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IMPERIALISM

BY

H. GAYLORD WILSHIRE

Pocket Library of Socialism

Monthly, 50c a Year *No. 29, July 15, 1901.*

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TRUSTS AND IMPERIALISM

A significant change in public opinion regarding the trust issue has occurred in the last few years. It is not so long ago when all our public men and newspapers had but one solution for the problem; "the trust must be destroyed," they said. To-day nobody in his right senses looks to the possibility of the destruction of trusts. They are now seen to be the inevitable result of our competitive economic system.

I do not propose to devote any great attention this evening to a demonstration of this inevitability of the trust, as I regard such a task as practically superfluous.

The point I care more to dwell upon is not the inevitability of the trust, which I hope will generally be agreed upon, but upon the impossibility, in an economic sense, of the permanence of the trust. Let me say at once, before I raise false hopes in the breasts of the few classical economists that may be here to-night, that I do not propose to show that trusts must fall to pieces of their own weight and that competition must be restored owing to the entrance of fresh capital into the field attempted to be monopolized by the trust. That would be an extremely silly position for me to take after having asserted the inevitability of the trust.

Neither am I attempting a glittering paradox by first asserting the inevitability of the trust and in the next breath its impossibility. Nor am I looking to the American people to rise in their might and drive the monster from their midst. The theory which I shall attempt to demonstrate to-night is that the natural and inevitable development of our industrial system is from competition under private ownership to monopoly under private ownership and from private monopoly to monopoly under public ownership. In claiming the impossibility of permanence under private monopoly, I speak simply from the standpoint of the political economist, and I leave out of consideration political and industrial changes that might or might not be brought about by the voluntary uprising of a long-suffering and indignant people.

Public ownership of industry might be brought about next month if the people had a sufficient desire to effect it. It is not to the "might be" I appeal this night, but to the "must be."

I shall endeavor to prove that public ownership, otherwise socialism, is not inevitable because it is desirable, but because it comes into the category of the inexorable necessity. My first task is to prove the necessity of the trust. My next is to prove the necessity of socialism.

The trust arose from the desire of the manufacturers to protect themselves from over-production and the consequent mad and suicidal struggle to dispose of their surplus stock.

Over-production arises because our productive capacity has been developed to the highest degree with labor-saving machinery operated by steam and electricity, while our consumptive capacity is crippled by the competitive wage system which limits the laborers, who constitute the bulk of our consumers, to the mere necessities of life. I will not tire you with long statistics exhibiting the enormous strides that have taken place in the productive capacity of men due to modern machinery, nor will I harrow your souls with the well-worn details of the narrow, sordid life of squalor lived by millions of our workers. It is patent that the day worker of to-day consumes but little if any more of the necessities of life than did his grandfather of fifty years ago.

Statistically it can be shown that the consumption of beef, flour, potatoes, coffee, tobacco, wool, etc., has varied little if any per capita in the last fifty years. However, every student of history knows in a general way that the ordinary laborers of this country fifty or even 100 years ago lived in a fair degree of comfort, were warmly clad in their homespun and comfortably housed in their log cabins. The best proof of their condition was their notoriously fine physical development, longevity and freedom from disease. The average family was from ten to fourteen, and neither the husband nor the wife felt the dread of an addition to the family that is so characteristic of to-day.

I do not think any fair-minded person can but admit that the modern day-laborer on his $1.50 per day, and very uncertain of that, living in a city, wearing shoddy clothes, breathing sewer gas, eating tuberculous beef, drinking typhoid baccilli in his milk and fusel oil in his whisky, and absorbing intellectual garbage from his yellow journal, has had any great augmentation in the pleasures of life through the inventions of the marvelous nineteenth century.

But it may be pertinently asked, "Where has disappeared this immense stream of products that is the result of the labor of the nation applied to modern machinery?"

Taking the product of labor as a whole it flows into two broad channels, one to the capitalists, the holders of wealth, and one to the workers. The ordinary workers must be given enough to keep them in efficient condition. Part of the workers, the aristocracy of labor, the trade-unionists and skilled labor generally, the proletarians who sell their brains rather than their hands, may get something above the mere necessities; but, broadly speaking, competition prevents any great augmentation of the share that goes to labor beyond that of the mere necessities. The whole of the remainder of the product of labor falls into the lap of the holders of wealth simply as a rent with no economic necessity on their part of doing anything in return for it.

Witness the enormous income of the Duchess of Marlborough and the Countess Castellane, representing abroad the Vanderbilt and Gould wealth, and discover if you can any return they may make to the American people. It is possible that somebody might strain his imagination into believing that the Astors, the Rockefellers and the Vanderbilts, who between them have an income something like $90,000,000 per year, perform some economic good in return, but I doubt if their most generous retainer would say that a hundred thousand a year each would be too little considering that our college professors average less than one thousand.

