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### VIII. Monopoly, or Opportunity?

GENTLEMEN say, they have been saying for a long time, and, therefore, I assume that they believe, that trusts are inevitable. They don't say that big business is inevitable. They don't say merely that the elaboration of business upon a great-operative scale is characteristic of our time and has come about by the natural operation of modern civilization. We would admit that. But they say that the particular kind of combinations that are now controlling our economic development came into existence naturally and were inevitable; and that, therefore, we have to accept them as unavoidable and administer our development through them. They take the analogy of the railways. The railways were clearly inevitable if we were to have transportation, but railways after they are once built stay put. You can't transfer a railroad at convenience; and you can't shut up one part of it and work another part. It is in the nature of what economists, those tedious persons, call natural monopolies; simply because the whole circumstances of their use are so stiff that you can't alter them. Such are the analogies which these gentlemen choose when they discuss the modern trust.

I admit the popularity of the theory that the trusts have come about through the natural development of business conditions in the United States, and that it is a mistake to try to oppose the processes by which they have been built up, because those processes belong to the very nature of business in our time, and that therefore the only thing we can do, and the only thing we ought to attempt to do, is to accept them as inevitable arrangements and make the best out of it that we can by regulation.

I answer, nevertheless, that this attitude rests upon a confusion of thought. Big business is no doubt to a large extent necessary and natural. The development of business upon a great scale, upon a great scale of cooperation, is inevitable, and, let me add, is probably desirable. But that is a very different matter from the development of trusts, because the trusts have not grown. They have been artificially created; they have been put together, not by natural processes, but by the will, the deliberate planning will, of men who were more powerful than their neighbors in the business world, and who wished to make their power secure against competition.

The trusts do not belong to the period of infant industries. They are not the products of the time, that old laborious time, when the great continent we live on was undeveloped, the young nation struggling to find itself and get upon its feet amidst older and more experienced competitors. They belong to a very recent and very sophisticated age, when men knew what they wanted and knew how to get it by the favor of the government.

Did you ever look into the way a trust was made? It is very natural, in one sense, in the same sense in which human greed is natural. If I haven't efficiency enough to beat my rivals, then the thing I am inclined to do is to get together with my rivals and say: "Don't let's cut each other's throats; let's combine and determine prices for ourselves; determine the output, and thereby determine the prices: and dominate and control the market." That

is very natural. That has been done ever since freebooting was established. That has been done ever since power was used to establish control. The reason that the masters of combination have sought to shut out competition is that the basis of control under competition is brains and efficiency. I admit that any large corporation built up by the legitimate processes of business, by economy, by efficiency, is natural; and I am not afraid of it, no matter how big it grows. It can stay big only by doing its work more thoroughly than anybody else. And there is a point of fitness, as every business man in this country knows, though some of them will not admit it, where you pass the limit of efficiency and get into the region of clumsiness and unwieldiness. You can make your combine so extensive that you can't digest it into a single system; you can get so many parts that you can't assemble them as you would an effective piece of machinery. The point of efficiency is overstepped in the natural process of development oftentimes, and it has been overstepped many times in the artificial and deliberate formation of trusts.

A trust is formed in this way: a few gentlemen "promote" it-that is to say, they get it up, being given enormous fees for their kindness, which fees are loaded on to the undertaking in the form of securities of one kind or another. The argument of the promoters is, not that every one who comes into the combination can carry on his business more efficiently than he did before; the argument is: we will assign to you as your share in the pool twice, three times, four times, or five times what you could have sold your business for to an individual competitor who would have to run it on an economic and competitive basis. We can afford to buy it at such a figure because we are shutting out competition. We can afford to make the stock of the combination half a dozen times what it naturally would be and pay dividends on it, because there will be nobody to dispute the prices we shall fix.

Talk of that as sound business? Talk of that as inevitable? It is based upon nothing except power. It is not based upon efficiency. It is no wonder that the big trusts are not prospering in proportion to such competitors as they still have in such parts of their business as competitors have access to; they are prospering freely only in those fields to which competition has no access. Read the statistics of the Steel Trust, if you don't believe it. Read the statistics of any trust. They are constantly nervous about competition, and they are constantly buying up new competitors in order to narrow the field. The United States Steel Corporation is gaining in its supremacy in the American market only with regard to the cruder manufactures of iron and steel, but wherever, as in the field of more advanced manufactures of iron and steel, it has important competitors, its portion of the product is not increasing, but is decreasing, and its competitors, where they have a foothold, are often more efficient than it is.

