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tendency

The most potent force at work in the business world of the U.S. at the beginning of the period which this book covers - roughly, the last two decades of the 19th century - was that of association or combination. The associations at the beginning of this period were of industrial undertakings, in the same line of business. Roughly, this association had shown itself in two classes of business - that based on franchises, such as railroads and telegraphs; and in manufacturing, like sugar, whiskey, oil. The leading combination in the former class was the Western Union Telegraph.

This company, formed in 1851 by the union of some 25 plants, had grown until in 1882, according to its own report, it had 374,294 miles of wires. (L-2) The only business of the W.U. was telegraphing. That is, it had no subsidiaries engaged in furnishing supplies. In the industrial trusts this was true to a large extent. The Standard Oil Co., which was the typical trust of the time, had started as a manufacturing and marketing concern, but in the Standard there had been from the first a tendency to supply outside needs. Thus it had begun early to make its own barrels, and by 1880 it was manufacturing to make its own barrels, and by 1880 it was manufacturing

It was also increasing the number of its manufactured products. While at the start they were confined to three (?) by 1880 they had risen to

Another extension of the primary field of manufacturing and marketing that had taken place in the Standard was transportation. It was not at this period a producer of oil, and only to a limited extent was it a transporter. It was obvious, however, that it was being forced into the transporting business by the energy of competitors. (Story of first seaboard pipe line. Story of Standard's gathering lines. Story of storage tanks.

The combination in whiskey, which at this time amounted to (See L) was combined with cattle feeding. That is, in this particular industry the waste had been from the start utilized by distillers of whiskey in feeding cattle. As the combinations increased the cattle feeding was engaged in on a larger and larger scale.

(Find out how this was handled and whether the cattle were owned by the distillers or were driven in and fattened at so much a head.) Investigation of 1888.

The success of the typical franchise trust, the Western Union, and ofthe industrial trust, the Standard Oil Company, had enormously impressed business, and wherever there was an industry suffering from over-production or from depression of any nature, therewas sure to be found a group of men in the business who looked about to see what could be done through consolidation. Thus the sugar business in the early 80s was in a depressed condition, due to maladjustment of refineries, etc. (L-p6), and in 1882 the 12 refineries located in New York and 5 in Boston made an experimental agreement for concerted action. (L-6)

This experiment proved successful and by '87, 19 of the refineries were brought into what was known as the Sugar Refineries Company, with a capitalization of $50,000,000.

The tendency to combination began to show itself in the iron and steel industries (Story of Gates & wire combination)

While the wire combination concerned itself only with wire companies, there had begun to show itself in the iron and steel business not only combinations of like plants but a tendency to extend into correlated activities. In Pittsburgh where consolidation was set to work in the franchise trust of the town in '82(?) Andrew Carnegie had begun to see the advantage of doing more than make pig iron, his original business. He was beginning to make steel; and as he found difficulty in always getting a steady supply of raw material necessary for his iron and steel, in ? he began to buy or lease for the Carnegie Company supplies of raw materials, and to aggregate with himself not only other mills in his own line of business but to ~~cast~~ an eye on related businesses like coke.

The working out of the principle of combination

The working out of the principle of combination varied in different industries, according to the intelligence, the sense of responsibility toward public as well as private interests and the varying quality of moral integrity in the leaders of these businesses. The Western Union Company, based as it was upon franchises, had obtained most of these by direct negotiations (Look up method) but it was accused, and the accusation was sustained, of having obtained by indirect or bribery methods certain franchises, as, for example

While it had purchased many of the companies with which it had combined, by direct negotiations, there was the accusation in certain cases that it had brought undue pressure to bear. (See investigations) On the whole, however, the W.U. had grown through necessity, and the public was beginning to regard it in many places as a natural monopoly. The leader of the WU aggregation was a Mr. Greene, and he serves as a type of one kind of leader which was beginning to appear in business, as advocates of the principle of combination.