The stream of wealth flowing into the coffers of the rich is itself again divided into two streams, one of which goes to satisfy what they are pleased to regard as their necessities of existence, a wonderful conglomerate of beefsteaks, truffles, champagne, private cars and steam yachts, golf balls, picture galleries, food and clothing for their servants, etc., all classified under the general head of consumables and denominated by the general term of "spent" money.

The other stream of wealth flowing to the rich is what is termed "saved" money, and goes into the building of new machinery of production, new railroads, canals, iron furnaces, mills, etc. It is this last channel for the "saved" money that has been the great sluice-way for carrying off the surplus product of labor and so avoiding the constant menace of a plethora in our industrial system.

Notwithstanding that the prodigality of the American rich in unbounded luxury is the wonder of the ages, still the percentage of the very rich is so small (three one-hundredth of one per cent own $12,000,000,000) that all their efforts in lavish "spending" have had little effect economically compared with the wealth they have been forced to "save" owing to lack of ingenuity in discovering modes for "spending." There is a grim satisfaction in the reflection that the "saving" capacity of the nation is increased by this concentration of wealth. Thrift is no longer a difficult virtue when it requires more labor and pain to "spend" than it does to "save," and this is the predicament of the very rich Americans.

No man cares for two dinners, and when Mr. Rockefeller with his $40,000,000 a year income "spends" over a thousand per day on his household he finds it probably both pleasanter and easier to "save" the remainder than to lay awake nights devising bizarre ways to "spend" it. However, as the condition of affairs now is in the business world, it must be admitted that it is about as difficult for him to discover channels to invest his savings as it is to invent ways to "spend" it. I pity him. When he started in the business of refining oil some thirty years or more ago, his income was not so great that he was bothered with any difficulty in spending it, nor was the oil business in that state of plethora that there was no inducement for saving money and investing in it. His instinct of thrift was developed sufficiently to induce him to devote a certain part of his income to the latter end. Others in the business, his competitors, did the same. Finally the capacity for refining oil became greater than the market demanded. Each refiner was bound to get rid of his surplus product at any price, and the price of the surplus determined the price of the whole. Ruin stared them in the face. Over-production must be curtailed. The Standard Oil Trust was born.

All these facts have been brought out time and again in the many federal and state inquiries into the Standard Oil Trust. Rockefeller has proved his case in the congressional investigation of 1888 to the hilt that competition was ruining his business and that combination had become an absolute necessity. In fact there has been practically no questioning his testimony establishing these facts.

The politicians, however, thought it was a chance to make political capital and urged the destruction of the oil trust, not attempting in the least to controvert Rockefeller's statement of facts showing that combination was an absolute necessity. However, notwithstanding the efforts of the politicians to overturn the laws of nature and make water run up hill, Rockefeller persisted in combining and making money instead of following their plan of competing and losing money.

If capitalists in the oil business over-invested in that business causing over-production of oil refineries the only reason that a persistence in this course continued was because the opportunities for the investment of capital in other industries promised no better returns.

Capital like water seeks its own level. If the profits in one business are abnormal and if investment is open then fresh capital will flow into that business until the returns are reduced to the normal. Hence, as it may be inferred, if capital was investing in oil refineries notwithstanding the unpromising outlook, it was doing so because other businesses were in the same state of plethora and could offer no better inducements. That this was true is fully substantiated by the subsequent formation of trusts in other lines of manufacture to prevent the very same plethora of capital that had been affecting the oil business. The great industrial undertakings of the world are practically finished as far as present developments indicate.

As the late David A. Wells says in his "Recent Economic Changes:" "It would seem indeed as if the world during all the years since the inception of civilization has been working upon the line of equipment for industrial effort—inventing and perfecting tools and machinery, building workshops and factories, and devising instrumentalities for the easy communication of persons and thoughts; that this equipment having at last been made ready, the work of using it has, for the first time in our day and generation, fairly begun; and also that every community under prior or existing conditions of use and consumption, is becoming saturated, as it were, with its results."

There is no country in which the industrial machinery is not only so thoroughly completed, but actually over-completed, if I may coin a word, as in the United States. In normal conditions the machinery of production will produce more in three days than we can consume in a week. The present boom is recognized by all as destined to be of a most ephemeral nature, and existing conditions no criterion to judge by. It is true that while over-production makes manifest the desirability of combination, yet desirability does not necessarily mean practicability.