Why? Why, with unlimited capital and innumerable mines and plants everywhere in the United States, can't they beat the other fellows in the market? Partly because they are carrying too much. Partly because they are unwieldy. Their organization is imperfect. They bought up inefficient plants along with efficient, and they have got to carry what they have paid for, even if they have to shut some of the plants up in order to make any interest on their investments; or, rather, not interest on their investments, because that is an incorrect word,- on their alleged capitalization. Here we have a lot of giants staggering along under an almost intolerable weight of artificial burdens, which they have put on their own backs,

and constantly looking about lest some little pygmy with a round stone in a sling may come out and stay them.

For my part, I want the pygmy to have a chance to come out. And I foresee a time when the pygmies will be so much more athletic, so much more astute, so much more active, than the giants, that it will be a case of Jack the giant-killer. Just let some of the youngsters I know have a chance and they'll give these gentlemen points. Lend them a little money. They can't get any now. See to it that when they have got a local market they can't be squeezed out of it. Give them a chance to capture that market and then see them capture another one and another one, until these men who are carrying an intolerable load of artificial securities find that they have got to get down to hard pan to keep their foothold at all. I am willing to let Jack come into the field with the giant, and if Jack has the brains that some Jacks that I know in America have, then Should like to see the giant get the better of him, with the load that he, the giant, has to carry,-the load of water. For I'll undertake to put a water-logged giant out of business any time, if you will give me a fair field and as much credit as I am entitled to, and let the law do what from time immemorial law has been expected to do,-see fair play.

As for watered stock, I know all the sophistical arguments, and they are many, for capitalizing earning capacity. It is a very attractive and interesting argument, and in some instances it is legitimately used. But there is a line you cross, above which you are not capitalizing your earning capacity, but capitalizing your control of the market, capitalizing the profits which you got by your control of the market, and didn't get by efficiency and economy. These things are not hidden even from the layman. These are not half-hidden from college men. The college men's days of innocence have passed, and their days of sophistication have come. They know what is going on, because we live in a talkative world, full of statistics, full of congressional inquiries, full of trials of persons who have attempted to live independently of the statutes of the United States; and so a great many things have come to light under oath, which we must believe upon the credibility of the witnesses who are, indeed, in many instances very eminent and respectable witnesses.

I take my stand absolutely, where every progressive ought to take his stand, on the proposition that private monopoly is indefensible and intolerable. And there I will fight my battle. And I know how to fight it. Everybody who has even read the newspapers knows the means by which these men built up their power and created these monopolies. Any decently equipped lawyer can suggest to you statutes by which the whole business can be stopped. What these gentlemen do not want is this: they do not want to be compelled to meet all comers on equal terms. I am perfectly willing that they should beat any competitor by fair means; but I know the foul means they have adopted, and I know that they can be stopped by law. If they think that coming into the market upon the basis of mere efficiency, upon the mere basis of knowing how to manufacture goods better than anybody else and to sell them cheaper than anybody else, they can carry the immense amount of water that they have put into their enterprises in order to buy up rivals, then they are perfectly welcome to try it. But there must be no squeezing out of the beginner, no crippling his credit; no discrimination against retailers who buy from a rival; no threats against concerns who sell supplies to a rival; no holding back of raw material from him; no

secret arrangements against him. All the fair competition you choose, but no unfair competition of any kind. And then when unfair competition is eliminated, let us see these gentlemen carry their tanks of water on their backs. All that I ask and all I shall fight for is that they shall come into the field against merit and brains everywhere. If they can beat other American brains, then they have got the best brains.

But if you want to know how far brains go, as things now are, suppose you try to match your better wares against these gentlemen, and see them undersell you before your market is any bigger than the locality and make it absolutely impossible for you to get a fast foothold. If you want to know how brains count, originate some invention which will improve the kind of machinery they are using, and then see if you can borrow enough money to manufacture it. You may be offered something for your patent by the corporation, -which will perhaps lock it up in a safe and go on using the old machinery, but you will not be allowed to manufacture. I know men who have tried it, and they could not get the money, because the great money lenders of this country are in the arrangement with the great manufacturers of this country, and they do not propose to see their control of the market interfered with by outsiders. And who are outsiders? Why, all the rest of the people of the United States are outsiders.

