

## **CHAPTER XVII ON: The Different Kinds of Monopolies, With Some Remarks on The Land Question**

### **FROM THE BOOK:**

### ***PROBLEMS OF TODAY, A DISCUSSION OF PROTECTIVE TARIFFS, TAXATION, AND MONOPOLIES***

**By Richard T. Ely / 1888**

I HAVE dwelt upon the importance of political economy, and have endeavored to show that political economists are practical men. I may add that political economy, as it is pursued to-day, is a most interesting study. "Every beginning is difficult," says the proverb, and this holds with reference to political economy; but when one once conquers the difficulties of the beginning, no intellectual pursuit can be more fascinating than that which is concerned with an examination into the nature, the development, and the desirable constitution of industrial society. It may be doubted, however, whether any one of the many topics with which it deals, is of more absorbing interest than monopolies, while it scarcely admits of controversy that no economic topic is less understood.

It is necessary in a discussion of monopolies to divide them into classes,, for the principles which hold for one class will be found inapplicable to another, and any effort to lump all monopolies together, and to treat them all alike, will produce confusion, both in theory and practice. Monopolies are now discussed daily in the press in their connection with the tariff, and trusts,, and syndicates, but it cannot be said that the discussion produces a great amount of light. It is, however, accompanied by growing indignation as the evils of certain monopolies are more and more keenly felt, but this indignation is as likely to produce harm as good, unless it can be directed into proper channels. While it may be claimed that the indignation is righteous, it is indeed a bold man who would be willing to say that it is enlightened.

Monopolies with respect to ownership and management can be divided into two classes, public and private. The post-office is a public monopoly and is a national blessing. The telegraph is a private monopoly, and the fact that it is so is nothing less than a national calamity. Private monopolies are odious. They are contrary to

the spirit of the common law and of American institutions, and wherever or whenever they exist, are a perpetual source of annoyance and irritation. Public monopolies, on the other hand, are productive of vast benefits when confined to their own proper sphere. Modern civilization would give place to anarchy should all public monopolies be abolished. The army and navy and police are public monopolies, and when we see great corporations, as in Pennsylvania, employing private armies of their own, mercenary troops engaged of a citizen of another state, thinking people look upon it with alarm as incipient anarchy of the most malignant type. We must, then, draw a sharp line in all our discussions between public and private monopolies.

But monopolies may be divided into two different classes from another standpoint. Certain pursuits are monopolies on account of their own inherent qualities. These we call natural monopolies. Legislation neither makes them monopolies nor can it prevent them from becoming monopolies. All that legislation can do is to recognize the fact that they are and must remain monopolies, and to act upon it. There are other pursuits which are made monopolies by legislation, and these we call artificial monopolies. Patents throw around those engaged in the manufacture of certain articles a barrier which shuts out competition. The production of a new American book is an artificial monopoly, rendered such by a /copyright. Legislation could, if it were thought desirable, abolish both patents and copyrights, and thus do away with those monopolies which they create.

Switzerland is an example of a country which does not grant patents, and thus does not create by means of patents artificial monopolies. Tariffs, which shut out foreign competition, sometimes enable home producers to form gigantic combinations which crush in a grasp of relentless cruelty every attempt at competition within our own borders. These combinations could rarely embrace the entire civilized world were every feature of protectionism removed from our tariff legislation. These pursuits are, therefore, also artificial monopolies, and they are daily increasing in number to the consternation of the public. Perhaps I ought to make an exception when I say that the increase of monopolies of the artificial sort is viewed with alarm by the public. Socialists view it with satisfaction, because they believe that competition in industry is an evil which ought to make way for complete and perfect monopoly in every pursuit. Socialists see in trusts and syndicates nothing but the remorseless march of monopoly, which they have long predicted will never cease until concentration of business becomes complete. The

last stage in this evolution, according to their doctrine, is the transfer of monopolized business to public control after the consequent inauguration of the socialistic state.

The capitalists engaged in these combinations are hailed by socialistic writers as fellow-socialists, and the socialistic tendency in trusts and other artificial monopolies admit of no doubt. When we come to a discussion of artificial monopolies, we, in fact, touch the only really dangerous socialism in the United States. Those who spend energy in fighting the socialism of the doctrinaires who write books and deliver lectures are, in my opinion, simply Don Quixotes attacking windmills. "The game isn't worth the candle," and that is the reason why if a personal explanation is in order I have never spent much time in criticism of the socialists. I have believed there were certain truths in the teachings of scientific socialism which it is well enough to notice, but the prospect of professed socialists ever gaining an ascendancy in America has seemed to me so remote a contingency that I have never thought it worth while to spoil pen and paper and waste ink in exposing their errors. The results of years of study, reflection, and investigation have convinced me that the only dangerous socialism in America is monopoly controlled by private greed. This is sufficiently important to justify us in giving some attention to the views of one of the most rational socialists, who sees the approaching triumph of his faith in the "trust." I refer to Laurence Gronlund, who, in his new work, *Ca Ira, or Danton in the French Revolution*, speaks of the socialistic tendency of business in America in these words: "Of the movements individuals, the most significant is that toward production on a large scale. By 'production' should also be understood transportation and commerce, for they add value to the product, just as well as does the labor of the operatives on raw materials. All that is necessary here is to note this tendency, for all admit that production everywhere the most trivial as well as the most important is being concentrated in the hands of richer and richer employers, of larger and larger corporations.

