

THE ELIMINATION OF COMPETITION.

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A profound and revolutionary change has come into the industrial world. So gradual and natural has been its approach that it seems more like a process of evolution, which in fact it is, than the result of any conscious effort. Competition, that word of might in the old political economy, is a thing of the past. "Competition was the life of trade." Competition was this and that, we were wont to be told by the old theory. For our present purpose, however, the important, the vital, characteristic of competition is that it was of old the great and only price fixer: it made market price. Buyers and sellers met and competed with each other; the buyer, if he found few sellers would increase his bid, just as the seller with few buyers would shade his price to bring about a sale. So for centuries it has been between merchants; it has functioned in the industrial world, a natural law, an economic factor, usually fair, impartial, impersonal, regulating prices, not only between individuals and smaller communities, but between the nations of the world.

But now a new era, new industrial methods, have come into play, exhibiting characteristics that are disconcerting to minds accustomed to the old political economy. Competition, the great price-fixer of the ancient world, is dead and in the new world there has appeared in its place, combination. Men are no longer individual buyers and sellers, but combinations of nearly all sellers and of some buyers: for the new methods have not reached the world of individual buyers to anything like the same extent.

One form of combination of buyers will naturally occur to the reader, the only one, so far as I know, that has had very much practical effect; I mean the cooperative store; how far this might go to meet the combination of sellers, it would be rash to venture an opinion from the data at hand. It would be still more rash to predict what the possibilities of its further development might be,

or whether it might be more potent than regulation which seems to have very much outstrippèd its rival in practical application to the evils of combination of sellers and their monopolistic price-fixing.

Theoretically speaking, it might seem that the natural remedy for the evil of combinations in selling would be combinations in buying, but the practical difficulty of combining isolated buyers, with no common bond but the desire to buy cheaply, would seem almost insuperable. If it could be done it would bring back competition on equal terms between buyers and sellers and so restore the economic balance.

Until, however, this or some other method be found the buyer must face alone the almost universal combination of sellers. Market price, the result of competition, no longer exists, but combination monopoly price, the result of monopolistic argeements between sellers. This great change has not come suddenly; no industrial or economic change ever does, particularly one so apparently well founded and with such a promise of permanency. The economic observer may trace its beginning possibly in the necessity for larger capital developed by the growth of modern instruments of production; first the railroads, later the great steamship, later still the vast plants of the iron and steel companies with their ore beds, their coal mines, lime quarries, their cargo boats and railroads making a single gigantic enterprise. All these contained in them, latent and obscurely defined, the seeds of the new industrial method. Any industry that requires large aggregations of capital tends to kill competition. It reduces its competitors to the few who possess the requisite amounts of capital, it excludes smaller capitalists and tends at the same time to draw together the larger excluding capitalists. These latter from a common interest work more and more in harmony and for the benefit of themselves as against the rest of the trading community: for however at first, as has been seen in the past, great industries may compete, fight against each other for supremacy in their respective trades, eventually and inevitably it comes about that their intelligent heads perceive the great advantage of combining against the community to raise prices and make large profits, rather than by cutting prices to ruin each other for the benefit of the outsiders. Thus it comes about that competition is abandoned and for it is substituted combination. At first forced upon the industrial world by these necessities of railroads, steamships, and other large enterprises, these combinations of great capital showed such advantage

and conveniences, not only to the producer, but also to the public at large, that gradually by insensible steps they grew and multiplied.

Then came the department store, at first dealing chiefly in dry goods, but adding each year something more until now we have magnificent buildings presenting for sale every possible kind of merchandise, furniture, toys, trunks, carpets, boats, jewelry, pictures and photographs, food; there is nothing omitted that is known to the wants of men. They have restaurants, hospitals, organs, concert recitals, to attract and please their customers.

Then came the mail-order house, as they are called, where from a distance of a thousand miles or more you may purchase a paper of pins or an automobile. The trade of these is stupendous; a revenue of over a quarter of a billion dollars is reported last year by one of them, a sum equivalent to the income of a small state.

Even the small corner grocery store is done to death by the chain stores of the great corporations which buy on a huge scale and sell through a series of small stores established at convenient places in the great cities.

Fruit and vegetable dealers are not exempt; daily we read of car-loads of potatoes being thrown away or suffered to decay unsold rather than break the market; of tomatoes which, by agreement of dealers, cannot be sold below a fixed price. All of which proves the existence of combinations to the extinction of competition; for no sane dealer would deliberately suffer the destruction of his wares, which were saleable at some price, however low, save in the expectation of re-couping himself by the high price of the remaining stock to be realized by combination with others.

Here is not the place to emphasize the wicked extravagance, the actual loss of wealth to the whole community which such combinations entail when they destroy food for the purpose of keeping up prices. Such acts are so contrary to public policy, to the interests of the state considered as a community, that they should be by law made crimes and punished accordingly. To destroy food for such a purpose is in its degree as much an offense against the interests of the state as to destroy unborn offspring. Here plainly the path of regulation is clear and unmistakable; all such destruction of food should be forbidden under penalty of a jail sentence.

