

CHAPTER IV

THE STRANGLE HOLD OF MONOPOLY

WE have been prodigal beyond measure with our public lands, but we have been criminally wasteful in the disposal of our mineral resources. The face of the continent is underlaid with coal, iron, copper, petroleum, natural gas, lead, zinc, gold, silver, and other mineral deposits. Many of these minerals are almost as accessible as the air above, and only less inexhaustible. Nature set no limit to the generosity of her endowments. Not alone agriculture, but every conceivable industry was provided for, as though Providence had contemplated that in this new continent, a new race, free from the mistakes of the past, might try again the experiment of nation-building.

Yet within a generation these great gifts have been appropriated. They are owned against the claims of generations as yet unborn. This ownership is not primarily for use, it is not for enjoyment, it is for the purpose of excluding others who would use them from the opportunity of doing so. This monopoly of the resources of the country is as portentous to our life as is the enclosure of the land itself. For the civilization of the future is an indus-

trial one, and it is upon the raw materials of production that the life of to-morrow depends.

Men are still living whose memory goes back to the first timid experiments in the mining of anthracite coal. These ranges are limited to a small area in north-eastern Pennsylvania. But a comparatively few years ago the region was of little value. It is still covered with scrubby forests and is little suited to cultivation. Yet these barren mountain-sides have been capitalized at hundreds of millions of dollars. Shipments of coal have reached an annual aggregate of over 70,000,000 tons.¹ The labor cost at the mouth of the mine, as evidenced by testimony presented to the Interstate Commerce Commission, is less than \$2.00 per ton. The freight rate to the seaboard is \$1.55 per ton. The price to the consumer at tidewater is over \$6.00 per ton.²

Upon this supply of coal the entire Eastern seaboard, as well as a large part of the central West, is dependent for light, heat, and power. Over ninety-six per cent. of the mines are owned or controlled by the eight great railroads which enter the region, and the price of coal is fixed, and the conditions of pro-

¹ According to the United States Geological Survey the total production in 1907 was 76,432,421 tons, and the value at the mines was \$163,584,056.

² At a hearing held before the New York State Railroad Commission in 1900, the president of the New York, Ontario and Western Railroad made the startling admission that "without some restriction (such as railway control) stove coal would be a drug in the market at two dollars a ton."

duction are determined, by a little group of men, who, within a few years' time, have acquired possession of the mass of securities which overlay these properties. Through the merger of the railroads and the coal fields, stock and bonds in excess of \$400,000,000 have been issued, a sum equal to nearly one-half of the present Federal debt. By means of the monopoly which has been acquired, a tribute is exacted from the American people of from \$100,000,000 to \$200,000,000 a year. Under the control of this syndicate 167,000 men are employed, and nearly 1,000,000 souls supported. The wages of the men, their hours of employment, even the prices they shall pay for the barest necessities of life, are determined by a Wall Street syndicate, indifferent, and largely ignorant, of the industry which it controls, except as its operations affect the stock market.

Here is a deposit of nature which all of the wisdom of science and all of the ingenuity of man could not reproduce. Upon its use the transportation, industry, heat, even life itself, of a large portion of America depend. Yet it may not be used, may not be brought to the surface, and may not be conveyed to market, except upon the permission of those who have acquired the title-deeds of ownership against 80,000,000 of their fellow creatures, the joint heirs to this bounty of Providence.