As a general law in economics it may be stated that the tendency to combination increases as the number of competitors decreases and the amount of capital for each competing plant increases. The tendency for both these conditions to manifest themselves in our industrial world is almost too well known to mention.

In 1880 there were 1,943 plants with a combined capital of $62,000,000 manufacturing agricultural implements; in 1890 there were but 910 plants, while the capital invested had more than doubled. The number of plants engaged in manufactures of leather decreased in the same period from 5,424 to 1,596, while the capital involved increased from 67 to 81 millions. When the statistics for 1900 are published, the trend to concentration will be still more clearly shown.

As has been delineated, the volume of production has been constantly rising owing to the development of modern machinery. There were three channels to carry off these products. The first channel carrying off the products destined to be consumed by the workers. This channel is in rock-bound banks that cannot enlarge owing to the competitive wage system preventing wages rising pro rata with increased efficiency. Wages are based upon cost of living and not upon efficiency of labor. The miner in the poor mine gets the same wages per day as the miner in the adjoining rich mine. The owner of the rich mine gets the advantage—not his laborer. The second channel conveys the goods destined to supply the wants and whims of the rich. This may increase somewhat, but owing to the small number of those rich enough to indulge in whims it can never be greatly enlarged, and at any rate it bears such a small relative proportion to the other channel that in no event can much hope of avoiding a flood of capital be looked for from this division. The rich will never be so ingenious as to spend enough to prevent over-production. The great safety overflow channel which has been continuously more and more widened and deepened to carry off the ever increasing flood of new capital is that division of the stream which carries the savings of the rich, and this is not only suddenly found to be incapable of further enlargement but actually seems to be in the process of being dammed up.

And why not? Man's material wants are limited, no matter how unlimited may be his spiritual ones. If one bridge is sufficient to carry me from New York to Brooklyn, then two will be a surplus. When one car line is built on Broadway, there is no room or necessity for more.

It is superfluous to point out that with wages determined by competition a workingman can create no effective demand for the satisfaction of his spiritual wants. He is lucky enough to get the necessities of life and is not fool enough to refuse a wage because it does not afford luxuries when he sees a man over his shoulder only too willing and anxious to accept it if he should refuse the offer.

Let us cast a broad sympathetic look over the surface of the United States, with the perplexed eye of a man with a million dollars or more looking for a promising and safe investment. Would he care to build another transcontinental railway? I think not. There are too many already.

Would he care to go into wheat-growing? Not if he is not in need of a guardian. One year it pays, then for the next three years there is either no crop on account of drouth, or there is low price owing to over-production, and the wheat grower has no chance of forming a trust. Too many farmers to combine: it is difficult enough to get ten men into a combination, but when you have 10,000 it is manifestly an impossibility.

Is there one single industry which he could find that is of a sufficiently large nature to warrant the investment of a large capital that is not manifestly overdone?

As for smaller industries there is a consensus of opinion in the business world that there are practically none promising good returns, and that the only ones that seem to be good are of a parasitic nature, which live like the mice in a granary, owing to their insignificance.

The channel which carries off the surplus wealth for the upbuilding of new industries we can imagine subdividing itself into a many-branched delta, each mouth furnishing the needed supply for each particular industry.

Before there was an over-supply of capital in any one industry the capitalists controlling that particular branch of the delta flowing to their industry were using all efforts to widen and deepen their particular channel. When finally they had received all the capital they wished, and they had formed their trust, the process was reversed. It was as if they had thrown a dam across the entrance of their delta and diverted their current back into the main stream to be distributed through the other mouths and into other industries.

With this metaphor before you it is easy to see that with the closing of successive mouths by successive trusts so much the greater becomes the supply for the other mouths and so much the sooner does it become imperative that the capitalists in other industries throw across their protective dam. As in a real river, so it is with our imaginary river. When a number of mouths are dammed up the river no longer can find a sufficient exit through the remaining mouths and it has a strong tendency to overflow the first dams put up which will require strengthening if they are to remain secure.

This is seen in our industrial world when a trust is submerged either by outside capital in general or the concentrated wealth of some other trust making an onslaught upon it.

Rockefeller with his enormous surplus income, which he is bound to "save" and cannot from the very nature of things find room to invest in his own confessedly overdone oil business, is constantly forced to seek out new industrial fields to conquer. He is the modern Alexander the Great of our industrial field, sighing for more worlds to conquer.

He has already taken possession of the electric light and gas plants of New York City. He is fast coming into control of the iron industry. He already owns the Lake Superior mines and the lake transportation service, and his only competitor in the manufacture of iron is Carnegie, who is only waiting to make good terms of surrender. He is about to control the copper mines of the United States. He is in control of the largest banks in New York. When Rockefeller gets control of an industry the temptations for outside capital to enlist against him are not all-powerful.

