WHY CANNOT TRUSTS CONTROL PRICES?

[From The New York Evening Post.]

To the Editor of The Evening Post:

Sir: There has been a surfeit of loose, ad captandum discussion of the trust question by the partisan political press and in partisan political speeches. Such discussions are, as a matter of course, a mixture of bad and good with the bad usually predominant. But in a publication of dignity and high standing, consideration of an economic question, such as that of trusts, should perhaps be left to those who are well grounded in economic science—who have the economic grasp and the scientific habit of thought and exact expression. It is, therefore, with a feeling of timidity that the writer ventures to point out some grave and misleading inaccuracies and other faults of an article by Mr. Roberts, director of the mint, entitled "Why Trusts Cannot Control Prices," which appeared in the September number of the Review of Reviews. The confident conclusion of the title betrays a temerity which presages its ripening into rashness in the body of the discussion.

The leading proposition of this discussion seems to be that "the impelling motive that has brought on this general movement of the industries into combinations has been the low returns recently earned by capital," and that "these, instead of signifying aggressive action by capital, represent capital on the defensive." Now, the proposition that the returns or earnings of capital are too low is an economic self-contradiction under the competitive system, where it must be presumed that they are governed and adjusted in an open market by the law of supply and demand; and therefore, as to such earnings, "whatever is is right." This principle is so obvious that the wayfarer has no need to go to an economic authority like Marshall to find it confirmed in the proposition that freedom is the test of the earnings to which capital is entitled. The assumption, therefore, that the earnings of capital are too low involves the assumption that either labor or the so-called "natural agents"—these two making up with capital the three agencies in production—has organized a trust which has arrested the free play or competition of capital and illegitimately forced its earnings down to an unnatural and therefore too low rate. We do not think that Mr. Roberts would press his proposition in view of its corollary. Under the competitive system, capital is equitably as well as economically worth just what it will bring in the free and open market, and it cannot complain or logically aver that such returns are too low.

Mr. Roberts' statement that "the earnings of capital have been continually declining, and this loss to capital has been distributed, commonly by means of lower prices, to the millions," also makes a bad economic mess. For "it is not tenable in theory that the increase of capital produces, or tends to produce, a general decline of money prices. Neither is it true that any general decline of prices as capital increased has manifested itself in fact." (See Laughlin's Mill, Bk. 3, ch. 11, and Bk. 4., ch. 3).

The above fallacies might doubtless be traced to a prevalent obliquity of economic vision which looks upon natural economic laws as inadequate or wrong and seeks to supersede them by man-made laws. They are close kin to that hoary contradictory contention that arrest of freedom of trade, by means of protective tariffs, is beneficent to the few protected producers by insuring them higher prices for products and beneficent to the many consumers because they have the compulsory privilege of paying the elect producers a reward in the shape of the aforesaid higher prices for carrying on their private business; as also to that other protectionist economic untruth that there is such a thing as economic overproduction which ought to be restrained by statute. Indeed, any teacher in the protectionist school might write, "Why Trusts Cannot Control Prices," "on compulsion."

Mr. Roberts' reasons for the organization of trusts thus appearing to be irrational, we are left to take the public into our confidence; and the public belief or opinion that trusts are formed with the primary object of monopolistic profit is so positive and widespread that it cannot be amiss to take "judicial notice" of it. And it should be noted that this advantage is perforce to be gained by a part of the producers and a part of the capital at the expense of the rest of the producers and of consumers in general.

The comprehensive way in which Mr. Roberts uses the word capital conveys the idea that all capital has made common cause by going into trusts, "on the defensive," against the wicked assault of free competition; whereas in fact only a minor part of capital has thus assumed the defensive against the right or the effort of the major part of capital and the major part of producers to participate in production on equal terms with all other capital and agents of production, the only test of such equality being free competition, which that part of capital combined in trusts evidently seeks to prevent. Mr. Roberts offers us no ground for hope that some part of the total capital or other agency of production may not go on indefinitely under the trust combination levying unjust tribute on all the rest. The trust is an economic disease with epidemic characteristics; like yellow jack or the Philippine insurrection, its field is wide. Like these other pests, also, it may seem to accommodate Mr. Roberts' theory by starving out in one spot and at the same time break out in a dozen other places.

Moreover, it is an economic, if not a moral, contradiction to say that the primary object of any class of business men is a public advantage or that it is not private gain. And in the case of trusts the discriminating private gain is secured by choking competition, as Mr. Roberts admits, through "some kind of an understanding about prices."

But does not Mr. Roberts demolish his theory that trusts operate as a check on themselves to prevent the raising of prices above the competitive point when he demands the suppression of the evil workings of the trust family through the arbitrary regulation of one of them, namely, the railway trust? Is not Mr. Roberts logically driven by his own statement of his railroad diagnosis to say to this Dr. Railway Trust, Physician heal thyself? The monopoly practice of this Dr. Railway Trust which Mr. Roberts says must be stopped summarily by legal device has flourished in spite of his self-acting check a quarter of a century, and never was in a more prosperous state of economic outlawry than now.

Competition no doubt tends to check the natural intent and effect of trusts to arbitrarily and inequitably raise prices; but when would it have any appreciable effect? Will it be next week or next year? No, nor within any reasonably definite time, so far as Mr. Roberts throws any light ahead on our industrial pathway. On one phase of the question only does he relieve our anxious suspense; as to railroad trusts we know that "our chains are forged." For the rest his theory

> "Keeps the word of promise to the ear,
> But breaks it to the hope."

Nevertheless, there is much valuable thought and suggestion in Mr. Roberts' paper, and it is to be regretted that it was not worked out along natural economic lines. Trusts no doubt work in a general way along such lines the better to meet competition through more complete division of labor and by prevention of waste in other ways.

It is this economic fact or condition which exposes the holy terror of the politicians anent the trust question as largely mere hue and cry, and discourages any hope that their proposed empirical suppressive laws would, if enacted, be of any more value than those already on the statute-books of most of the states. The politicians appear to strike in a Quixotic way at the outcroppings of the evil. The root is whatever interferes with freedom of production, whether protective tariffs, the so-called natural monopolies, or what not. If these obstructions to freedom of production cannot be removed under our present economic system,