THE CONTROL OF TRUSTS

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PREFACE

This small work has incorporated into itself one that is older and still smaller. It is a joint production, in that one of its two authors has contributed the earlier work, the other has contributed most of the new material, and both have participated in the revisions demanded by rapid and recent changes in the business world.

The purpose of the work is entirely constructive, since it advocates a positive policy for controlling trusts. It aims to show that certain measures having this end in view are in harmony with modern tendencies and are well within the power of the legislator and the executive official, and that they give promise of ensuring what the public needs, namely protection against abnormal prices, continued increase in production and improvement in the conditions of labor.

Most of the measures proposed for the regulation of trusts fall into one or the other of two classes, of which the first consists of those which would merely destroy monopoly and make competition free, while the other includes measures that would relinquish such attempts, surrender to the principle of monopoly and protect the public by regulating prices through official bodies. This plan means trying to do in industry what we have partially succeeded in doing in transportation.

This book advocates a third course; namely, regulating competition. It would cut off entirely an abnormal type of it by forbidding and repressing the cut-throat operations by which the trusts often crush their rivals. Further, it would remove the special inducement to such measures and thus create a condition in which competition of a tolerant kind would rule business life. It gives reasons for believing that this result can be reached with no disruption of the business system.

When the first edition of this work was issued, so called *potential* competition had shown its power to control prices. Whenever mills in a combination had raised their prices greatly, they had caused new mills to be built, and the fear of further cases of this kind was holding prices within bounds. The limits thus established were not rigid, but elastic, and the companies soon discovered their own power to crush audacious rivals when they appeared. In a number of ways, which are now well known and are discussed in this volume, they could club a competitor whenever he should show himself in an active way. They so often did this that their evident power to do it had its effect in advance, and deterred competitors from appearing. The potentiality of unfair attacks by the trust tended to destroy the potentiality of competition. Under these conditions it was and is clearly necessary to disarm the trusts—to deprive them of the special weapons with which they deal their unfair blows. It is necessary to repress the specific practices referred to and so to enable every competitor who, by reason of productive efficiency, has a right to stay in the field, to retain his place and render his service to the public.

Twenty years ago even this enforcing of rules of the ring seemed radical to many persons. It now seems to be more nearly a matter of course and an obvious beginning of a consistent policy in dealing with great combinations. It is an encouraging fact that the adopting and amplifying of this policy is quite generally demanded and that various laws for this purpose have been proposed. It is desirable to test provisions from various bills that have the attention of the country by comparison with economic principles and recent business developments. As between a few leading plans, based on continued competition, the differences are secondary; while between all plans of this class and those based on the surrender of competition and the acceptance of monopoly, the difference is world-wide. The practical effects of the two classes of plans would differ as widely as an industrial system instinct with the principle of progress would differ from one in which that vital force should be stifled. The plan here advocated has more in view than merely meeting an exigency and correcting overcharges for goods produced by monopolistic companies. It aims primarily at securing a continual increase in the power of production, a perpetual enlargement of the social income, and a capacity to pay constantly rising wages without trenching on the legitimate gains of capital. It aims to make a broad demarcation between capital that is honest and independent and that which is monopolistic, though in the former class it includes much productive wealth held by great corporations. In the effort to repress monopoly the whole of the fund of honest capital is