It is not necessary to more than mention those very obvious combinations of iron and copper and oil companies whose names are household words throughout the land. United States Steel, Kennecott Copper, Standard Oil, these and all the rest that no man can number.

What is the economic meaning of all these industrial and commercial phenomena? Is not one of the meanings that competition, the good old price-fixer, is forever gone, consigned to the scrap heap with the stage coach, the hand loom and the horse plow?

With all these combinations there has come about a vast monopoly. There are no longer any independent sellers of goods competing with each other and so fixing a price for the consumer. That luckless individual is as much compelled to buy his goods from the department store, the chain grocery shop, the great oil company, as he is to step up to the ticket office of the New York Central R. R. company and buy his ticket for the price asked if he wishes to travel by that road. There is no independent seller for him to go to; unorganized and uncombined himself he is face to face with these combinations of sellers united as one man against him. He is at the mercy of huge aggregations of capital directed by expert intelligence and careful to extract the last penny the traffic will bear, and wonderfully united by a common, if unexpressed, understanding, the offspring of a common interest to get the most for what they sell.

And so with labor. In good old-fashioned economics just as the seller and buyer of goods met and competed, bargained and fixed prices, so the laborer and employer bargained for labor. Labor was in this sense a commodity, and indeed always will be while the present industrial organization continues. Much as it may savor of a gross brutal materialism, the fixing of its price is as much a matter of barter as any other object of commercial dealing. The laborer asks as much as he can get; the employer offers as little, and the ultimate price is fixed by an adjustment between buyer and seller just as in any other market.

But this old-time competition in the labor market has now in its turn been succeeded by combination; just as in goods, so in labor the sellers have come together, not quite so completely perhaps, but nevertheless with sufficient strength to seriously disturb in all fields of industry the old price-fixer, competition, and in some industries it has put the sellers of labor in quite as commanding a position as the seller of goods. In some industries, such as transportation, the seller of labor is in fact by reason of combination, a true dictator of prices. It is there not a matter of choice whether the needy purchaser will or will not buy, but of life and death, he must buy or perish.

Here is one of the keys to the problem of high prices, to the high cost of living—combination. The old price-fixer, competition, is gone forever, the principles of combination with its magic power

over prices has come upon all the industrial world as a revelation of the purse of Fortunatus. All classes may plunge their hands in and take out fistfuls of gold for themselves and from the uncombined and helpless buyers, the school teachers, the clergymen, the farmers, the doctors, all the general public who bear not that union label which distinguishes the combined from the uncombined. Thus in a new and different sense emerges the war of the classes against the masses. "Man competes with man like foe with foe"—to quote Burke's saying—no more, but like predatory bands of robbers combine to plunder all without the sacred circle of the particular union.

How long this process can go on, how far each class of railroad employee, garment maker, miners of coal and copper and steel and iron workers, can proceed, each class like Oliver asking for more, is the vital and all-absorbing question of to-day. "Commerce," to quote Burke again, "is very well able to find its own way out and its necessities are its best laws." But it is doubtful whether this rule will work in the present remarkable situation, a situation not confined to the United States, but prevailing to a greater or less extent over the entire world of industry.

Combinations of capital and labor have developed naturally in the course of industrial growth, made possible as well as necessary by the increasing complication of the world's work. It has brought with it great advantages which industry cannot afford to lose, greater economy of production, greater certainty in all its operations to the benefit of workman and employer. It gives the workman steady employment, a fixed wage; it gives the employer a volume of reliable labor that assures his out-put at regular times and in calculated amounts.

Combinations, therefore, of capital and of labor cannot and ought not to be prevented by law; their advantage to all concerned, to the public in cheapened production, to the capitalist in certainty of his enterprises, to the laborer in steadiness of employment and reasonableness and fairness of remuneration, are overwhelming.

But are such combinations to be allowed to go unchecked, exacting whatever they see fit and have the power by reason of their monopoly to take from the helpless consuming public? That has been the course very largely in the past, but especially just now, for, making all allowance for the scarcity of post war goods, much of the high prices is due to the monopoly created in everything by these combinations.

What then is to be done? Are capitalist and workman, en-

trenched in their respective class monopolies, to go on exploiting every other class and the unclassed, uncombined public? Such a course is impossible for any length of time. Marking up prices of particular things is for a short time a very pleasing amusement for the markers-up, but is soon countered by the marking up of the prices of other things and so reduces itself to a species of useless book-keeping for all save the unfortunate who have not the marking-up power.