In the industrial trusts the growth had been more complicated, bigger and attended by more methods of which the public was suspicious (Story of Standard Oil Co.) These methods were the direct reflection of the extraordinary man who had led in the making of the Standard Oil Co., J.D.R. - the employment of the railroad as a special privilege; pressure, direct and indirect on a competitor that he found in his way; great skill in persuading the strong to come into his organization; immense industry; singleness of purpose; secrecy, the power to keep his mouth shut; the power to inspire fear, possibly unconscious. By 1880 he was probably the most hated andfeared industrial leader in the US as well as almost universally acknowledged as the ablest.

Analyzing these combinations one finds that up to this time (1880) they all were broadly dependent upon some special privilege. The Western Union controlled public franchises, legally granted, but a privilege, nevertheless. These franchises were perpetual (?), they brought no return to the public; they were rights of way of enormous potential value which had been treated with little consideration of the future. If the public at this period had been properly jealous of thefranchises, it would be today reaping a good royalty from the Western Union. (I don't know whether this is so or not)

In the Standard Oil Co., the special privilege was in transportation (outline method)

Without this special privilege the Standard Oil could never have become the industrial force that it was ten years after its first organization in 1872.

The whiskey and sugar trusts were combinations which had come about through over-production, bad placement, and strong men coming into each of them, seeing that combination would probably solve their difficulties. (Searles and Spreckles in sugar)

(Who was the leader of the hiskey trust?)

Both of these combinations were seeking the help of privilege that is embodied in a protective tariff (Story of agitation for sugar protection)

As soon as the power in the principle of combination began to show itself in industry, the public had become suspicious, and about 1880 there was a strong popular movement against combinations, which had already begun to be called trusts, the idea being that any combination must mean eventually a monopoly,--the overthrow of the principle of competition, the shutting out of men from a particular business, and eventually injury to the public in the matter of prices, and possibly of quality.

[illegible]

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The complaint against combination as a menace of oppression found its strongest expression in two classes - the farmer and the working man, both of which classes at this same period were availing themselves of the same principle. That is, as the industrialist was combining to advance his interests, the farmer and the worker were also utilizing the same principle to advance their interests. Among the farmers a direct and practical exhibit of the principle of association had shown itself in cooperatives. (story of farmers cooperatives up to '90 (specialize Wisconsin farmers' organization)

The cooperatives were practically self-help movements, but the farmer found this method both slow and insufficient in face of certain difficulties which confronted him and which he attributed almost universally to the malignant intention of the railroads and to monopolies.

Farming had originally been in the US what might be called a self-contained industry. The farmer was largely his own manufacturer, his own transporter, his own marketer. He made what he needed, carried it upon his own teams of oxen or horses, to his nearest market, sold it from his wagon to the individual or to the market, brought back the few things that he did not raise. But this early day had long passed. The farmers of America by 1880 were concerned almost entirely with tilling the soil. That tilling had been stimulatedand made easy by many inventions - inventions which originally were the thought of the farmer himself - binder, harvesting machine, etc.

But now that binders, plows, etc., were in the hands of manufacturers the farmer found that the prices had been enormously increased (quote prices) and he also had begun to make a complaint - which he has never ceased to make - that the more plows made the poorer quality, the more he was having to buy. That is, things were not lasting as he had been trained to believe they should last.

He was no longer his own transporter (sketch railroads for farmers)

The farmer of Ill. of 1880 had a choice of markets which 50 years ago was entirely impossible to him. In 1850 he was limited to Chicago and St. Louis. His produce now went int a greater variety of directions by rail and canal. The cost was (See tables, L)

Experiences of farmer in 1850 with railroads.

To escape these difficulties the farmers now began to combine in farmers' organizations. (See L)

An analysis of the situation of the various alliances shows a combination of idealism, reliance on self-help, suspicion and faith in political remedies, depending very largely on the intellectual and moral character of their leaders. (See L)

Notable that the usefulness and stability of the farmers' organizations depended largely on the steadiness of purpose, the grasp of their actual economic condition and their patience in handling. Most of the failures were due to the unwillingness of the farmer to stick to anything that cost sacrifice. He wanted quick help, and if it did not come quickly, withdrew support of his alliance.