

Monopoly's Stranglehold

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by CHARLES H. MARCH

I DO NOT THINK it either careless or an overstatement to say that practically the whole world is in revolt against the philosophy of private monopoly. In essence, that is what the world-wide snarl in economics simmers down to, on close examination.

In some quarters it is called a reaction against the philosophy of unnecessary scarcity; in others it is called a breakdown of capitalism or a reversion to totalitarian control; and in still other quarters it is called merely the inevitable cycle of trade. But, call it what you may and name the tried and proposed remedies what you will, the heart and center of the thing — in America as elsewhere — is the new problem of monopoly which modern machinery, transportation, finance, and organization have brutally thrust forward. Until the world and America learn how to deal with the special form of monopoly which is a definite fact of modern civilization, all other human interests will merely mark time. The Goliath has appeared on the scene and dominated it; he must either be tamed and harnessed, dwarfed, allowed to rule, or laid low — there can be no genuine peace or return to "normal" until one of these ends arrives: he is that real and that disturbing.

In some countries the battle against him has taken the form of communism, in others civil war, in others "people's fronts," in others "national" governments, and in others central economic planning. In fascist countries monopoly has come to such power that it dominates government as well as industry. In all countries it is upsetting long-established parties and policies and forcing new alignments. Some countries have stripped from the Goliath his private-monopoly armor and put it on government; other countries have been forging new chains to hold the Goliath, while he thunders forth defiance.

We should not be misled into believing that

the enemy which the world and America are fighting is *capitalism*. The very essence of capitalism is *preservation* of competition; the very essence of monopoly is *suppression* of competition. The most genuine friends that capitalism has are those who want to end monopoly — but not by the oversimple route of transferring the monopoly to government. That remedy may be as bad as the disease. Centuries ago, as well as today, that method was found to contain elements of oppression as well as private monopoly. You can't exactly get rid of a monster by swallowing him and becoming yourself a monster. Capitalism is itself the victim of monopoly. Some of the evils of monopoly are to be seen both under collectivism and under capitalism.

II

NOT SO MANY decades ago the prize for business success was being one's own boss. A bright young man could set up in business, make a little money, and acknowledge no master. Today the independent proprietor is vanishing from our midst — not only in America but in fascist and communistic countries as well. When the doctrine of socialism was spreading around this country 30 years ago, one of the most powerful arguments against it was that it would condemn a free people to be employees of the state. We were nourished by the philosophy that ability, courage, and honesty reaped the glittering prize of business independence. This prospect of freedom the American people were unwilling to exchange for any alien system of government or business that would condemn them to the bondage of a job.

But, while we were keeping a wary eye on socialism, the loss of freedom came from another quarter. Today most of us in industry work not for the government but for entities quite as impersonal and frequently as remote. The giant monopoly has snared most of us on

THE OVERRATED YANKEES

many as he can in the open season, and his conscience smites him only when he realizes that even these innocents have grown wise at last and he's been just too smart for his own good.

If shrewdness is evidence of the Yankee's sharpness, so, too, is his wit. Sometimes robust enough to be called drollery, it is more typically of that thin and vinegary kind that is not quite a sneer. As such it passes under the name of dryness, and is much sought after and universally admired. Yet after all it is the least charitable sort of humor, neither gracious nor good-natured nor inviting laughter. It is significant evidence of the Yankee viewpoint but it is more significant when considered as the only evidence we have of Yankee vivacity.

So far as physical motion is concerned he's geared in low for keeps and moves with the calm detachment of a sleepwalker. It is impossible to speed him up but, surprisingly enough, it is equally impossible to slow him down.

YANKEE STOICISM

OF ALL MORTALS he is the most lugubrious and the most resigned for, like a true pessimist, he is forever anticipating the worst and so softens each blow before it falls. A fair day is a weather breeder for him. Blights, untimely frosts, and deluges he greets with grim satisfaction as convincing evidence of his prophetic powers. And he's truly thankful that things aren't worse; his philosophy embraces holocausts.