It may be conceded that competition was not a perfect price-fixer, often it worked hardship, sometimes injustice. It was a natural law, one might say, but like all natural laws it was at times brutal and unscientific. But this question of a substitute for it, now that combination has destroyed it, is vital to the future of industrial society, and of no easy answer. Some aspects of it are more difficult than others; the labor combination looms large and threatening. Regulation of prices in some shape which seems the only possible answer may be all very well for the capitalist's goods or the returns from the railroad investor's property, but the fixing of the price of labor involves many and very difficult considerations. Yet it is not to be avoided. A vast industrial army of laborers combined to exact what wages it pleases cannot be permitted to take the whole community by the throat and to demand what it will under penalty if its demands are not granted, of stopping vital processes, such as transportation of food, supplying of heat, or water or light.

The very fact of combination of labor gives the right of regulation: combination which makes monopoly and for the express purpose of monopoly and the power that goes with it gives the corresponding right of control. It creates the necessity and justifies the exercise of control; for while it is not a monopoly in law; it is a monopoly in fact and like all monopolies it carries within its own breast its legal remedy—regulation. So it was that the United States Supreme Court in the so-called Granger cases of the last century attacked and solved the question. A monopoly of any public service, such as a ferry, for example, gives the legal right to regulate it, to prescribe how the monopoly shall be exercised, and it is no great or illogical step to apply the same reasoning to monopolies in fact such as these combinations constitute.

Regulation by some supervising authority therefore, difficult as it proves in practice, would seem to be the answer to these monopolies of combination. And already this answer has been put into practice in certain directions. The Inter-State Commerce

Commission with its ever-extending powers, has undertaken the regulation of the railroads. Its success thus far has not been encouraging, but nevertheless it is evident that along some such lines of proceeding as it has followed, the regulation of all monopolistic combinations of labor and capital must be worked out.

The combinations of labor are especially hard to deal with. How they are to be regulated without infringing the personal liberty of the workman is not easy to ascertain. All men in society, the workman like others, must submit to a restriction of liberty in many ways: this is universally recognized by sane thinkers, and when new situations arise, such as the great organized unions of workmen create in industry, some new restrictions must be made to meet the new situation. The general proposition is indisputable, that no class of men shall be allowed by force or otherwise to coerce the other classes of society. And the further proposition will probably be acknowledged, that the prevention of such coercion must be with as little infringement of individual liberty as possible.

It is here that the profound remark of Governor Coolidge has especial significance. He has said we do not make laws, we discover them, and in regulating combinations of labor we can by no theorizing find the true course of conduct, we must discover by experiment, by trying first one and then another way how best, while conserving as far as possible the liberty of the workman, we may safeguard the interest of the whole society.

One of the difficulties of the problem is that you cannot regulate any one thing by itself, the regulation of one thing necessitates the regulation of another, and so on. There is no stopping until you have regulated everything. Each service or article of commerce whose price is regulated involves the prices of other services and articles. Thus the regulation of the railroads, the fixing of wages and of freight rates upsets the price of countless other articles which in their turn call for regulation.

Thus again the attempt to regulate rent, for which a very general and insistent demand is made, involves not merely the price of houses, but the wages of carpenters, the cost of lumber and of all that goes to the making of houses, for while of course the rent of existing houses may be fixed even to the extent of confiscating them for the benefit of the tenants, yet nobody outside of the insane asylum would expect any houses to be built in the future unless the prospective rent is fixed with some regard to cost of building in wages and material so that a return satisfactory to the builder will be allowed on his capital. So if you regulate rents to a lower figure,

you are, of necessity, obliged to regulate wages and the price of lumber and of all else that goes to the making of a house. The Chicago City Councils are now asking a special session of the Illinois Legislature to empower the Councils to regulate rents, but even a city council will hardly attempt any such regulation except on these terms for it is not likely that they will go so far as to undertake to compel men to build houses to rent against their will. In the renting of houses, if anywhere, we might expect the old price-fixer competition to survive; if it no longer functions in what seems such a separate non-monopolistic transaction as the renting of a house by one man to another, it is hard to see how it is to function hereafter in anything.

It may be assumed, therefore, with a fair amount of certainty that regulation in some shape and of some sort is coming to rule the industrial world more and more completely. It is the only substitute for competition. How exactly the price of every service and every article of consumption is to be measured and with the nice adjustment of a merchant's scales by some authority, no one can foretell.

Perhaps something like the present rule of the Esch-Cummins act for the earnings of the railroads furnishes a guide.

A law fixing the permissible earnings of all capital and labor within certain limits and a penalty by way of taking any surplus might serve to stop profiteering in goods and unreasonable demands in wages. It would not be asking more of every man than is now asked of that devoted class of income tax payers, if it were required that every man should report his capital and gross earnings to the revenue officers, and where these earnings seemed to experts excessive, an investigation might be made and if then more was taken by capital or labor than the law permitted the excess would be paid as tax to the state.

The law would of course fix very liberal and elastic limits for the earnings permissible so that only the extravagant and plainly unreasonable exactions of capital or labor would be prohibited and penalized by loss of the surplus.