

THE TRUST AND THE SINGLE TAX.

I. THE VITAL ELEMENT IN RESTRAINT OF TRADE.

THE evil of the trust depends not upon the mere fact of a consolidation of business interests, but upon the nature of the business interests consolidated. An illustration may be found in the hack service at any country railway station. I select a particular one for the sake of being definite. Hackettstown is a New Jersey station on the Delaware, Lackawanna and Western Railway, where the station yard is large enough to accommodate many more hacks than are needed. Several hacks carry passengers between this station yard and any desired place in the town at the uniform charge of a dime. Were more exacted, competition would be stimulated. Realizing this possibility, the hack-owners conform voluntarily to what is generally regarded as a fair toll. The business, therefore, is regulated by competition—if not actual, yet potential.

Consolidation of these interests might effect economies. If so, the consolidation would be beneficial to all concerned. Patrons would get better service and pay lower fares; and if displaced employees were hurt by it, their misfortune would be due, not to the labor-saving consolidation of Hackettstown hack interests, but, as is the case with labor-saving machines, to fundamental legal obstructions to business in general. The consolidation would be nothing but a union of interests in hacks and horses, a kind of property that is too easily produced in abundant quantities to be monopolized. Such unions are not in themselves harmful. If they were, all economizing devices would be harmful, and we should have to adopt Tolstoi's conceit and return to primitive methods of production.

But note the effect were the railroad company to confer upon those hack-owners exclusive rights to enter the station yard with hacks. As the station building is so situated with reference to the public highway that competing hackmen could

not satisfy the needs of their passengers without access to the yard, the privileged hack-owners would control the business as a monopoly. Though they still competed with one another, outsiders could not compete with them. What if they consolidate now? How radical the difference! The consolidated interests would be more than interests in hacks and horses. They would now comprise exclusive rights of entry into the station yard. And therein would lie the power of this local hack trust. Freed from all fear of competition, it could make a standard of service to suit itself, and regulate fares upon the basis of extorting "all that the traffic would bear."

This illustration is so far typical of business in general as to indicate the point at which the evil of the trust comes in to bedevil modern industry. That point is not where competitive businesses combine: it is where competing monopolies come into the combination.

Several examples of the weakness of trusts that do not possess privileges might be cited. A recent one of importance was the dissolution of the wall paper trust. That organization had been triumphantly pointed to as a striking instance of powerful trusts without a monopoly basis. But it was forced to dissolve by the pressure of competition. When really powerful trusts are analyzed, their power is found to rest in some form of monopoly—in some species of privilege. Somewhere in every evil trust, though not always obvious, there is a consolidation of exclusive interests analogous to the station yard monopoly of our illustration. Mr. Charles M. Schwab recognized this when in his testimony recently before the Industrial Commission he affirmed that the billion dollar steel trust, of which he is manager, absolutely controls 80 per cent. of the iron ore deposits in this country.

Specifically, these monopoly interests are numerous and various. They consist of such monopolies as railroad rights of way, of pipe-line rights of way, of patented inventions, of water privileges, of street franchises, of mining rights, of terminal sites, and so on into a long catalogue. But most of them may be properly classified as monopolies of *land*.

Mining rights are plainly land rights. Railroad and pipe-line rights of way, terminal sites, and the like, are essentially so. It is not necessary, however, to trace to land monopoly every special privilege that may not obviously spring from that source. The important consideration is that all monopolies which do not spring from are necessarily subordinate to monopolies of land.

A monopoly of iron mines, for instance, confers control over the iron industry in all its ramifications. That control may be limited by a monopoly of rights of way, and especially of necessary terminal points for the shipment or delivery of products of the iron industry. But this makes no difference to the argument, for both monopolies are monopolies of land. And, if these two land monopolies be united in one trust, that trust is unconquerable, except by a trust that monopolizes still more important natural sources of supply or still more commanding terminal sites.

