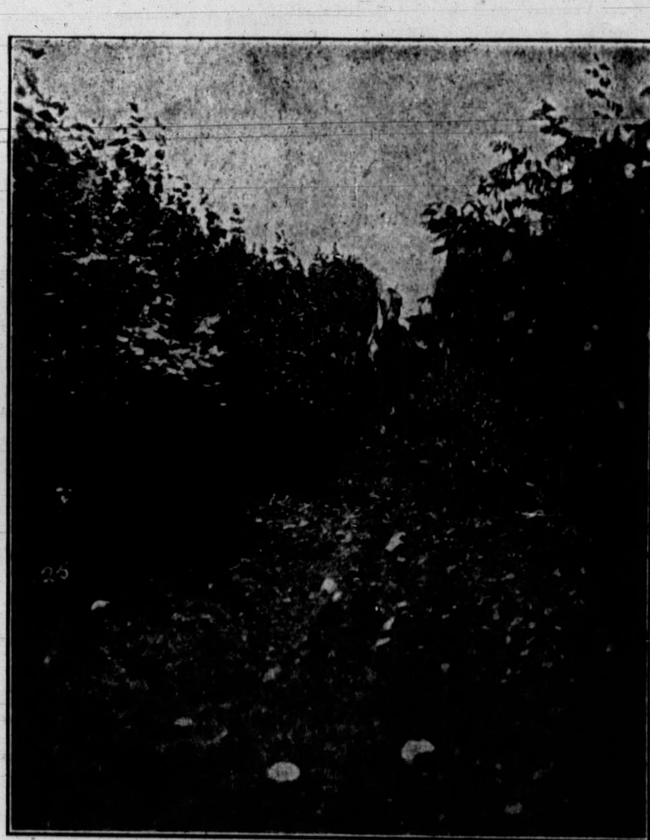
Combines in Canada

Past three years broke all records in formation of Trusts—How $125,000,000 before combining blossomed into $335,000,000 immediately afterwards—Evils of Over-Capitalization—The Arguments for Mergers

By Allan B. Hobbs

When man first climbed down from the swaying branches of the palm, and resolved to live and sleep on the ground instead of inhabiting the trees like a monkey, then, science tells us, mankind's history began. First came the Stone Age. Weapons of offence, rude though they were, bore sharp and jagged bits of flint, as seen in the arrowheads made by the North American Indians. Other ages—golden, bronze and iron—have been dreamed about by poets or described by prosy historians. Many tell us this is the Iron Age, because that metal seems to be at the foundation of modern transportation, motive power and the whole round of present-day industry.

But this is the Age of Trusts. Mergers, combines, trusts, amalgamations, monopolies, combinations—the air is ringing with these terms. On the one hand the merger is being denounced as the parent of every evil in the land—shady business ethics, political corruption, social unrest with occasional mutterings of anarchy, and last but not least, the high cost of living. The sponsors for this new development, on the other hand, claim that the trust is one of the most happy inventions of the human mind, just what this fagged out world of commerce was awaiting. Trusts might be abused, they say; but if kept to their proper place, production will be increased and prices lowered; in short, everybody will be better off.



MAPLE, POPLAR AND WILLOW
Three years old, near Hubert, Sask.

The Trend Towards Trusts

The truth, as usual, must lie between these two extremes. Something is to be said for the merger, though not as much, perhaps, as is commonly said. At any rate it is easy to see why they have become the vogue in these latter days. The trend of modern business makes steadily for concentration. The stress of competition pushes the weaklings to the wall. A small concern, be it ever so well managed, has hard work to hold its own in the commercial struggle with corporations of immense wealth and unlimited power. Often a moderately-sized firm's independence is relinquished only after a long and harassing battle against heavy odds. But the tide and rush of new conditions overwhelms any such opposition, and the only salvation in sight is for the weak company to make terms with the powerful one. Or it may be that the business rivalry is between two well-matched concerns. The consuming public, deriving substantial gains from this eager bidding for their patronage, would welcome a seven years' war of this kind. But such is not to be. The rivals are sure to find a speedy truce in their price slaughters by peaceful amalgamation or "gentlemen's agreements." Then they can resume the orthodox practice of "charging all the traffic will bear." The very growth of the country, too, seems to call for large companies. In our Canadian West, particularly, where new towns spring up almost overnight, soon to become hustling cities, it is not hard to understand one plea of the mergers, that only the big company with large capital can begin to keep pace with the demands of the country by the establishing of branch concerns at advantageous points, whether the line be manufacture or distribution. Market conditions, moreover, have changed vastly in the past twenty years, and hand in hand with the newer methods of advertising, dealers must now cater to a nation-wide demand.

People's Instinctive Distrust

But "trust" for the capitalist spells "distrust" for the people. Instinctively they have always recoiled from this commercial development. Even before they gave the merger a chance to write some history and be judged by its record, popular instinct waited not to reason the matter out, but promptly pronounced its condemnation. Meanwhile the cautious observers waited to see whether Pope's eulogy of instinct would again prove true;

"And reason raise o'er instinct as you can,
In this, 'tis God directs; in that, 'tis man."