It seems to me that the proof that trusts are inevitable as a protection against the rising flood of capital is simply overwhelming both in theory and in fact.

It seems most palpable that every industry in this country must in time fall into the power of the trust. The trust with its enormous capital not only gives our domestic capitalists better opportunities for competition with foreigners in foreign neutral markets but it is itself, by damming up the old and natural domestic channels for investment, actually forcing itself to cut out new channels for its overflow.

The present immense flood of surplus capital in the United States is shown by the treasury balance showing the greatest stock of gold on hand ever known.

The banks are over-laden with money. Interest was never known to be at such a low rate. All this, too, with industries in a most healthy condition. What money will be worth when the "boom" is over is indeed a problem. For the first time in history American money is entering into the world's markets as a buyer of the bonds of foreign nations. When England had to borrow $50,000,000 to defray expenditures on account of the Boer war, America took half of the loan and would have taken it all if she had been allowed. The American gold now building railways in China would never be there if there were opportunities for home investment.

IMPERIALISM.

American capitalists are to-day more in need of foreign fields for investment of their capital than are European capitalists. Within the past two years the international financial market has reversed itself, and America is now the creditor instead of the debtor nation. This explains the sudden craze for "imperialism" and its advocacy by the Republican party, which is the political expression of the organized wealth of the country.

The "trusts" are a dam built to prevent the swamping of domestic industries by the rising flood of surplus capital.

The "trusts" however, do not prevent the rising of this flood.

"Imperialism" is a means of diverting to foreign shores this threatening deluge of domestic "savings."

"Trusts" and "imperialism" are both inevitable results of competition and clear indications of its culmination.

It is impossible to dam up all the mouths of the Mississippi, no matter how high the dams. A flowing river must find the ocean somehow, and if not by one channel then by another. The trusts are affording but a temporary breastwork for our captains of industry.

It will, however, be a flank movement rather than a frontal attack that will finally dislodge the captains from their fortress. The trust is not only a protection against undue competition but it is a labor saving device of the highest possible efficiency. Every argument in favor of combined production on a small scale is redoubled for production on the largest possible scale. The trust pursues its ends in a perfectly sane and scientific manner. No longer do the old planless methods of competition prevail. The trust being the only producer in the field produces exactly what the market needs. There is no more danger of either an over-production or a shortage of Standard oil in any city than there is of water, gas, or postage stamps. The trust no more needs canvassers and advertisements to sell its goods than does the government to advertise the postoffice. This increased industrial efficiency of the trust, together with its prevention of waste of capital in unnecessary duplication of machinery, hasten by so much the completion of the world's industrial outfit.

Capital will in vain seek profitable investment. Interest which is determined by the amount of gain received by the last amount borrowed will fall to zero and still money will remain unlent in the banker's hands. The last incentive for the poor man to be "thrifty" will perish. When the work is completed the workers engaged in producing new machinery of production will join the unemployed army in regiments. The trust will be as defenseless against this new phase in the industrial strife as was the armored knight of old against hunger and thirst. Political autocracy is possible but industrial autocracy, even if benevolent, is impossible. At present the trust is an invaluable and absolutely necessary weapon of defense for the capitalist in the industrial warfare, but when the enemy to be fought is not competing capital, but a complete cessation of demand for products owing to unemployed labor, it no longer protects the owner. On board ship in mid ocean if I have control of the water supply I can demand everything in exchange for the indispensable fluid, but when at last I have gathered everything into my possession then my monopoly is of no more value, as there is nothing left to be given. If I am wise I will then peaceably give up control of the water and let it be taken over by the crew collectively. I will be in great luck if they do not get the fever of co-operation and come back after me for the good things they have already given up for the first water they were forced to buy. It is thus in the United States. The monopolists have unwittingly run both themselves and the workers into an industrial cul de sac.

The capitalists may possibly see the danger first and make a turn that will give them a short and precarious lease of life in their present position. An eight-hour law, old age pensions, etc., all such reforms may extend the capitalist system.

The best thing of all however, to bolster up the capitalist system is a rattling good war between the great powers followed up by a prolonged civil war with great destruction of life and property.

If the principal industrial plants, railway shops and bridges, etc., of this country were destroyed the upbuilding of them would give labor unlimited employment and capital great scope for investment of savings. Witness the boom following our civil war, also the late Spanish war. The protective tariff is, so far as it goes, a supporter of the present industrial system inasmuch as it prevents labor and capital functioning at the point of greatest advantage.