They are rapidly making us outsiders with respect even of the things that come from the bosom of the earth, and which belong to us in a peculiar sense. Certain monopolies in this country have gained almost complete control of the raw material, chiefly in the mines, out of which the great body of manufactures are carried on, and they now discriminate, when they will, in the sale of that raw material between those who are rivals of the monopoly and those who submit to the monopoly. We must soon come to the point where we shall say to the men who own these essentials of industry that they have got to part with these essentials by sale to all citizens of the United States with the same readiness and upon the same terms. Or else we shall tie up the resources of this country under private control in such fashion as will make our independent development absolutely impossible.

There is another injustice that monopoly engages in. The trust that deals in the cruder products which are to be transformed into the more elaborate manufactures often will not sell these crude products except upon the terms of monopoly, -that is to say, the people that deal with them must buy exclusively from them. And so again you have the lines of development tied up and the connections of development knotted and fastened so that you cannot wrench them apart.

Again, the manufacturing monopolies are so interlaced in their personal relationships with the great shipping interests of this country, and with the great railroads, that they can often largely determine the rates of shipment. The people of this country are being very subtly dealt with. You know, of course, that, unless our Commerce Commissions are absolutely sleepless, you can get rebates without calling them such at all. The most complicated study I know of is the classification of freight by the railway company. If I wanted to make a special rate on a special thing, all I should have to do is to put it in a special class in the freight classification, and the trick is done. And when you reflect that the twenty-four men who control the United States Steel Corporation, for example, are either presidents or

vice-presidents or directors in 55 per cent. of the railways of the United States, reckoning by the valuation of those railroads and the amount of their stock and bonds, you know just how close the whole thing is knitted together in our industrial system, and how great the temptation is. These twenty-four gentlemen administer that corporation as if it belonged to them. The amazing thing to me is that the people of the United States have not seen that the administration of a great business like that is not a private affair; it is a public affair.

I have been told by a great many men that the idea I have, that by restoring competition you can restore industrial freedom, is based upon a failure to observe the actual happenings of the last decades in this country; because, they say, it is just free competition that has made it possible for the big to crush the little.

I reply, it is not free competition that has done that; it is illicit competition. It is competition of the kind that the law ought to stop, and can stop,-this crushing of the little man.

You know, of course, how the little man is crushed by the trusts. He gets a local market. The big concerns come in and undersell him in his local market, and that is the only market he has; if he cannot make a profit there, he is killed. They can make a profit all through the rest of the Union, while they are underselling him in his locality, and recouping themselves by what they can earn elsewhere. Thus their competitors can be put out of business, one by one, wherever they dare to show a head. Inasmuch as they rise up only one by one, these big concerns can see to it that new competitors never come into the larger field. You have to begin somewhere. You can't begin in space. You can't begin in an airship. You have got to begin in some community. Your market has got to be your neighbors first and those who know you there. But unless you have unlimited capital (which of course you wouldn't have when you were beginning) or unlimited credit(which these gentlemen can see to it that you shan't get), they can kill you out in your local market any time they try, on the same basis exactly as that on which they beat organized labor; for they can sell at a loss in your market because they are selling at a profit everywhere else, and they can recoup the losses by which they beat you by the profits which they make in fields where they have beaten other fellows and put them out. If ever a competitor who by good luck has plenty of money does break into the wider market, then the trust has to buy him out, paying three or four times what the business is worth. Following such a purchase it has got to pay the interest on the price it has paid for the business, and it has got to tax the whole people of the United States, in order to pay the interest on what it borrowed to do that, or on the stocks and bonds it issued to do it with. Therefore the big trusts, the big combinations, are the most wasteful, the most uneconomical, and, after they pass a certain size, the most inefficient, way of conducting the industries of this country.

A notable example is the way in which MCarnegie was bought out of the steel business. Mr. Carnegie could build better mills and make better steel rails and make them cheaper than anybody else connected with what afterward became the United States Steel Corporation. They didn't dare leave him outside. He had so much more brains in finding out the best processes; he had so much more shrewdness in surrounding himself with the most successful assistants; he knew so well when a young man who came into his employ

was fit for promotion and was ripe to put at the head of some branch of his business and was sure to make good, that he could undersell every mother's son of them in the market for steel rails. And they bought him out at a price that amounted to three or four times,--I believe actually five times,-- the estimated value of his properties and of his business, because they couldn't beat him in competition. And then in what they charged afterward for their product,--the product of his mills included,--they made us pay the interest on the four or five times the difference.