But there is one feature of this concentration that deserves special mention because it is novel, and as yet it seems confined to the United States, where the capitalist system is more unfettered than anywhere else. It is what is called the Trust. This is monopoly in its most concentrated form. Suppose the presidents of all the incorporated companies in a given branch of industry in the whole country assembled, and one of their number in whom they all have perfect trust, hence the

name selected to perform the function of manager with power to determine, autocratically, how much each company is to produce, and, consequently its share in the proceeds, and you have the Trust. It differs from a 'pool' in this, that none of the parties can withdraw. The individuality which the law confers on each company by the act of incorporation is in the 'trust,' over which the State has not the least control; indeed, the whole arrangement is kept as perfect a secret, as far as the public is concerned, as possible.

It is easy to see, that, when these 'trusts' become general, and that is only a question of very short time, they will revolutionize our present system, for they mean the destruction of competition, which then will be utilized simply to crush their weaker rivals. Some of the newspapers, on getting wind of these trusts, have become alarmed, seeing in them terrible future dangers to the State, and that, indeed, they would be; they would institute a new slavery, the most formidable slavery that ever existed, if evolution would stop there. But it will not. That is why this movement is at the bottom, [unreadable]; the capitalists engaged in it are, unconsciously, the greatest revolutionists in the world.

Now this concentration shows us what is going to be one important feature of the new social order shows us that production on the largest possible scale will be the only practical mode of production in the future. It is not necessary to dwell longer on the tremendous practical importance of a discussion of monopolies. The problem of today is so pressing, and it is, indeed, as a part of the general growth of monopoly, both a cause and a consequence of monopoly that protectionism is most deserving of attention.

We will begin the discussion of monopoly by a treatment of natural monopolies, because that will help to clear the field and render the characteristics of artificial monopolies more readily comprehensible.

There is one natural monopoly which stands apart by itself with peculiar qualities. It is land. Land was not made by man, but was given to man ready made. It was a gift of nature, or, if you please, of God. But so much was given, and no more. The amount that man can add to land or take away from it is so utterly insignificant as to be unworthy of notice. The most tremendous practical consequences flow from the fact that land is a natural monopoly, and the so-called land question deserves all the attention it is receiving. It deserves even more attention than it is receiving. I

would gladly take up this question and discuss it carefully, were it not so large a question. It would, however, require all the remaining papers of this series even to sketch it in outline. It may be said, too, that important as this question is, the amount of land in proportion to our needs is still large, and it is a problem of tomorrow rather than of today. However, it is sufficiently a question of today to warrant indignation at the way in which our public domains have been squandered and empires of valuable lands have been conferred on private corporations. The more vigorous efforts inadequate as they are to guard the interests of the public against land plunderers are encouraging. It is to be hoped that a further step will be taken and that the Pre-emption, Timber Culture and Desertland Acts will be repealed. The Homestead Act should be the only settlement law of the country, and even that I should like to see amended, although I will not take time to describe the desired amendment here.

Unfortunate as have been some of the phases of the agitation of Henry George, I cannot but think that the world owes him a debt of gratitude for placing in a clear light before the masses the fact that land is a natural monopoly. The ugly feature of his agitation is his proposed confiscation of the rent of land; but the view which Cardinal Gibbons --- if current reports may be trusted --- takes of his contemplated measure seems to me most sensible. I do not believe it will ever appear to the American people a just thing to take the property of land-owners without compensation. I do not believe that the moral sense of the American people will ever tolerate any serious steps looking to the confiscation of this species of property. To me whatever false accusation may have been brought against me to the contrary notwithstanding it has ever appeared a cruel and unjust thing to do, and thus I have always taught. However, it seems to me as to Cardinal Gibbons evidently a waste of breath to refute the errors of Henry George. They are not a living issue. It is, however, worth our while diligently to read a book like *Progress and Poverty*, and to gather from it the useful lessons which it undoubtedly teaches. With this I leave the land question for the present and pass over to other natural monopolies.