

# Trusts in the United States

The Secret of Their Strength

(By Joseph Fels)

One of the most striking tendencies of the present industrial age is towards concentration and monopoly. The growth of the trust, merger or pool, has attracted much attention in the United States, and a considerable amount of attention in Germany and other parts of the world. It is freely said by many social philosophers that this has demonstrated the essential instability and unsoundness of a competitive system of production. That the growth of monopoly is a menace to society is not to be doubted, but to say that it is due to competition is nonsense. It is due to privileges which unwise governments have allowed to fall into the hands of certain groups of producers and which allow them to curtail production and increase prices.

With the greatest of these, monopoly in land, I will not here deal fully in its general aspect, but will merely point out that the ownership of land has been concentrated into the hands of very few individuals. They are holding enormous stretches of valuable land out of use, and are hampering and restricting production at every turn, and their power to do so is due primarily to an absurd and antiquated system of taxation which fines and penalizes the products and processes of industry and which, by exempting land, encourages speculation and monopoly. The only means of preventing this is by taxation of land values.

## The Same Origin

This, however, is by the way. What I chiefly wish to point out here is that all kinds of monopolies have precisely the same origin. There are, for example, monopolies such as the Steel Trust, the Standard Oil Trust, and the Beef Trust. It is clear enough from all the information that United States Congressional Committees have been able to extract from them—and they have really obtained some useful facts—that these associations have built up their monopoly either through gaining control of the natural resources, or through obtaining rebates from the railways, giving them an unfair advantage over their competitors, or through a combination of both these things. As to control of natural resources, oil, coal, and iron ore deposits, etc., that is plainly a case of land monopoly; and as to the railways, that is land monopoly also. It is easy to talk in a vague way about concentration of capital, but surely no one imagines that a railway is a monopoly through ownership of rails, rolling-stock, offices, warehouses, and other real capital. The basis of the monopoly is quite different; it is the ownership of the roadway, of a narrow strip of land between terminal and terminal.

There is one other source of monopoly, from which Great Britain is happily free, and that is the tariff which restricts industry and hinders competition.

The question now is how to destroy monopoly and restore free competition. There is no half-way house between this and Socialism. Something has got to be done, and must either be to make competition perfectly free and equal or to abolish competition altogether. The present hybrid condition is intolerable.

I believe that the first solution is perfectly easy and most desirable. The first step is to destroy the tariff and land monopoly, and this can be done by the simple fiscal change of abolishing all taxes on goods and improvements and concentrating taxation on the value of land. This will prevent the holding of land out of use for speculative purposes, and will consequently give to all the opportunity to make use of their birthright—the land. No one can go on holding land out of use when he is compelled to pay all his taxes on its selling value. He must either use it or let it go into the hands of someone else who will. On the other hand he will be encouraged to develop the land by being exempted from taxation on his improvements.

## Will Dissolve Trusts

Now, although this will operate in

all cases of speculation and land monopoly, it will probably act most powerfully in the case of great trusts such as those I have referred to. It will dissolve in fact, and not in name, as the present legislation does.

What this will mean in increased prosperity for working men and business men can only faintly be imagined. Yet some idea of what would happen can be gleaned from the statement of the president of the New York, Ontario, and Western Railroad, made at a hearing before the New York State Railroad Commission in 1900 that "without some restriction stove coal would be a drug in the market at two dollars a ton"! A state of affairs very alarming, no doubt, to the monopolist, but not entirely disagreeable to thousands upon thousands of shivering families.

Almost 90 per cent. of the iron-ore produced in the United States comes from the barren hills of Northern Michigan, Wisconsin and Minnesota. It can

be mined at the cost of a few cents a ton, almost as easily as sand can be taken from the seashore. But the control has passed pretty completely into the hands of the Steel Trust, and with that monopoly and behind the shelter of the tariff, they are throttling the industrial development of a great nation.

It is easy to see now why "big business" is afraid of the taxation of land values, and why such bitter antagonism is aroused against it. The "interests" know perfectly well, far better in fact than the people who are despoiled by the system, that the taxation of land values would destroy their monopoly, reduce prices to their natural level, and set free the masses from this modern slavery.

## Tax Franchises

In conclusion it may be well to say something about those monopolies, such as railroads, street railways, gas and water companies, which though at bottom land monopolies, depend on the exclusive right to certain narrow strips of land, which is conferred on them by franchise. The first thing to be done with them is clearly to tax them on the value of the monopoly. If it is thereafter considered necessary to national-

ize or municipalize them, the matter will be perfectly easy, for the purchase will not include the value of the monopoly, but merely the value of the real capital invested in the business. Whether this should be done is not a matter of prime importance at this moment. The main thing now is to set right the tax system, and thereafter the rest will be easy. When that is done it will be impossible, in my opinion, for any monopoly to exist. At any rate no one has yet shown me any grounds for believing otherwise. The old Jeffersonian ideal of freedom, equality, and privilege for none will be realized; and the way opened for such a happy and noble civilization as the world has never seen.