That is the difference between a big business and a trust. A trust is an arrangement to get rid of competition, and a big business is a business that has survived competition by conquering in the field of intelligence and economy. A trust does not bring efficiency to the aid of business; it buys efficiency out of business. I am for big business, and I am against the trusts. Any man who can survive by his brains, any man who can put the others out of the business by making the thing cheaper to the consumer at the same time that he is increasing its intrinsic value and quality, I take off my hat to, and I say: "You are the man who can build up the United States, and I wish there were more of you."

There will not be more, unless we find a way to prevent monopoly. You know perfectly well that a trust business staggering under a capitalization many times too big is not a business that can afford to admit competitors into the field; because the minute an economical business, a business with its capital down to hard pan, with every ounce of its capital working, comes into the field against such an overloaded corporation, it will inevitably beat it and undersell it; therefore it is to the interest of these gentlemen that monopoly be maintained. They cannot rule the markets of the world in any way but by monopoly. It is not surprising to find them helping to found a new party with a fine program of benevolence, but also with a tolerant acceptance of monopoly.

There is another matter to which we must direct our attention whether we like or not. I do not take these things into my mouth because they please my palate; I do not talk about them because I want to attack anybody or upset anything; I talk about them because only by open speech about them among ourselves shall we learn what the facts are.

You will notice from a recent investigation that things like this take place: A certain bank invests in certain securities. It appears from evidence that the handling of these securities was very intimately connected with the maintenance of the price of a particular commodity. Nobody ought, and in normal circumstances nobody would, for a moment think of suspecting the managers of a great bank of making such an investment in order to help those who were conducting a particular business in the United States maintain the price of their commodity; but the circumstances are not normal. It is beginning to be believed that in the big business of this country nothing is disconnected from anything else. I do not mean in this particular instance to which I have referred, and I do not have in mind to draw any inference at all, for that would be unjust; but take any investment of an industrial character by a great bank. It is known that the directorate of that bank interlaces in personnel with ten, twenty, thirty, forty, fifty, sixty boards of directors of all sorts, of railroads which handle commodities, of great groups of manufacturers which manufacture commodities, and of great merchants who distribute commodities; and the result is that

every great bank is under suspicion with regard to the motive of its investments. It is at least considered possible that it is playing the game of somebody who has nothing to do with banking, but with whom some of its directors are connected and joined in interest. The ground of unrest and uneasiness, in short, on the part of the public at large, is the growing knowledge that many large undertakings are interlaced with one another, are indistinguishable from one another in personnel.

Therefore, when a small group of men approach Congress in order to induce the committee concerned to concur in certain legislation, nobody knows the ramifications of the interests which those men represent; there seems no frank and open action of public opinion in public counsel, but every man is suspected of representing some other man and it is not known where his connections begin or end.

I am one of those who have been so fortunately circumstanced that I have had the opportunity to study the way in which these things come about in complete disconnection from them, and I do not suspect that any man has deliberately planned the system. I am not so uninstructed and misinformed as to suppose that there is a deliberate and malevolent combination somewhere to dominate the government of the United States. I merely say that, by certain processes, now well known, and perhaps natural in themselves, there has come about an extraordinary and very sinister concentration in the control of business in the country.

However it has come about, it is more important still that the control of credit also has become dangerously centralized. It is the mere truth to say that the financial resources of the country are not at the command of those who do not submit to the direction and domination of small groups of capitalists who wish to keep the economic development of the country under their own eye and guidance. The great monopoly in this country is the monopoly of big credits. So long as that exists, our old variety and freedom and individual energy of development are out of the question. A great industrial nation is controlled by its system of credit. Our system of credit is privately concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men who, even if their action be honest and intended for the public interest, are necessarily concentrated upon the great undertakings in which their own money is involved and who necessarily, by very reason of their own limitations, chill and check and destroy genuine economic freedom. This is the greatest question of all, and to this statesmen must address themselves with an earnest determination to serve the long future and the true liberties of men.