In 1859 petroleum was discovered. This discovery has given birth to a dozen fortunes which

run into the hundreds of millions. In fifty years' time open-hearted nature has poured forth wealth to the value of billions. Upon this prodigal endowment an industrial fabric has been reared whose tributaries, like those of a mighty empire, include transportation systems by land, and navies by sea, as well as mines of gold, silver, copper, and coal, richer by far than those of the Incas; while banking, insurance, and myriads of other industries, whose ramifications no one completely knows, carry its influence to every corner of the earth.¹ Its employees exceed in number the army of Napoleon at the battle of Waterloo, and its financial dealings surpass in amount the budget of the Federal Government. No hamlet is so obscurely hidden and no nation is so powerful that it does not pay tribute to the system which has been erected by the master hands who have woven the influence of "Standard

¹At the investigation of the Standard Oil Company in New York in November, 1908, one of the officials of the Standard Oil Company, at the request of the counsel for the Federal Government, produced a list of the oil, gas, and pipe-line companies owned or controlled by the Standard Oil Company. This list included 117 companies with a combined capitalization of \$328,301,495. This included the Standard Oil Company of New Jersey at its par value. Were it included at its market value and the other corporations at their par value the combined capital value of these companies alone would exceed three-quarters of a billion dollars.

No report was made of the mining, railway, franchise, land, banking, transmission, and manufacturing corporations owned or controlled by the Standard Oil Company or its chief stockholders. But from what we know of the influences and control of the men who are identified with that corporation, the stock holdings which they control must equal many times the above sum.

Oil" into the political, industrial, financial, and even the educational life of America, until no activity and no industry is free from it. Petroleum pours forth from the earth almost as freely as do the springs from the mountain-sides.¹ It is one of the great civilizing agencies of the age. Through its use much of the culture and enlightenment of the last century has been made possible. It has relieved the drudgery of the farm and the cottage; it has made possible the universal education of the people. Yet this fountain of nature has passed into the hands of men who have not only monopolized the output but have controlled the means of communication, so that every other producer has been subject to its will in the bringing of oil into use.

But a few years after the discovery of petroleum, natural gas burst from the earth. Here was light and fuel, distilled in nature's laboratories, adequate for the needs of the great central West. It was almost as free as the waters of the Great Lakes. Here was fuel for the upbuilding of the industries of a third of the population of America. Here was light, heat, and power adequate for generations as yet unborn. Yet in a few years' time these reservoirs of nature have been overlaid by title-deeds, held most largely by those who had already made petroleum their servant, and whose incomes are being aug-

¹In 1907 the value of the petroleum produced amounted to \$120,106,000.

mented by unknown millions each year from this mysterious source.

State after state is also underlaid with broad acres of bituminous coal. These deposits run from the Alleghanies to the Rockies. From the original owners they passed to independent operators; from the independent operators they have largely passed to the railroads. In Pennsylvania, West Virginia, Ohio, Indiana, Illinois, Missouri, and Colorado, the alliance between the coal mine and the railway has long been complete. There is scarce a great railroad system that does not own or control great areas of bituminous coal. In many instances their holdings have been increased, independent operators have been crushed, and competition has been killed by the methods repeatedly laid bare by the investigations of the Interstate Commerce Commission. The long-familiar practices of the oil industry, of discriminating freight rates, alleged car shortages, and intimacy of ownership, have placed operators, as well as whole sections of the country, under the arbitrary control of the public carriers of the nation. This community of ownership between the railroads and the coal companies is now prohibited by Federal statute. The letter of the law may be observed, but community of interest, through the common ownership of the capital stock, cannot be reached by statute or by criminal prosecution.

In the bituminous, as well as in the anthracite coal industry monopoly is the result of legal rather than of illegal means. This is true of every monopoly that is identified with the land. It is not the law-breaker, it is the law-maker, who is responsible for this sort of monopoly. For the right of private ownership carries with it the right of unlimited ownership. And unlimited ownership carries with it the right to do as one wills with one's own, whether it be a jack-knife, a coal mine, or a great railroad system.¹

It is little more than a score of years since the low-lying hills of northern Michigan, Wisconsin, and Minnesota disclosed their untouched treasures of Bessemer ore to man. In 1884 the Vermillion and Menominee iron mines were first opened up to use. Eight years later the Mesabi range, then, as now, a trackless timber waste, was uncovered, and close below the surface wealth more fabulous than any Comstock or Kimberley lode was laid bare. Here were the foundations of the civilization of tomorrow. For steel was soon to be king. And here is Bessemer ore, whose value in the ground has been estimated by officials of the Steel Trust at from one to two thousand million dollars.² Here is the structural basis of the railway, the steamship, the factory,

¹The value of the output of bituminous coal in 1907 was \$451,-214,000. The industry employed 513,258 men.