Without being particularly religious, he resigns himself to Acts of God and therefore does very little to remedy them when he might do a great deal. Wherever you find him he is the victim of bodily miseries and infirmities, which will not carry him off, in all probability, for a long time. He clings to slow agony. Doctors can do nothing for him, because he never goes to them.

But his stupid docility in the face of his own misfortunes and infirmities has an ugly reflection in his attitude toward dumb animals. Without being actually brutal, he is insensitive when they suffer. Not often guilty of

lashing a horse, he will overwork it for weeks on end and then put it out to pasture for a while to let nature effect its recovery. From the time snow melts to the opening of the hunting season, he will keep his rabbit hound tied up behind the barn without once exercising it or offering it the least attention beyond a daily meal and a too occasional pan of fresh water. All his creatures he uses as if they were inanimate, handling them with no consideration but to achieve the practical results of the moment — milk or wool, lambs or veal, as the case may be.

So he performs all acts that have within them the possibility for gentleness and consideration. The clod under his feet has more feeling than he, for it at least must wake to the magic of growing things and carry the beauty of flowers and grass within its heart, while he who has spent his life on hilltops and in open fields, as lovely spots as man may hope to labor in, has apparently no awareness of beauty at all.

When he grows flowers, and, to do him justice, he or his "woman" usually have a few, they are set out with about as much imagination as he would bestow on a field of cabbages — less in fact, for he puts the cabbages where they will thrive. He is not, by the same token, a planter of trees and shrubs for beauty's sake and cares little that ivy will grow over brick and stone to soften hard lines. The barrenness of his buildings is symbolic. So, too, is the clutter of his yard, for he generally contrives, despite his thrift and industry, to appear shiftless in this respect and to give an impression of poverty, warranted or not.

In his outlook on life, however, he has achieved an orderliness that is as astonishing as it is exasperating. He never cumbers his mind with any opinions other than his own and, quite the reverse of the rest of mankind, keeps these unaltered — good stout hickory that toughens with age. They are the weapons of his independence, and though the rest of the world has marched on from Concord, he waits, the embattled farmer still, behind his own stone wall, resisting all invasion.

In an early issue:

"Week-end Pioneers,"

by Ralph Haley

MONOPOLY'S STRANGLEHOLD

its payroll, and the old order of the independent proprietor is fast fading away. At the turn of the last century, only 66.7 per cent of all manufactured products were made by corporations. By 1919 this percentage had risen to 87 per cent. Today it is in the neighborhood of 95 per cent. In the field of retail distribution the incorporated chain has absorbed from 20 to 25 per cent of the business. One of the last stands of the small proprietor is the neighborhood store. But the chain has broken into this field, and against this fast-growing giant the little retailer everywhere is waging a desperate battle.

It may be that in an economic system which seeks to develop efficiency to its maximum limits there is no place for the independent proprietor. But mere incorporation will not save him. The small corporation in America is being as ruthlessly exterminated as was its predecessor type in business, the independent proprietor. The problem of a small business, whether incorporated or unincorporated, today is the same one that has been faced — and unsuccessfully faced — by countless thousands of businessmen since the Civil War. Ever since the surrender of Lee at Appomattox, the economic slaughter of small businessmen in the United States has gone on at a terrific pace. The common assumption of the uninitiated has been that these little fellows justly fell before the superior efficiency of larger units. The sad truth is that they were frequently wiped out by unfair and often illegal trade practices. Had real efficiency been the determining factor of this struggle, much of American industry today would be in a far healthier condition, and the recent depression might even have been avoided.

Not even the farmer has escaped the clutch of monopoly. Recently the Federal Trade Commission completed an investigation of agricultural income. This study revealed the startling progress of monopoly in the processing of agricultural products. It was found that three tobacco manufacturers in 1934 bought approximately 70 per cent of all tobacco consumed domestically. In livestock, three packing companies bought 40.8 per cent of the cattle and veal calves and 25.3 per cent of the hogs.

In its final report to the Senate on its chain-store investigation, the Federal Trade Commission said:

Should the trend of the past twenty years, and particularly of the last decade, continue for a like period, we shall have a condition in some lines of chain-merchandising that few will dispute is monopolistic.