In yet another, a more subtle, and therefore more effective way, evil trusts are fostered by land monopoly. This is through general speculation in land. In the hope of profiting by increase in land prices, every one who can afford to invest buys land where he thinks it may become more valuable. Most of the land so bought is either not used at all or only partly used. It cannot be easily obtained for use, because it is held upon speculation at excessive prices. In consequence of this difficulty, the industrial classes are forced like cattle into a corral. For all the processes of industry depend upon land. Workers of all grades are huddled together, begging for some kind of job. Those that are not actually in the corral are in mortal fear of getting into it. In these circumstances, the industrial classes are an easy prey to owners of great land monopolies. To escape the corral, they accept any terms they can get. They cannot contract in freedom, for they must buy a chance to live. The question with them is not one of more or less income, but of life or death. Thus the monopoly power that trusts acquire from ownership of land is multiplied by the relative weakness of their landless victims. "The destruc-

tion of the poor is their poverty." And their poverty, as well as the original power of the trusts, is rooted in, springs from, and is strengthened by land monopoly. The abolition of land monopoly, therefore, is the only radical remedy for the evil of the trust.

Now, land monopoly would be abolished by the Single Tax. It would be abolished by it in the only way in which land monopoly can be abolished, without reviving it in new forms by turning the State into a monster of unlimited and virtually irresponsible power. While abolishing the monopoly, it would preserve private possession under individual occupancy. To make this adjustment, it would take for public or common funds the annual ground rent of valuable lands, securing peaceable private tenure in return, and would leave non-valuable land freely accessible to individuals to occupy such parts of it as they might wish, without let or hindrance, and free of all obligation to pay for the possession so long as their holdings would yield no ground rent in the open market. If this principle, the principle of the Single Tax, were fully applied, land monopoly would evidently be impossible.

Different cases might require different modes of applying the principle. With reference to transportation when right of way and mode of operation were inseparable, and even with reference to some kinds of mines, as gold or silver mines, it may be necessary, in order to destroy land monopoly as to them, to place them directly under public management. Where that is true, I should advocate special modes of applying the Single Tax principle. But in my judgment little more would be found necessary, in actual experience, than the fiscal method of application proposed by Henry George, which, like the Single Tax principle, is also known as the "single tax." At all events this method would be effectual in most cases and in the most vital elements of the problem.

Pursuant to that fiscal method, all present taxes except one would be abolished. We should retain none but the tax now known as the real estate tax, and only so much of that as rests upon the value of sites. Taxes upon improvements would be

abolished, along with all other taxes upon industry. As a result of these exemptions, site value taxes would necessarily rise. They could not exceed the full value of sites, but they would rise to that point. We should find, therefore, when this simple fiscal reform was complete, that no one could hold any kind of land out of use without suffering serious and continual loss. Land would have to be used, and be well used, or be abandoned. There would be no profit in mere ownership. That goal being reached—indeed, long before it had been fully reached—trade having meanwhile been freed by the abolition of all commercial and industrial taxes, the evil of the trust would be exorcised. With the annual value of special landed advantages applied to common use and no longer retained by private owners, with unused land everywhere freely accessible and the barriers of the industrial corral thus broken down, with demand for productive work thereby made to exceed supply, and through the free interplay of all the natural forces of consumption and production perpetually to maintain that excess—with these demonstrable effects of the Single Tax realized, there would be no more possibility of monopolizing business with paper agreements than of holding back the waters of Niagara with a paper dam.

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II. THE EVIL OF EXCLUSIVE PRIVILEGES.

“DO you believe that the Single Tax would destroy the trust evil, and, if it would not in your judgment completely destroy it, how would it mitigate the evil?”

The form of the question relieves us from all consideration as to whether trusts are good or evil, assuming, as it does, their evil character and rendering unnecessary a detailed consideration of the respects in which they are mischievous. We must, however, settle what we mean by the word “Trust,” for an eminent Republican authority in the last campaign declared that there were no such things in this country as trusts.

