

## CHAPTER XIX

### THE TRANSPORTATION MONOPOLY

The next great privilege to be abolished is the transportation privilege.

#### **The Oil Trust**

As a producer of oil products without any privilege Rockefeller was unable to control the market. He made various efforts to get his competitors into some kind of a working arrangement whereby prices should be raised to the public, but they all failed as they have failed in every such attempt in every trade. Under conditions of free competition Rockefeller would have probably accumulated in a lifetime two or three hundred thousand dollars, and his profits would always have been limited by competition, and prices would have been continually lowered. The foundation of the Rockefeller fortune was a transportation privilege which he induced the railroads to grant him in the form of a secret and exclusive rebate in the transportation of his oil products, in flat violation of the common law and of the statute law and of the moral law. With this rebate, of which his competitors had no knowledge, he reduced the price of oil to the point where his competitors were confronted with a loss, while he was able to conduct business without a loss,

and perhaps at a small profit.

When the capital of these competitors had been impaired he was able to force them to sell out to him at his own price. By this privilege he absolutely ruined many men, and took away from them the business which they had laboriously built up by years of effort. After these men had been driven out, Rockefeller raised the price of oil to a monopoly figure, and with the enormous profits that poured in upon him as a result of this illegal privilege he bought and consolidated railroads, invested in banks and secured the enormous funds necessary for the monopoly control of the oil industry, and the control of politics without which his oil monopoly could not have been built up and maintained.

Later on he secured control of and developed the pipe line idea of transporting oil. Possession of the important oil deposits was at first an additional element of monopoly.

Discovery of oil in various parts of the west, and the comparative ease of constructing pipe lines from the sources of supply to important market centers, finally enabled competitors to appear upon the scene, but practically all of these competitors were absorbed, or working arrangements perfected with them whereby the oil business had been until very recently a practical monopoly, the benefits of which have been confined mainly to those who possess the oil deposits and those who possess the pipe line transportation systems.

#### **The Anthracite Coal Trust**

Later on this idea was carried out by the anthracite

coal trust. This trust acquired the control of the railroads running into the anthracite coal fields, and then purchased a large operating mine. With this mine and the transportation facilities in their hands they were able to and did delay the deliveries of the remaining producers of coal, while they were able in the market to guarantee a customer against any possible delay from the trust owned mines. As a result of these methods the coal trust compelled nearly all of the owners of the important mines to sell their mines to the trust at a sacrifice price. The owners of one of the large mines realizing that their turn would soon come, conceived the idea of building a railroad to tidewater in New York from their mine. They formed a company and put surveyors in the field preparatory to constructing the line. The trust had no way to fight this defense, and was compelled to and did buy out these owners at a price grossly in excess of the value of the mine. With the transportation facilities and the main operating mines in their possession one thing only was necessary to perfect this monopoly, and that was to acquire all the land containing anthracite coal in Pennsylvania, which the trust proceeded to do. They were driven to this course by realizing that when they started to raise the price of coal, competition would always be possible by capitalists who could buy or lease a part of the land containing anthracite coal, and not in use by anybody, and build an independent railroad to Philadelphia or New York. The trust monopoly was thus made secure from attack by any competitors.

With this monopoly accomplished the price was run up from four dollars and a half ultimately to about

fifteen dollars to the consumer.

### **The Steel Trust**

The steel trust was built up by Morgan by acquiring the holdings of Carnegie and some of his competitors. These were capitalized by enormous issues of watered stock which was sold to the public. The trust acquired from Carnegie and the other competitors who were absorbed not only the ore lands and the lands containing the kind of coal best adapted to the making of steel products, but they also secured control of what is known as the Mesaba Range of iron ore, and thereby they had possession of the deposits of iron ore and coal best adapted to the making of steel products, except the natural resources controlled by the Tennessee Coal and Iron Company. The steel trust acquired these properties and then possessed, with its own holdings, practically all of the iron ore and coal deposits in the United States best adapted for steel making.