²Report of Industrial Commission, Vol. XIII, (Washington) p. 472.

the office building, and the home. Here are the means for the conveyance of water, of gas, of heat, and of power. To-day eighty-eight per cent. of the iron ore of the United States comes from these barren hillsides. The ore is mined by open surface cuts, as cheaply and as easily as if it were the sand by the sea. It costs but a few cents a ton to mine the Mesabi ore. It involves no more labor cost than the removal of a ton of dirt. Yet almost all of these deposits have passed under the control of the United States Steel Corporation. It has more recently acquired the vast deposits in the South through the purchase of the Tennessee Coal and Iron Company. It indirectly controls the Colorado ore field as well. It is this monopoly of the raw materials of production that enabled the promoters of the Steel Trust to capitalize it at a billion and a half dollars. It is through this means that it dominates the markets of America if not of the world.¹

The Steel Trust is invincible, not because of the skill, talent, or industry of its promoters; not because of the plants, mills, or furnaces which it has erected. The power of the Steel Trust lies in its control of the iron-ore mines of the Lake Superior region and of Alabama, Tennessee, and Colorado, together with the coking coal, gas, and limestone quarries of Pennsylvania. These, with the prohibi-

¹The value of the iron-ore production in the United States in 1907 was \$131,996,000.

tive tariff which the iron and steel interests have obtained, make its control complete. For the Steel Trust owns from 60,000 to 80,000 acres of Connellsville coal. It produces something over one-half the coke of the United States. This is the best coking coal in the world. "There is no more Connellsville coal," said Mr. Charles Schwab, the former president of the steel corporation. "You could not buy it for \$60,000 an acre. . . . Every acre of it is very highly prized, and that is owned by all these constituent companies *in toto*."¹ The company also owns 98,000 acres of gas and oil lands.

Only less marvellous than the story of anthracite coal, of the gas and the iron-ore deposits, is the story of copper. In northern Michigan, in Arizona, and in Utah are copper deposits whose only rival is the Rio Tinto in Spain, owned by the Rothschilds. Of these, the Calumet and Hecla is easily chief. The par value of its stock is \$25.00 a share. Of this but \$12.00 a share has ever been paid in. The shares of this company have recently sold as high as \$1,000, and its quarterly dividends exceed the original payments for the stock. Copper has made many multimillionaires, just as it has wrecked many bank clerks. The annual value of the copper output of America exceeds \$173,799,000, and the control of the markets of America now rests in the hands of the same men who have laid their hands upon the iron,

¹ Report of the Industrial Commission, Vol. XIII, p. 464.

the oil, the gas, the coal resources, and the railways of the country. All society is paying tribute to these men. For copper, next to coal, iron, and steel, is the most universal necessity of modern industrial life.

All over the land the needs of a great civilization were anticipated by Providence. Here were resources adequate for uncounted millions of people. If it is possible to infer any divine purpose in the ordering of the universe, surely these deposits of wealth were designed for the use of all the people, rather than the exclusive ownership by a few. Yet no state in the Union has so much as reserved a royalty for their use, and no community has placed them upon the tax duplicate at much more than their farming value. Yet a moderate royalty upon the mineral output of the country would have been sufficient to pay all of the present expenditures of the Federal Government.¹ Nature, generous to a degree, has been thwarted by laws of our own making. Society, with even less wisdom than the wild animals of the forest, has erected barriers between itself and its inheritance. Within less than a generation, these