As page after page is added to the history of trusts, notably in the United States, where they have been longer in operation, the popular distrust more and more justifies itself. The people see mergers invading every department of life. Almost every article and commodity of all the infinite variety of things which people must use, do use, or can be induced to use, is subject to some monopoly, or is the peculiar care of some trust. We are awakened in the morning by the harsh clicketty-clang of a trust-made alarm clock. Springing from a bed manufactured by the furniture trust on to trust-made carpets. we disport for a couple of minutes in a bath-tub made by a trust, using a cake of trust-made soap. We next encase ourselves in the vestments decreed by modern civilization, the linens, woollens, business suit and shoes all being the products of trusts, and the trusts all being protected from outside competition by a high tariff wall. For our modest breakfast we are under obligation to the packing house trust for our bacon, to the commission house trust for our cold storage eggs (which we "trust" are O.K.), to the bread merger for our toast, and to other trusts for our sugar, coffee and preserves. What need to prolong the list? From the time when he toddles out of his trust-made cradle to the day when the poor old ultimate consumer finds his long rest in a trust-made coffin beneath a trust-quarried tombstone, life appears to be one ceaseless round of transactions for the payment of tribute to the thousand and one trusts which lord it over the unprotected people.

Those Promised "Economies"

"But look at the economy effected by combining," exclaim the sponsors for the trusts. This is the strong plea, the winning card they continually flash before the public. "We shall be able to sell products more cheaply," they say, "after we have cut out this needless duplication of executives, of sales departments, of travellers, etc. Then by buying in threefold or tenfold quantities (according to the size of the merger), by turning out and selling our products in the same increased ratio we can effect further savings. Again, by acquiring additional and well-situated distributing plants, material reductions will be made in our freight bills."

So runs the familiar argument of the combine. It certainly sounds well—particularly their promise to struggling taxpayers that the contemplated trust will no sooner get nicely going than down will come the cost of their special commodity. Lured by such hopes, how often have the people "bitten!" Perhaps it is an exclusive franchise they hand over. Perhaps they swell the capital of the corporation by investing their savings (paltry when considered singly, but a large sum when taken altogether) in the common stock of the new merger. They soon find out in the natural course of events that the big men of the combine have taken good care that none of the profits slip past them, as their own "preferred stock," bonuses and melons are first-class absorbers of all the cash in sight. Why the combine lays such stress upon reducing expenses at once becomes clear. What is saved does not go toward lowering the cost to the consumer, but swells the profits of the capitalists. Occasionally a trust does not raise prices. Is philanthropy at the root of this glad surprise for the public? Not a bit of it. Hard-headed business reasons always dictate such a policy. For example, the price of cement has been on the down grade for the past decade and even since the formation of the cement merger in 1910. A glance at the United States prices will supply the reason. Over there the cost of a 350 lb. barrel has been steadily lowered until now it stands at about 80 cents. In Canada the same barrel, as turned out by the cement merger, costs $1.27. Why the difference? The duty, of course, which comes to 51¾ cents a barrel. The Canadian combine is careful to fix the price just where it would not pay to import American cement, and yet the fullest possible advantage is taken of the "protective" duty. It might be worth while in passing to note the curious spectacle presented by Senator W. C. Edwards, perhaps the most voluble Free Trader in Canada, being also the president of what is certainly the most highly protected industry in the Dominion, and taking the fullest advantage, moreover, of every cent of that exorbitant tariff exaction.

The Promoter's Midas Touch

How far has the merger tendency gone in Canada? The past three years were record-breakers in this regard. Between January, 1909, and December, 1911, forty-one industrial amalgamations were effeced, absorbing 196 companies. Of these companies 190 had a total capital of $124,766,580. After they had been shaken down into combines, however, we find the capital of 39 of the 41 mergers swollen to the huge total of $334,938,266. That is to say, after the hand of the trust-promoter passes over $1, it instantly becomes $2.70. He has the Midas touch. But even these figures do not tell the full extent of the "watered stock" in most of the combines. Just before the combination is completed, the individual concerns are generally rated at extravagantly high valuations. The eleven comparatively small companies which united to form the Canada Cement Company are credited with a capitalization of $17,750,000, including bonds. Yet this self-assessment, which to say the least did not disparage their own worth, immediately blossomed out into a capitalization of $38,000,000.

Dangers of the Money Power

The evils of over-capitalization are too plain to be denied. Even the men who profit most from this practice will admit the injustice—except in their own combine. From the people and from them alone must the money be forever wrung to pay dividends on stock whose value lay chiefly in the rosy imagination of the trust-promoter. Just as any nourishment in the soup of the traditional boarding-house is thinned out to the vanishing point by the copious addition of water, so in floating many a merger what little real capital is invested finds itself lost in the rivers of watered stock. To add insult to injury this worthless stock is often unloaded on the unsuspecting public, hoodwinked by a glowing prospectus to expect large and immediate returns. But the danger of the trust is not confined to its deceiving and defrauding of the people. It tends to enslave them. The money power becomes concentrated in fewer and fewer hands. And these all-powerful money barons use every means, legitimate and illegitimate, legal and illegal, moral and immoral, to perpetuate their privileges and still further tighten their strangle-hold upon the nation. It is this power wielded by the trusts which accounts for so much legislation contrary to the interests of the people. And it is just this power which the people must somehow wrench from the trusts if our democratic countries are to be rescued from the grasp of the Special Interests.

TRY THIS ON YOUR FRIENDS

Jones and Smith met in the street yesterday and got talking.

"I was on the top of a tram the other day," said Jones, "puffing quietly at my cigar, when suddenly a lady sitting near me snatched it from my mouth and threw it away.

"'You've no right to smoke on a tramcar,' she cried. 'It's not allowed.'"

"Well, what did you do?" inquired Smith.

"I was rather taken aback, but in a minute I grasped the poodle she was carrying in her lap and dropped it overboard.

"'You've no right to have dogs on a tramcar,' I said, 'it's not allowed.'

"She glared and then we both looked over into the road, and there was the poodle running along by the side of the tram; and what do you think it had in its mouth?"

"The cigar?"

"No," said Jones. "Its tongue."