useful for all monopolists to control the channels of publicity in order to keep before the public the eternal principle of the sanctity of private property. The fact is that as soon as the world understands the matter and is aware of parasitism, it will say little about the immorality of business, but promptly rearrange conditions to make it impossible. The monopolist is probably in the vast majority of cases like anybody else, no better and no worse, and merely takes advantage of a business opportunity presented to him, just as anyone else would do. It is foolish to attack persons instead of rearranging conditions.

It is clear, then, that there are factors in the business world which tend to emerge and assume a position of advantage with reference to others. Even if they are for a time involved in production, they gradually withdraw and assume the rôle of tribute gatherers. Landlordism in any one of its multitudinous forms

is merely a monopoly of one of the natural sources of wealth; and rent, instead of being a reward for labour or for the use of capital, is a type of profits which represents no contribution to the world's store of wealth, but is a tax levied on production for permission to approach the natural sources, paid by both capital and labour unless they can devise some means of re-collecting from the consumer. As wealth accumulates through production, the tendency is for any large fortune to entrench itself as landlord. To collect rent is the best and most secure method the world has yet devised for getting something for nothing.

It is a commonplace that increase of wealth and population carries an increase of land values and correspondingly high rentals. It is also a profitable field for speculation. To hold landed property on the outskirts of a growing town and wait for the ripe fortune to drop into one's hands is the most common of spectacles in all new countries. This eagerness to collect tribute is probably an explanation of those recurring waves of business depression which sweep over the world.

It is well known that the cost of land in the Argentine has passed its productive value, that the profits of working can hardly more than meet the rental charges and operating expenses, and yet people wonder why there should be depression in the trade with

the Argentine. The explanation is a simple one. If the landlord collects all that the land produces, there is little left with which to buy imports, and given a credit system which stands like a pyramid on its apex, it is not strange that the countries which depend on the sale of manufactured articles should feel the consequences. There is of course an arrest in the increase of land values until capital and labour, by improved processes or by adjusting themselves to a diminished margin, can recover the balance. It is difficult for the British mechanic to understand that the hard times which throw him out of employment and reduce him to privation may result from the grabbing propensities of landlords in the Argentine or Australia or South Africa. Joseph knew that his reform needed to be as world-wide as commerce and credit, and for this reason refused to work within the narrow limits of nationality. He was "the American who came interfering in the domestic affairs of England."