This money trust, or, as it should be more properly called, this credit trust, of which Congress has begun an investigation, is no myth; it is no imaginary thing. It is not an ordinary trust like another. It doesn't do business every day. It does business only when there is occasion to do business. You can sometimes do something large when it isn't watching, but when it is watching, you can't do much. And I have seen men squeezed by it; I have seen men who, as they themselves expressed it, were put "out of business by Wall Street, because Wall Street Found them inconvenient and didn't want their competition.

Let me say again that I am not impugning the motives of the men in Wall Street. They may think that that is the best way to create prosperity for the country. When you have got the market in your hand, does honesty oblige you to turn the palm upside down and empty it? If you have got the market in your hand and believe that you understand the interest of the country better than anybody else, is it patriotic to let it go? I can imagine them using this argument to themselves.

The dominating danger in this land is not the existence of great individual combinations, - that is dangerous enough in all conscience,- but the combination of the combinations,-of the railways, the manufacturing enterprises, the great mining projects, the great enterprises for the development of the natural water-powers of the country, threaded together in the personnel of a series of boards of directors into a "community of interest" more formidable than any conceivable single combination that dare appear in the open.

The organization of business has become more centralized, vastly more centralized, than the political organization of the country itself. Corporations have come to cover greater areas than states; have come to live under a greater variety of laws than the citizen himself, have excelled states in their budgets and loomed bigger than whole commonwealths in their influence over the lives and fortunes of entire communities of men. Centralized business has built up vast structures of organization and equipment which top all states and seem to have no match or competitor except the federal government itself.

What we have got to do,-and it is a colossal task not to be undertaken with a light head or without judgment,-what we have got to do is to disentangle this colossal "community of interest." No matter how we may purpose dealing with a single combination in restraint of trade, you will agree with me in this, that no single, avowed, combination is big enough for the United States to be afraid of; but when all the combinations are combined and this final combination is not disclosed by any process of incorporation or law, but is merely an identity of personnel, or of interest, then there is something that even the government of the nation itself might come to fear,-something for the law to pull apart, and gently, but firmly and persistently, dissect.

You know that the chemist distinguishes between a chemical combination and an amalgam. A chemical combination has done something which I cannot scientifically describe, but its molecules have become intimate with one another and have practically united, whereas an amalgam has a mere physical union created by pressure from without. Now, you can destroy that mere physical contact without hurting the individual elements, and this community of interest is an amalgam; you can break it up without hurting any one of the single interests combined. Not that I am particularly delicate of some of the interests combined,-I am not under bonds to be unduly polite to them, | but I am interested in the business of the country, and believe its integrity depends upon this dissection. I do not believe any one group of men has vision enough or genius enough to determine what the development of opportunity and the accomplishment by achievement shall be in this country.

The facts of the situation amount to this: that a comparatively small number of men control the raw material of this country; that a comparatively small number of men control

the water-powers that can be made useful for the economical production of the energy to drive our machinery; that that same number of men largely control the railroads; that by agreements handed around among themselves they control prices, and that that same group of men control the larger credits of the country.

When we undertake the strategy which is going to be necessary to overcome and destroy this far-reaching system of monopoly, we are rescuing the business of this country, we are not injuring it; and when we separate the interests from each other and dismember these communities of connection, we have in mind a greater community of interest, a vaster community of interest, the community of interest that binds the virtues of all men together, that community of mankind which is broad and catholic enough to take under the sweep of its comprehension all sorts and conditions of men; that vision which sees that no society is renewed from the top but that every society is renewed from the bottom. Limit opportunity, restrict the field of origination, and you have cut out the heart and root of all prosperity.

The only thing that can ever make a free country is to keep a free and hopeful heart under every jacket in it. Honest American industry has always thrived, when it has thrived at all, on freedom; it has never thrived on monopoly. It is a great deal better to shift for yourselves than to be taken care of by a great combination of capital. I, for my part, do not want to be taken care of. I would rather starve a free man than be fed a mere thing at the caprice of those who are organizing American industry as they please to organize it. I know, and every man in his heart knows, that the only way to enrich America is to make it possible for any man who has the brains to get into the game. I am not jealous of the size of any business that has grown to that size. I am not jealous of any process of growth, no matter how huge the result, provided the result was indeed obtained by the processes of wholesome development, which are the processes of efficiency, of economy, of intelligence, and of invention.

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