A protective tariff gives better employment to labor exactly as inferior machinery requires more men to operate it than superior. A change in the money standard from gold to silver or paper would possibly also extend the time for a final collapse of the capitalistic system by reason of the industrial derangements it would cause. At best all the advocates of silver can hope for is a little longer life for the small capitalist who is inevitably doomed under our present competitive system no matter what money standard we may have. Personally I have never been able to see how, for instance, the California orange grower could get more profit through silver coinage when the railroad stands at hand to take it away if he does get it, simply by raising railway freight charges.

Then if Mr. Vanderbilt overlooked anything the poor farmer still would have a long gauntlet to run, with Mr. Rockefeller reaching for his surplus when he bought oil, Mr. Havemeyer for it when he buys sugar, etc., ad infinitum.

Some have suggested that free trade and equal freight rates obtained by government ownership of railroads would destroy trusts. The slightest investigation, however, would show that many trusts do not in the least depend upon favors from either railroads or government. The taking over of the railroads by the government would, however, have most far-reaching and revolutionary results. The immense labor-saving that would occur from a centralized management would of course serve but to accentuate the unemployed problem. This would be the least of its effects.

The capital invested in railroads is half the whole industrial capital of the United States. A transfer of ownership to the State would mean the payment to the present railway owners of an enormous sum of money that would naturally seek investment in other industries.

These industries are already about at the point of crystallizing into monopolies owing to plethora of capital and the advent of such an enormous flood of money set free by the expropriation of the railroad owners would not only complete the process but would cause the amalgamation of trusts into one huge trust, the coming trust of trusts.

Nationalization of the railways would be letting free such a flood of capital that the ark of state would be immediately floated into socialism.

During the last twelve months the enormous sum of $48,000,000 has been paid in dividends by the Standard Oil Trust. It may be noted that the investing public pay no attention to the intrinsic value of a stock, i. e., by what the property owned by a corporation cost. A share of stock may be nominally worth $100—as is Standard Oil stock, but as it pays 48 per cent dividends investors are willing to pay $540 for each $100 share. On the other hand there are some corporation stocks where each $100 share actually represents $100 invested, yet owing to various conditions dividends do not amount to 2 per cent a year, and hence the market value of the stock is not $50 per share. There is no remedy to be found for trusts by prevention of stock watering.

Rockefeller could just as well capitalize the Standard Oil Trust at $500,000,000 instead of the present $100,000,000, but he would derive no benefit, as it would simply mean that while he would have five times as many shares, yet each share would only have one-fifth of its former value. Shares do not sell upon a basis of the figures printed upon the stock certificates, as some of our Populist friends seem to think.

The dividends that are earned determine market value.

Neither would publicity of accounts avail.

Everybody knows that the Standard Oil Trust is making profits of over fifty millions dollars a year, and the Carnegie Iron & Steel Company nearly as much. Yet what good does the knowledge do the public?

Admitting that oil sells at double what it should, what are you going to do about it? Why has not Mr. Rockefeller as much right to the unearned increment derived from his monopoly of the oil business as has Mr. Astor to the unearned increment from his monopoly of land in New York City?

To resume: We are confronted by a fact and not a theory. The trust is here and here to stay, as long as our competitive system of industry endures.

Democracy has been ousted from industry by autocracy, and, as our political institutions are but a reflection of our industrial institutions, we should not pretend that anything but a sham democratic political state remains. When we see imperialism, which is simply political autocracy, expressing itself in the Philippines or in the bullpen for the Idaho miners, we should not stultify ourselves by striving to prevent a result without first attacking the cause.

The trade-unionists pure and simple, the anti-imperialists, the would-be destroyer of trusts are all right sentimentally, but are too limited in their vision. This nation has the mightiest task cut out before it that the world has ever set to perform. The ship of state is in the Niagara above the falls. It is not yet too late to sail down into the quiet waters of socialistic Ontario around the rapids and the terrible falls if we only have the patience and brains to cut our political Welland canal. Delay is most dangerous. That we shall finally get into our metaphorical Ontario is absolutely certain. The only question is shall we go over the falls or through the canal. Now is the time, if ever, when this country needs earnest men who know the truth and are not afraid to cry it from the housetops. Once let us get into the rapids and nothing can possibly save us from the terrors of a violent revolution. Democracy must be established in industry and re-established politically. There is really no first step to nationalization of industry, that time has passed. Half-way measures are impossible industrially and unsound politically. Revolution and not reform must be our battle cry. The main plank and in fact the only necessary plank in our political platform should be: We demand, The Nationalization of Industry.

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