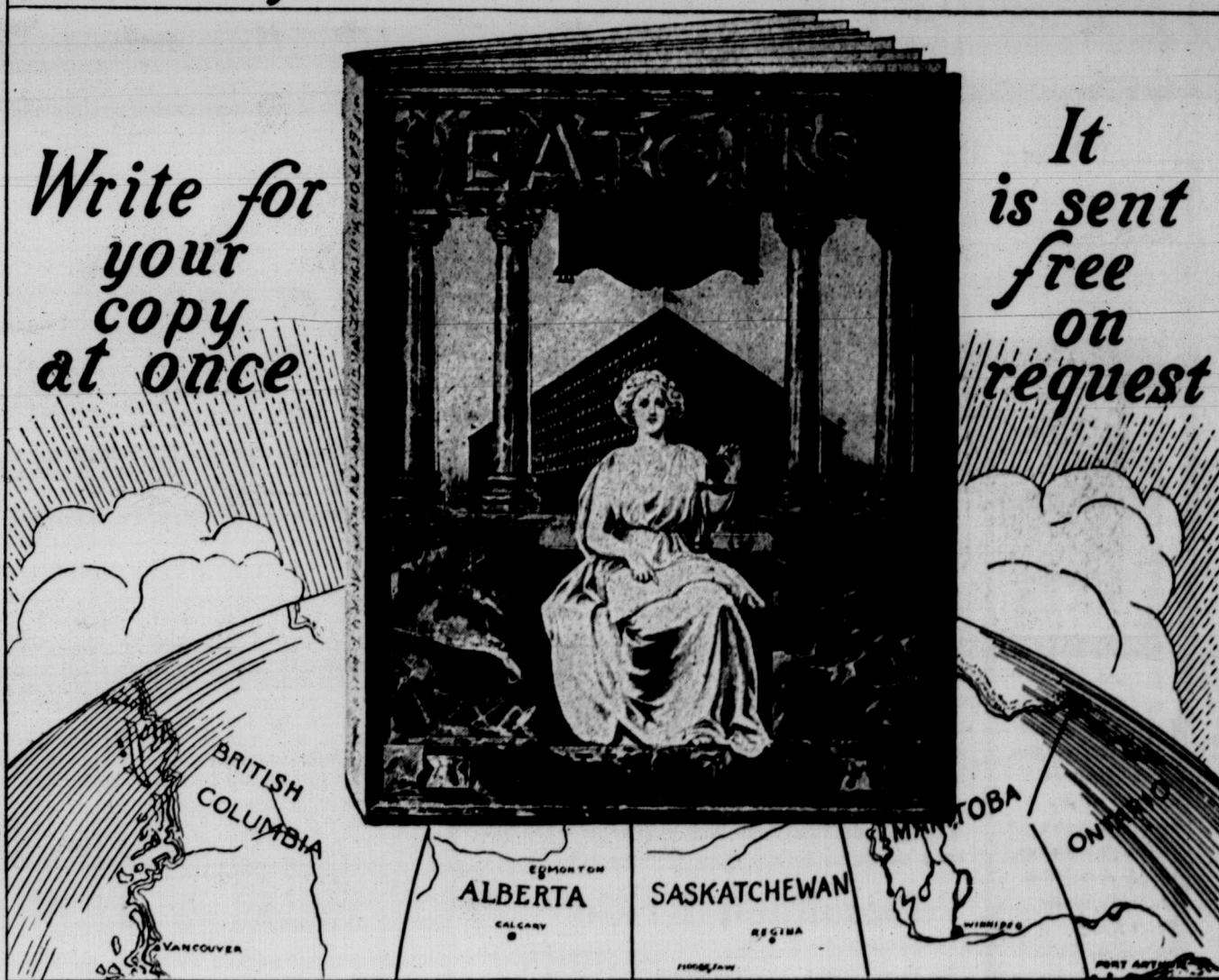
Although Britain is free from trusts on the scale that they exist in the United States, there nevertheless are great combinations and the monopolization of capital due to land monopoly. Apart from the tariff, conditions are the same as in the United States and the same evils result, calling for the same remedies.

To discover and develop individuality is the most important service the school is called upon to perform.—Hugh McCallum.

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