Technically, he was correct. When large aggregations of capital first sought to control various fields of industry, they tried to reach this end by placing in the hands of trustees the capital stock of the corporations entering into the combination, with full authority in such trustees to control the operations of the several corporations for the benefit of the depositors of stock. For a variety of reasons—some legal, others of a business nature—this expedient, to which the appellation “trust” properly applied, was abandoned, and of late the word has appeared as a survival, being now given to large combinations represented by a single corporation, controlling, or intended to control, business within definite ranges, but so operated as to be capable of indefinite expansion, and possessing certain monopolistic tendencies.

Analysis of the situation will show that the successful trust, the trust that is dangerous to the public welfare, is one not confined to business in its nature competitive, but one representing business plus some sort of monopoly; and the incidental monopoly we will discover to relate to land simply, transportation (one form of land monopoly, but coupled with a franchise), or patents.

A further understanding of the question before us will be facilitated by bearing in mind that by the term “Single Tax” we mean a tax upon the value of land, exclusive of improvements, and the abolition of all forms of personal tax, including the tariff: the necessary effect being, as contended by Single Taxers, to destroy monopoly in land and wipe out all the evils incident thereto.

I think we may assume that the Single Tax will not prove in any considerable degree remedial so far as monopolies based upon patents are concerned. For instance, corporations controlling patents, and not interested in any other form of monopoly (such a corporation, for example, as the Mergenthaler Linotype Company), are not likely to find themselves embarrassed by the adoption of the Single Tax system of taxation; and, so far as the exclusive monopoly granted by the patent law is oppressive and tends to the creation and preserva-

tion of trusts, the remedy must be sought through other instrumentalities than the Single Tax.

It is to be noted, however, that many monopolies apparently based upon patents are nevertheless coupled with other forms of exclusive privilege, involving a monopolization of land, and as a method of relief against their oppressions a proper system of taxation becomes important. We may illustrate by reference to the Bell Telephone Company. This corporation, constituting in the most modern sense of the term a trust, owns important patents, but in addition it either directly or through its lessees or subordinate companies controls privileges in the use of streets of infinitely greater value than are the patents, and if its franchises in various cities were taxed (such franchise tax being merely a development of a special application of the Single Tax) the power of the Bell Telephone Company would be materially lessened, and at the same moment the company would be spurred up to a better and more complete performance of its public duties.

I am not now discussing as to whether it would be more in accord with just principles of government to meet this particular form of evil through an exercise of the taxing power or through governmental management, but confine myself to pointing out that at least a proper exercise of the right of taxation would prove of material public benefit. In the broadest sense we may say that the particular monopoly now referred to finds its power in the fact that it is a combination of three species of monopoly—patent, land, and transportation; the last in that it often has the exclusive right of using the streets for the purpose of carrying messages.

But would our transportation monopolies, enjoying exclusive privileges in the carrying of freight and passengers and not owning patents or other privileges, be affected by the Single Tax? Assuredly, yes. Such companies require for their existence possession of land, coupled with a franchise permitting them to perform public functions to a degree not permissible to the generality of citizens.

Many years ago Vanderbilt pointed out that the New York

Central Railroad was protected against competition in that it owned immense tracts of valuable land in most of the considerable cities of the State of New York, and, arguing the practical impossibility of any other company buying land equally well located, insisted that successful competition was impossible. He was right, but if, as would be the case under the Single Tax, the entire rental value of land were taken for public uses, destroying the special profit and advantage railroads possess as landholders, then only a franchise would be required by another company to offer successful competition.

There is a certain class of trusts, most dangerous in character, now coming to recognize that the foundation of their strength lies in the ownership of land. The recent testimony of President Schwab, of the Carnegie Company, before the Industrial Commission showed that he considered the power of his company to lie in its vast and increasing ownership of beds of ore. He was, of course, right, and until the Single Tax makes all of our mineral resources equally available to all the community, thus destroying the special profits now accruing to those able to hold land out of use, the most oppressive trusts in existence will find their way clear to retain their power, despite anti-trust laws, interstate commerce laws, and all the publicity we may by law give their operations.

