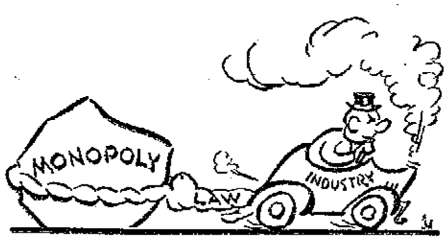
Mesabi - A Rent Lode

WHEN YOU DRIVE SOUTH into Hibbing, Minnesota, you see in the distance what appears to be a lake but turns out to be a hole in the ground, a couple of miles long, about a mile wide, and some seventy-five feet deep. A narrow gauge railroad running around the outer rim of this vast chasm brings to the surface loads of rich iron ore.

The famous Mesabi iron ore range, which consists (as far as it has been exploited) of several such open pits, came into public notice again last month when the Oliver Iron Mining Company, a subsi-



diary of the United States Steel Corporation, offered its products for public sale. Only on rare occasions, and then only as an accommodation, has the Oliver Company ever sold ore to other than its parent company. The notice in an iron ore trade paper that Mesabi ores were on sale seemed to indicate a radical change of policy. For fifteen years, during prosperity and depression, the price of iron ore ranged from $4.25 to $4.95 per ton; the opening of a market broke the price to $3.75.

We do not know whether Big Steel's unpegging of the iron ore price was due to economic or political considerations. Recently the Temporary National Economic Committee questioned the president and a "statistician" of U. S. Steel regarding its prices. *The Freeman* last month printed an open letter by Professor Harry Gunnison Brown to Senator O'Mahoney, Chairman of the Committee, pointing out that the basis of some industrial monopolies is the ownership of natural resources. We know of similar attempts by Georgists and others to make this clear. That such efforts have had any effect on the so-called Monopoly Committee, or that its recent hearings resulted in the break of iron ore and steel prices, it would be folly to assert. But, it is just as far-fetched to explain the price break as purely accidental. Maybe the steel monopolists suddenly became business men, realized that their exorbitant rent exactions were choking their steel sales.

John D. Rockefeller in the early 90's lent $420,000 to two Merritt brothers for the exploitation of Mesabi; the Merritts built up a $29,400,000 corporation, overextended themselves. John D. called in his loan during the panic of 1893. A neat "profit" of twenty-nine million mainly in privilege, accrued to him.

Henry W. Oliver and Henry C. Frick, Andrew Carnegie's partner, were also interested in Mesabi. In 1896 they leased Rockefeller's vast mines for a royalty of 25 cents a ton, which was the value of the privilege Rockefeller took over from the Merritts. The joining of the holdings of Oliver, Frick and Rockefeller (and the agreement with Rockefeller to ship 1,200,000 tons per year over his railroad and steamship lines) threw other mine owners into a panic. Fearing a squeeze, they dumped their mines on the market. When the U. S. Steel was organized Rockefeller's interest in Mesabi was bought out for $79,000,000. This payment represented payment for privelege pure and simple; the price of every ton of iron ore includes a charge on this investment, and this charge is monopoly rent.

Control of the Mesabi iron ore range is reported to give U. S. Steel control of 40% of the national ore output. With control of the railroads from the pits to the Great Lakes, the vast loading and shipping facilities, this ownership is the source of U. S. Steel's strangle-hold on the business, its ability to determine steel prices.

In the Breen Hotel in Hibbing one night we asked an Oliver accountant how much iron ore land the company owned. As far as the geologists had explored, the ordinary needs of the nation for four centuries were accounted for; but they had not covered the entire range (almost to the Canadian border), and there are underground deposits too expensive to mine while surface iron is still available. Only a small portion of the Mesabi range is exploited, and many pits and mines, used when the demand for ore was great enough to meet the pegged price, have been shut down for years.

If you own any U. S. Steel stock remember that your dividends represent largely exaction of monopoly rent; but that is one reason why your automobile costs you more than it should. One pocket is filled by pilfering another.