The Probable Self-Destruction of the Trust

(From the Arena.)

The following is from the pen of Philip Rappaport:

"In an article under the head of; "The Sweep of Economic Events in the light of History," in the August number of The Arena, I said: "Every phase in the political or economic development of society contains the elements of self-destruction. Every social, political or economic system will in the course of its development reach a point where the elements of self-destruction commence to move and show their presence. From this on the system will gradually be undermined and slowly collapse by its own force. From this on the effect of its own force becomes inimical to its own purposes and a hindrance to its further development."

To show the truth of this theory I illustrated it by describing the outgoing of the guild system and the incoming of the competitive system, and also the present gradual decline of the competitive system and its making way for the combination and concentration in industry, commerce and transportation, or that which is commonly called Trust.

If what I then said is true, I think it should be possible to point out the elements of self-destruction in the Trusts, and their probable movements and manifestations, because the Trust has, in my opinion, advanced in its course of development to the point at which these elements must show their presence and activity.

It is the object of the following lines to show that the course of the Trust is self-destructive and that it cannot deviate from this course and escape destruction, though it is constantly endeavoring to do so.

If it were possible for any combination to cover the whole industry, it would, of course, so far as that industry is concerned, eliminate entirely the influence of supply and demand; in other words, abolish the market, as a price maker. But no combination is able to do that. Even the Standard Oil Company does not cover the whole domestic field, not to speak of foreign countries. Its life depends upon the killing of all competition. This, it can never completely do, and it must continually fight for its own life. At the same time its efforts to absorb rival concerns have the effect of creating new ones. The large profits lead to the establishment of rival concerns, sometimes for the only purpose of compelling the combination to acquire the new establishment at an enormous price, for absorption is mostly less expensive than destruction.

It is impossible for the combination to leave rival concerns undisturbed. If it would allow them to grow and expand, it would not any longer be able to control the market and reap enormous profits which is the object of its existence. It would itself become merely one of a number of competitive rival concerns, but not a trust, not a powerful, controlling combination. To continue as such it cannot allow the existence of rival concerns but must destroy or absorb them in one way or the other.

This is even the case where the combination has reached the highest state of development, that of the one large corporation, as the Standard Oil Company, the United States Steel Corporation, etc.

In its course from mere trade agreements between a number of independent firms to their consolidation into one large corporation and by process of destruction and absorption the combination drives many independent business men out of business and unquestionably reduces the consuming capacity of a part of them.

In its efforts to control the business in all its stages and to reap every possible profit that is in it, it is one of the policies of the combination to eliminate as far as possible the middle man. It sells directly to the retailer, and the wholesaler and jobber are gradually disappearing. But some of them, as, for instance, the Standard Oil Company and the Tobacco Trust, go even further and eliminate the retailer, by either peddling their goods or monopolizing the retail business. Thus it destroys the sources of income for hundreds of thousands of people and reduces their consuming capacity.

Combination reduces the number of necessary employees, in the shop as well as in the office, but more particularly the number of those employed in selling goods. The drummer, for instance, so necessary an individual under a system of competition, becomes unnecessary under a system of combination. If the buyer has no choice it is not necessary to make efforts to win him. Thus, combination reduces or destroys altogether sources of employment and again reduces the consuming power of hundreds of thousands.

It is, of course, one of the principal objects of the trust to control and fix prices, and to drive them as high as conditions permit, with a view of making the largest possible profit. The consequence, naturally, is an increase of the cost of living. Increase of living expenses is always one of the causes which call forth energetic efforts on the part of the labor organization to obtain better wages, so as to prevent a sinking of their standard of life. It stands to reason that the combination is able to resist these efforts with much greater strength than a number of individual competing concerns, and the Trust is, generally, strong enough to secure a proportionately higher rise in prices than of wages. That this again reduces the consumptive power of the people needs no explanation.

In my former article I explained combination as forming an element of progress in so far as it is a means of increasing the power of production. Now I have shown that the methods which the combination uses, and which it is bound to use result in a reduction of the power of consumption.

It is evident that this is a self-destroying course, but no other is open to the Trust. If the power of production constantly grows, or even if it remains stationary, while the power of consumption diminishes, a point must eventually be reached when production becomes useless or unremunerative, and must be stopped or suspended. A reduction of the consumptive power prevents the full use of the productive power, but as production and profit-making is the object and purpose of the Trust, it must in the end become a hindrance to production and its methods inimical to its own purposes.

Nevertheless the Trust cannot deviate from this course without destroying itself more rapidly; because this course is necessary to prevent competition, and deviation from it would mean the return of competition, and competition and combination are, of course, antagonistic and cannot exist together.

Therefore, in order to avoid the results of the reduction of the consumptive power of the people, and to prevent the