JACKSON H. RALSTON.

Washington, D. C.



III. THE ULTIMATE BASIS OF ALL MONOPOLY.

IF the Single Tax would destroy the trusts themselves it would be a serious obstacle and a serious objection to the Single Tax. In spite of all abuse, the trusts are here to stay—and to make a political issue. Unless we find out what we really condemn in trusts, they will make a confusing issue.

Every trust is essentially a coöperative machine. It is a human machine, an arrangement of materials and parts to get the largest result for the least effort; that is, to save labor. Accordingly, a department store is a trust, and is recognized and

even legislated against as a trust in some of our States. In some, the legislatures are beginning to threaten such stores with the tempting and terrible weapon of taxation, on the ground that they so economize labor as to throw many clerks and small merchants out of employment.

But all that the manager of the department store has done, as a promoter, is to organize workers, so dividing the labor, in order to save waste of effort and consequent expense, as to serve the public demand for goods at the least possible cost. That is a benefit, because although the organization does not increase the wages of its employees and does build up dangerous fortunes for its owners, it increases the power of mankind and cheapens the things that mankind uses.

Were that a type of the only kind of trust, no trust could ever be abolished, except by a return to primitive methods of production; but there is another element in many trusts that makes them evil—the element which, when we perceive it, we can destroy: *monopoly*.

All that men need in order to live (which we call wealth) is drawn from land by labor; part of this is used to produce more wealth, and that part we call capital. The material is dug or cut or hunted or transported out of the earth or on the earth and is made ready for use by the work of men's brains and hands, with the tools and machines that man has made. Steel, for instance, comes from the iron mine; in order to dig ore, to ship it, to melt it, and to mix and mold it into the finished steel, land must be used. Men do all this in works and railroads and boats, by the aid of all sorts of tools and other capital—from a penny to a blast furnace. Land is the source of all these things. Labor and the product of land and labor—capital—are but the active agents applied to the land. Steel, like all other goods, is very easily produced to-day, for coöperation, organization, and invention enable a few to make wealth faster than armies can destroy it.

Accordingly, if the source of wealth is sufficient and were open to men, it would not be possible to limit or monopolize the product. If one man or set of men should try to corner

any product, the heightened price would at once set labor and capital to work to produce more of it. No one can monopolize wealth or capital by itself, because it is a product easily duplicated; nor can any one monopolize labor, except by paying higher wages than the laborers could make working for themselves or for others. The only thing left to monopolize is the source of wealth—the land. Such monopoly is an evil, the only evil of trusts; for it leaves labor and capital helpless, with nothing to work upon.

For capital to combine, or for labor to combine or coöperate, is not an evil, but a good, for such combinations can succeed only by giving better or cheaper service than any other combinations of labor, or of capital, or of labor with capital, can give. If they fail to do that, other combinations will take away their business; but if they control the foundation of the business, the grazing or coal or oil fields, or the mines or roads and harbors by which things must be shipped, then they can prevent competition and are able to charge "all that the traffic will bear," no matter who is robbed thereby.

We have learned to work together on the earth, and there is enough earth for all. The single State of Texas could take in all the people of the United States, leaving the rest of the country vacant and empty, and still be less thickly settled than agricultural Holland. All that is needed for the support of all the people is that they should be allowed to get at this earth; then the divine law of competition would prevent men from taking advantage of one another.

But, now that tyranny and slavery have gone, monopoly has taken their places, strangling competition; and men have to struggle, not to produce the most wealth for the benefit of themselves and others, but to get a chance to produce at all.

The evil of the Trust, then, may be summed up in these words—that it does not give the workers the benefit of the increased efficiency of their own work. Monopoly, principally of the source of the materials for work and the place for work, is the cause of this. The workers, shut out from the opportunity of employing themselves, individually or coöperatively, have to

accept what terms the monopolizers offer or starve. The workers find employment harder to get, and the savings of labor go to the monopolists through rent and what is known as "exploitation of labor."