When the trust fired Schwab from the presidency, and he started his own company, he was compelled to go to Peru as the source of his supplies of ore. The trust also obtained transportation advantages by building a railroad from its principal deposits of iron and coal to important market centers. The trust also possessed the potential power through the bankers' control of the railroads to delay the deliveries of steel products by their weaker competitors as the coal trust did. This power so far as is known has not been exercised, but it exists, and because of its existence the smaller competitors which have been allowed to live have been compelled to take whatever share of the business the trust chooses to allocate to them.

### **The Beef Trust**

The Federal Trade Commission appointed by Wilson conducted an elaborate investigation into the business of the five concerns which were known as the beef trust. This investigation disclosed that these concerns had illegal and of course immoral privileges in transportation granted to them by the railroads, and denied to their competitors. Under this arrangement the products of the trust were transported in excess of eighty miles per day, while products of their competitors were moved at the rate of a little over fifty miles a day. Also claims for damages for delays by the trust concerns were promptly and liberally settled, while similar claims by trust competitors were contested, and these competitors put to great expense and delay. These competitors charged that their shipments were purposely delayed, but this was not proved.

They also secured from the railroads classification rules under which their products obtained a cheaper rate than the similar products of their competitors. In addition the trust acquired control of the stock yards. Armed with these advantages the trust was able to and did raise prices, and holds a dominating position in the market.

### **Aluminum and Copper Trusts**

The aluminum trust and the copper trust are supposed to rest upon the exclusive possession of all of the lands containing aluminum and copper. No transportation privileges are possessed by these trusts.

These trust methods are thus graphically described in a recent magazine article.

"Now the second point I should like to make is that a man of Mr. Hoover's peculiar record and point of view has not been inducted into the White House except for quite definite reasons, the chief reason being that most of the great concentrations of wealth in this country are created by a method, or technique, that can only be employed under the shadow and protection of the government. This method, which I shall presently describe, is therefore not industrial, but industro-political. It accumulates wealth by a process in which industrial ability and service to the public play a large part, yet on the whole a secondary part, the determining factor being influence over politics, State and Federal. But mainly Federal.

"We will take as an example of this method the story of the Standard Oil trust, for here the technique of accumulation is the same in essentials as that used by practically all the dominant industrial groups or trusts which make and sell our principal necessities of life. The foundation of the Standard Oil's success was an idea—the idea that if it could get the railroads to carry its barrel of oil at a lower rate than the barrel of its competitors, it could undersell the latter and destroy competition in the Ohio and Pennsylvania fields. This was done with surprising speed and thoroughness. Then, with competition out of the way, it put up the price of oil and its products; whereupon a torrential stream of wealth flooded the company's coffers.

"There was one weak spot, however, in this technique of accumulation. It was illegal. For the common law, the constitutions of most of our States, and later on the anti-trust laws forbade monopoly. Favor-

itism in freight rates was also prohibited by our constitutions, railroad charters, and later by federal and State laws. Consequently, to carry on this technique, it became necessary to go into politics and keep the government from enforcing the laws. That this was done in a large way is evidenced by the fact that at one time the junior and senior United States Senators from Ohio, certain key members of Congress, and the Governor and Attorney General in the principal oil-producing State, Pennsylvania, were all in the pay of the Standard Oil Company, as was shown when the Archbold letters were revealed.

"The so-called beef, coal, steel, and sugar trusts, and various other groups whose power is entrenched in monopoly and price-fixing, have all made their accumulations by the industro-political method."

Armed with these privileges all of these trusts were enabled to and did increase the price beyond the price that would have prevailed if these advantages had been open to competitors. Mr. Schwab before a Congressional Committee in the early years of the steel trust testified that steel rails could be produced and sold at a profit at twelve dollars a ton. At that time steel rails were selling at about twenty-eight dollars a ton. During the war time they went to a very much higher price, and at the present time are officially quoted at over forty dollars per ton. By these privileges it is perfectly plain that excessive prices for these respective products have been exacted for a long time from the public. This when analyzed simply means that they possess by special privilege the power to levy a toll upon the general consuming public, in return for

no service represented by the excessive price above a competition price. In this way untold millions have been exacted immorally and illegally from the American public in excessive prices beyond those which would have prevailed if the transportation and natural resource privileges of these trusts had been open to competitors. These facts are established by the Federal Trade Commission, by Congressional Committee hearings, by the findings and investigations of the Interstate Commerce Commission, and by litigation in our courts.