In their greed for profit, monopolistic enterprises charged more than the traffic could bear. They had little or no regard for ultimate consequences. By eliminating competition, they thought they were on their way to greater success and greater riches. Actually, however, as it turned out, fewer people were able to buy the products of the big business enterprises which had concentrated output in their own hands, for that very concentration deprived many of their means of livelihood and thus destroyed their purchasing power.

Monopolistic ownership or control of the means of production connotes ownership of the things produced. It determines the amount to be produced, restricts the freedom to engage in productive pursuits and, consequently, the amount of labor that may be employed. By fixing prices, it limits or restricts the quantity of goods which may be consumed.

Periodically, we have seen a glut of goods on the market with no purchasing power to move them into consumption. Monopoly's favorite remedy for that condition has been further to restrict production, but this has only further paralyzed the purchasing power of the consumer, whose income depends on the maintenance of production.

Another aspect of monopoly is its power to oppress and exploit other groups which are unable to organize their own monopolies. Agriculture, for instance, is the means of livelihood of over a third of our population. During the 'twenties, corporate dividends soared, but the price of the farmer's products and his profits fell continually. In the year of greatest income production in the United States (1929), the farmer was barely able to make ends meet, and in many agricultural sections unrest and rebellion against low farm prices were in full swing.

The adversity of the farmer was easy to explain. The farmer is a simon-pure capitalist. He makes his living by raising and selling his products in a highly competitive manner. Industry, however, had largely seceded from the competitive system and was squeezing the farmer with monopoly prices on what he bought. Between the nether millstone of com-

petition and the upper one of industrial monopoly the farmer's share of the national income grew progressively smaller, until the alarming spread of tenant farming brought about by farm bankruptcies threatened to destroy the farmer's traditional independence.

III

IT APPEARS to surprise some Americans who have not examined the American economic scene critically to be told that monopoly has rapidly gained strength and that competition is being eliminated in America. The average American has been taught to believe that monopoly is a dragon that was slain when the Sherman antitrust law was passed in 1890. He sees so much price competition in local retail stores that he has an idea that competition is more active than ever. He does not realize that the competition he sees is not so much among the big and powerful as it is between those and the weak and desperate. Nor does he understand what is admitted by all who have studied large corporations and antitrust-law enforcement, that the antitrust laws, as interpreted and applied by the courts, have actually tilted the scales *against* the small businessman and have only very mildly curbed the monopolistic power of the large corporations.

Competition may be legally ended by corporate mergers but may not be ended by agreement among independent units. A committee sponsored by President Hoover found that between 1919 and 1928 there were 1,268 combinations of manufacturing and mining concerns which involved the merger of 4,135 separate concerns and the disappearance of 6,000 more. In 1929 a total of 1,200 other independent manufacturing and mining firms disappeared. Messrs. Berle and Means opened America's eyes in their book, *The Modern Corporation and Private Property*, which showed that 200 giant corporations out of a total of 500,000 control nearly 50 per cent of all corporate assets in the United States and that, if the same rate of growth as of 1909-1929 is to continue for another 40 years, these corporations will own all America!

As it stands, nearly every field of industry today in the United States is dominated by a few giant corporations. *Ten per cent of the corporations do 80 per cent of the business* is a

wearisomely familiar statement about almost any American industry. See how it looks when turned about: *90 per cent of the corporations do only 20 per cent of the total business*. Size, of course, is not proof of monopoly, but power to monopolize is in itself a threat. It was supposed, about 25 or 30 years ago, after the great anti-trust agitations of 1890-1901, that American business and finance had renounced monopoly as an aim, as Gary did. Perhaps they did temporarily, but the war and after-war pace of technics and finance undoubtedly set up a new complex.

Walter Lippmann has said, in condemning private monopoly as an impossible permanent policy for America:

If big business men try to practice a private socialism, inevitably they will push the country into some form of public socialism. The real propagandists of collectivism in America are not the Marxian orators but the promoters of private monopoly.