The remedy is as clear as the evil. It is to destroy all monopolies, and especially the mother of monopoly—monopoly of the sources of supply: and so to give men equal opportunity for profitable employment.

At present those who own the valuable lands have all available opportunities in their control and are able to charge prices that are often prohibitive for the use of these opportunities of work and for the products of work. Those who wish to understand all that Single Taxers claim for their method of securing such liberty will find it and all that can be urged against it clearly set forth in the little book written by Louis F. Post, editor of the *Chicago Public*, called "The Single Tax." It is therefore enough for the present to say that the Single Tax proposes to take the whole value of land for the public benefit by taxation, so that it will be impossible, because unprofitable, to hold any land that is not used to its full capacity, and thereby to open to labor the boundless resources of the earth, to raise wages, and reduce rents.

If we were to tax Mr. Rockefeller up to the full value of the oil wells, iron mines, and rights of way that his company holds, the prices of oil and the value of Standard Oil stock would fall as fast as wages of Standard Oil workers would rise, and the fangs of that trust would be drawn.

BOLTON HALL.

New York.

NOTES AND ANNOUNCEMENTS.

THE Hon. Wayne MacVeagh, whose recent address on "The Value of Ethical Ideals in American Politics" occupies a considerable portion of our space this month, is one of the few American statesmen who regard ethics of any kind as a factor in the development of our civilization. He was graduated at Yale in 1853, and holds the degree of LL.D. from Amherst College (1881) and the University of Pennsylvania (1897). He served in the civil war as captain of infantry in 1862 and of cavalry a year later. In 1870-'71 he was United States Minister to Turkey, and in 1872-'74 was a member of the Constitutional Convention of Pennsylvania. He was head of the commission sent to Louisiana by President Hayes to settle disputes of contending parties. He served as Attorney-General in the Cabinet of President Garfield, and was chairman of the Civil Service Reform Association of Philadelphia and of the Indian Rights Association. From 1893 to 1897 he was American Ambassador to Italy. Mr. MacVeagh's public career has been strikingly pure—not assailed even by the breath of scandal—and his eloquent advocacy of a higher political standard in this country is both timely and powerful.

The three articles in this issue of THE ARENA that we have grouped in a symposium under the general title of "The Trust and the Single Tax" are written by men whose qualifications for the discussion of this topic are beyond dispute. Their arguments seem conclusive; yet the barrier of selfishness that opposes the adoption of the Single Tax, even in modified forms, is so impervious to the larger view of racial progress that their reiteration is essential. This semi-socialistic measure, first elaborated by Henry George, is growing in importance, and the next number of this magazine will present an especially able

paper on another side of the subject—"The Ethics of the Land Question." It has been prepared by a prominent New England educator—a Master of Arts and a representative thinker—who for special and good reasons withholds his name. The article will profoundly interest and please all who accept the views of Mr. George on the land question and also those interested in ethics as related to social and economic problems.

A new ARENA feature, which may be regarded as somewhat of a departure from our usual policy, will also be introduced in our November issue. Out of regard for the literary tastes of that most numerous of all classes of readers, the lovers of *fiction*, we have decided to publish a short story in each number of the magazine hereafter. The twelve contributions of this character to appear yearly will equal in extent a large volume, costing fully half the subscription price. And our friends may rest assured that the fiction that our pages will contain will be invariably of the choicest quality. The first story, which will appear in our next number, will be entitled "When Ole Marster Passed Away." It is a negro character sketch, from the pen of Will Allen Dromgoole, the talented Southern author, and will prove of fascinating interest to all who read it.

Other features of the November issue that may now be announced are: The fifth article in Prof. Frank Parsons's superb series on "Great Movements of the Nineteenth Century;" "Some Ancient New Women," by Ella S. Stewart; "The Futilities of Reformers," by Joseph Dana Miller, and the concluding instalment of Miss Keller's instructive study of "The Criminal Negro."

J. E. M.