¹The United States Geological Survey for 1908 gives the value of the mineral output of the country for the year 1907 as \$2,069,289,196. Pig iron is valued at \$529,958,000; copper at \$173,799,000; bituminous coal at \$451,214,000; anthracite coal at \$163,584,000; petroleum at \$120,106,000; and natural gas at \$52,866,835. Had the government retained a royalty on the mineral products of the country of 25 per cent. the revenues of the nation would have amounted to \$517,322,299, or almost the sum which is now collected by the government from the customs and the internal revenue system.

gifts, which but a few years ago were valued as agricultural land, have been massed under the control of Wall Street. From year to year the control is narrowing, until in a few years' time practically all of the mineral resources of the country, whose present annual production exceeds two billion dollars, will be under the dominion of a very few men. That such a power should be enjoyed by any irresponsible set of individuals seems as contrary to any proper ordering of society as that the air should be enclosed, and its enjoyment be made the subject of an arbitrary toll.

Closely allied with the resources of the nation are the great transportation systems. They are the arteries of our life. During the last few years system has been added to system until nearly 200,000 miles of railway have been merged into a half-dozen groups, with a combined capitalization of over nine billion dollars.¹ Within these syndicates three-fourths of the mileage of America is held, while each group, in turn, is bound to the other by a community of interest, by fear, or by agreement, so that for all practical purposes the transportation agencies of the nation act as a unit. Their ultimate consolidation into a single monster corporation is not an inconceivable thing to forecast, or an unreasonable thing to expect.²

¹ See Moody, *Truth about the Trusts*.

² On the death of Mr. Harriman in 1909 it was authoritatively stated that he "absolutely controlled" 21,939 miles of railway, and "dominated" 65,176 miles, or one-fourth of the total mileage of America.

Already the industrial life of the nation rests in the hands of these Titans of finance, who, in recent years, have made use of the banks and insurance companies to secure control of the resources and transportation agencies of the country. For whoever controls the highways controls the vital organs of society, and when to this is added the raw materials of production, the dominion is complete. The tribute which may be taken is like the spoils of a Roman conqueror. From the decision of the owner there is no appeal, for of competition there is none. By the stroke of a pen hundreds of millions of dollars may be transferred from the pockets of the people to the pockets of the owners of these great interests. The advance in the published freight rates upon all the railroads in the country in the year 1900 was probably not less than twenty-five per cent.¹ During the four years from 1899 to 1903 \$155,000,000 was added to the earnings of the railways through the increase in freight rates alone.² An insignificant increase in the price of oil, of coal, or of copper produces a similar result. It is by such means as these that the wealth of the producers of America is surely and stealthily being appropriated. It is by this process that the pennies of the millions are becoming the millions of the few.

It is impossible to ascertain the extent to which the wealth of America has been massed within the past

¹ Report of Industrial Commission, Vol. XIX, p. 285.

² Senate Document No. 257, 58th Congress, 2d session, p. 8.

ten years, but an examination of Moody's *Truth about the Trusts* discloses the extent to which the Standard Oil, Rockefeller, Morgan, Ryan, Elkins, Widener, and Havemeyer interests have secured control of the railways, the mining, the franchise, and the protected industries, whose combined capitalization amounts to approximately twenty-five thousand million dollars.

Incredible as is this exhibit of wealth, it is but the beginning of the enumeration. It does not include the great fortunes, like the \$450,000,000 Astor estate, which have come from city land values; it does not include the gold and the silver mines, the franchise corporations, the insurance, banking, and other fortunes; it does not include the multitude of industrial combinations, which, through the manipulation of the stock market, have fallen under the same control.

Such a mass of wealth staggers the imagination. The thought of millions conveys no impression, even to those accustomed to think in big figures, while thousands of millions are like the astronomical distances which separate the stellar bodies. Yet within the control of a score of men is a calculable sum in excess of the total wealth of the United States at the close of the Civil War. It amounts to more than one-fifth of all the wealth of the country, as ascertained by the Census in 1904.