The problem actually is not how to encourage more collectivism in our capitalistic system but how to get rid of existing collectivism in its present one-sided status. If we do not rid ourselves of collectivism in industry, we must, of course, go on to collectivism in labor and agriculture, merely as a necessary balancing operation. This is in fact what is happening today. We cannot have collective bargaining of the kind which precludes competition among individual industrialists and corporations in fixing prices and which yet insists on competition among individual workingmen and farmers for their services and goods. This is indefensible and foredoomed to failure. It is cracking right now.

IV

COMPETITION is a word which needs interpretation. *Pugilism* affords a parallel. Half a century ago, there was a very crooked kind of fisticuffs. A boxing bout then was usually a mere bloody slugging match in which anything "went"; whereas today a boxing match run by the Marquis of Queensberry rules and the regulations of a boxing commission, plus the code of the ring, written or unwritten, recognized and honored by the best men in the field, is quite a different thing — and one patronized by hundreds of thousands where once it was patronized only by dozens.

Competition in the business field today may

MONOPOLY'S STRANGLEHOLD

well be described as in the throes of working out a set of Marquis of Queensberry rules. The fouls are being defined, and the rules framed to prevent biting in the clinches or the use of hidden brass knuckles.

The broad, fundamental American policy of fairness and equality of opportunity to all is gradually being given specific definition, as regards details of business operation never before legislated about. The Robinson-Patman act is now one of our important anti-monopoly laws, prohibiting certain forms of price discrimination and related practices. It is intimately related to the Clayton act, as that was to the Sherman antitrust law. Price discrimination is an outstanding method of building up monopoly, for it substantially lessens competition. The various ways in which clever merchandisers had used or induced price discriminations to undermine competition are now dragged out in the open and combated. The large corporation using its size and power to intimidate its smaller supply sources into giving special advantages is by way of being stopped. Conditions of competition are far more nearly equalized by this measure, which is being more and more appreciated as a friend by nonmonopolistic business. The old smoke screens of quantity discounts, advertising or promotional allowances for no actual service rendered are uncovered and prohibited by the Robinson-Patman act; and false brokerage and other devious discriminatory devices are run to earth.

Paul S. Willis, President of the Associated Grocery Manufacturers of America, reports that a survey of members indicates 78 per cent favoring the law; while over 90 per cent opposed secret rebates, unearned quantity discounts, payment of brokerage to buyers and loss-leader selling. The great bulk of American business wants to abide by fair and square rules; it would be a craven government which would not champion it and the public against the predatory few.

It is very important, however, to

make clear that in battling monopoly we are not taking sides with the inefficient as against the efficient. There are those who naïvely believe that the large monopolistic corporations are all ranged on the side of modern scientific efficiency, while the critics of monopoly are all incompetent malcontents. Such ideas belong to the romantic period of American business, when money, success, and size were worshiped indiscriminately. We know too much today about the details of how monopolistic corporations make their profits to subscribe to these ideas any longer. There is a vast amount of incompetence, inefficiency, high cost, and uneconomic operation among monopolistic corporations: that is precisely why so many of them turn to unfair, gouging, monopolistic practices — suppression of competition, gambling, juggling, interlocking, etc. They are not efficient enough to earn a genuine profit from square competition on merit. They have been merged, overcapitalized, and reorganized, the original



Etching by Howard Cook

Courtesy of the Weyhe Gallery

owners and managers gone, and with such a burden they need unfair advantage in order to live. However, we must interject here the statement that America has some magnificently efficient large corporations.

It is no part of government to subsidize inefficiency or forestall the changes which a competitive economy inevitably brings to pass, but it is the function of government to stop discrimination, monopoly, and impediments to fair competition. Sound American business does not complain of competition when it is clean and fair. Monopolies have ever been notorious for their unfair competition; they frequently set up monopoly for the express purpose of creating a fulcrum from which to swing the bludgeon of unfair, discriminative practices and suppression of competition.

There is another type of competition which is ignorance, folly and self-injury: for example, selling at a loss and entering into vindictive price wars. When monopoly practices this, it can endure its loss, serene in the knowledge that the loss to the smaller competitor will be fatal. It, too, is an old trick of monopoly to crush the small man. When small men indulge in it, it is suicidal.

We need wider business, as well as public, education as to the meaning of genuine fair competition and how to operate a soundly competitive system. All economic systems, as a matter of fact, are competitive in one way or another; the great need is to observe fair and even standards of competition and have available laws which will restrain those who won't play fair. The Federal Trade Commission, with its 22 years of experience, is serving American business in this direction more and more.

The streams of commerce must be kept open and free to insure national well-being. Questionable or unfair trade practices are among the main obstructions to this steady flow of commerce which too frequently interfere with the forces of supply and demand and disturb the competitive balance. Those acts of unfair competition which the Commission and the courts have held to be unlawful include: misrepresentation and misbranding of products; defamation of competitors and false disparagement of their products; illegal price discrimination; commercial bribery; illegal use of loss leaders; illegal rebating; inducing breach of contract willfully to injure competitor; cir-

culating threats of infringement suits in bad faith; full-line forcing to suppress competition; passing off and imitation of trade-marks.

V

IN ATTACKING monopoly the old antitrust laws have been notoriously inadequate, because under these laws, as interpreted and applied by the courts, a monopoly can dominate an entire industry and eliminate competition. The behavior of the monopoly, not its size or power, was thus made the test of unlawfulness. New legislation makes it possible to halt some of this monopolistic behavior, this killer of fair competition and grinder down of small business.

American growth and prosperity have been founded on competition, which in our economic system is relied on to ensure the availability of goods at prices representing efficient cost of production and of distribution, plus a fair profit. No economic system employed in any other part of the world has been so productive of blessings to the people as has ours. Industrialists of monopolistic trend of thought often boast of this as though these good things had come *through* monopoly, whereas, of course, they came *in spite of* it.

American prosperity and progress of the kind we can really boast about have been accomplished by initiative, intelligence, honesty, and everlasting industry and effort and always with a wholesome regard for the rights of others. A truly competitive economy tends toward freedom and expansion of business activity. Monopoly stifles and restrains it.

Under a fair competitive system, the allocation of income adjusts itself among the various classes of our economic body with some considerable reference to ability, work, and enterprise. When fair competition ceases, however, prices tend to rise above honest values, and the ruthless and unscrupulous profit exorbitantly at the expense of others. We reap social and political unrest, overconcentrated income and wealth, economic maladjustment. Purchasers have only so much money with which to buy. They cannot and will not long pay the enhanced prices which result from overcapitalization of industry and trade, inefficiency of production and distribution, or the marketing of undesirable merchandise. When their purses have been emptied, trading must cease until they can again return to the market as purchasers.

MONOPOLY'S STRANGLEHOLD

Thus a failure on the part of producers and distributors to maintain a healthy state of competition dries up the very wells of their prosperity and results, in the end, in their own detriment, as well as in the distress and injury of the public.

Much sentiment seems to exist, particularly today in various branches of industry, supporting the theory that the main self-help of competitors is an effective agreement to *eliminate* competition. This is fallacious, unsound in principle, and doubtless contrary to law. Controlled and stifled competition breeds monopoly with its attendant evils or arbitrarily fixed prices unrelated to costs. It leads to gouging of the public. Ultimately it brings about the collapse of business. The inevitable effect of stifling competition is to undermine the maintenance of the public's purchasing power, which is the key to business prosperity. Any general monopolization of the means of production and distribution restricts the market. The inability of millions to purchase, to consume, or to produce is a reflection of such monopolization.

Society is an organism through which flows the lifeblood of commerce. When any part of society monopolizes more of that lifeblood than it can use, the other parts suffer. Even in the part which has the excess supply, congestion and disease appear. And, just as infection in the less prominent parts of our bodies may produce decay and death, so infection in the humbler parts of our social and economic organism may destroy it.

The socialists and communists tell us that this situation is inherent in capitalism and that the disease is incurable and will steadily get worse. At the other extreme, the apologists for monopoly say there is nothing wrong except too much government concern over relatively unimportant parts of our population and too much government in business. Whatever the

merits of these opposing viewpoints, the capitalistic system is still alive and naturally struggles to conquer the disease which some of us think is not necessarily fatal. But the germs of this disease are monopolization of wealth and purchasing power, and it will be fatal if allowed to run on unchecked.

Monopoly and the impoverishment of the common people until it was a choice between the bread of charity or the blood of revolution has ever been the herald of moral decay and national death. So passed the glory of republican Greece and the grandeur of democratic Rome; and, if we may judge the future by the past, so may perish the greatest republic that "ever gleamed like a priceless jewel on the skeleton hand of time." Self-interest, humanity, patriotism, religion itself — all admonish us to weigh well the problem of the hour, a problem born of human progress, forced on us by the mighty revolution wrought in the industrial world by steam and electricity; and that problem is: Shall the average American citizen be a slave or a sovereign?

The illustrious Lincoln said, "I believe this Government cannot endure permanently half slave and half free." And by the same token neither this nor any other government can endure half monopolized and half free, because monopoly is slavery.

The struggle to preserve free enterprise must not fail. There will be nothing gained by maintaining the forms of a freedom from which the substance has departed. In the verse of John Boyle O'Reilly:

*Here . . . on this soil
Began the kingdom, not of kings, but men!
Began the making of the world again;
Where equal rights and equal bonds were set;
Where all the people equal-franchised met;
Where doom was writ of privilege and crown;
Where human breath blew all the idols down;
Where crests were nought, where vulture flags were
furled,
And common men began to own the world.*

In an early issue:

A debate on "The Right to Work"

between

Edward L. Israel

Frank Henry Selden

Will the Upper Classes Vanish?



by STRUTHERS BURT

MY FRIENDS worry me — that is, a certain large percentage of them. Perhaps I should say the majority. They are such nice people, my friends — most of them. And I am even more worried about their children and grandchildren.

I am not worried about my friends' morals. Those, owing perhaps to the passage of time, seem to me better than they were fifteen years ago. Nor am I worried about their manners. Their manners — also on the whole — are fairly good. Nor have I any fault to find with the individual generosity, kindness, and good intentions of most of the men and women I know. These characteristic American virtues seem to be holding their own. I am not even worried by the fact that so many of my friends drink too much. The contemporary zeal for liquor is, I am sure, only a passing phase, although it may take the destruction of an entire generation by cirrhosis of the liver to prove that it is.

None of these worry me. What worries me is the apparent loss of memory on the part of so many friends. During the past eight years they seem to have learned nothing, and I had so hoped that a few of them would. And what especially worries me — and this is the root of my worry — is the growing lack where these friends are concerned of what might be called the instinct for survival.

I don't mean the instinct for reproduction. That still seems to me to be functioning in a half-hearted, absent-minded fashion. I mean the instinct which impels a species not to allow itself to die out — the instinct which drives that species to modify itself to meet the de-

mands of evolution and a constantly changing environment, the tribal, racial, cosmic, inherent shrewdness which resists destruction.

The early American, the frontier American, had a lot of this shrewdness. If he hadn't had, the Indian would have got him, or the aboriginal mosquito.

My friends — the ones I am talking about — seem to have lost this shrewdness, and the most worrying feature of it all is that they no longer seem to care. They are passionate enough about everything else under the sun and daily growing more passionate but they are completely unconcerned about the one thing which, in the long run, would give to their convictions any permanent value.

Nobody bothers very much nowadays about what the saber toothed tiger thought.

Nor am I ever allowed to forget my worries. Whenever the sun is shining or things seem to be going fairly well or I've enjoyed my breakfast, Mr. Girdler says something new, or Mr. Ford debouches into some of his quaint philosophy, or Mr. Morgan grants an interview, or I read a baccalaureate sermon.

The average baccalaureate sermon can take the sunshine out of my life for a whole morning.

Now I have been careful, as you have noticed, to limit my category. I said "a certain large percentage" of my friends. Leading the sort of life I do, I have friends all over the country and of every economic class. Perhaps I would make myself clearer if I said I was not worried about the country as a whole, about the United States, but only about a small