

GOVERNMENT OWNERSHIP VS. PRIVATE MONOPOLY

PRIVATE MONOPOLY

Government ownership, while a very important question when we consider the number of problems involved is, like other big questions, simple enough when we understand the few fundamental principles upon which it is based. In the solution of every question, large or small, some fundamental and controlling principle is invoked, and the question cannot be settled until the controlling principle is understood.

When I was a young man I heard a sermon in which the minister used an illustration that often comes to my mind. He said, that, in taking a tree through a gate, everything depended on the way one went at it. If the trunk of the tree was taken through first, the branches would be pressed in against the trunk and the tree could be taken through. If, on the contrary, one should attempt to take the tree through the gate by taking hold of one of the limbs, the other limbs would catch on the gate posts and no progress could be made. It is a homely illustration but very forceful. Let us consider first the principle involved in government ownership, the trunk of the tree, so to speak; then the details—the limbs—will not give us trouble.

A private monopoly is indefensible and intolerable. That is the cornerstone upon which those build who favor government ownership, whether it is applied to municipal corporations, to corporations within a state, or to organizations nation-wide in operation and influence. The first question to be settled, therefore, is whether a private corporation is indefensible or a thing wise in itself. If a private monopoly is wise it will be difficult to justify any form of government ownership. If indefensible, it necessarily follows that it is intolerable, for an intelligent people, entrusted with the authority of government, will never permit an organization to exist long after it is known to be indefensible. The private monopoly of today is a corporate organization, and a corporation is purely a creature of law. It has no natural rights; it can only do what the law permits it to do. It has many advantages over the natural man, chief among which are a fixed period of life, limited liability and greater resources, but, having been created (or permitted) on the theory that it promotes the general welfare, it is subject to such governmental supervision and limitations as the public welfare may require.

The objections to private monopoly may, for the purpose of this discussion, be divided into three general classes: economic objections, political objections and objections that arise out of the nature of man.

First. A monopoly is objectionable from an economic standpoint because it suspends the incentives which insure progress toward perfection in method. When an industry has to meet competition it is compelled to be alert. It must use the best brains; it must employ the best methods; it must be quick to acquire inventions which will improve the quality or lower the price. Its aim must be to offer to the public the most perfect product at the lowest possible cost. Competition in business, therefore, spells progress.

The essence of monopoly is the elimination of competition, and, with the elimination of competition, the incentives which make for improvement disappear. It is no longer necessary to bid for the best quality; mediocre talent can manage a monopoly because, other avenues being closed, the public must come to the one source of supply. The next step is the capitalization of the distributing system; that is, the corporation, being no longer compelled to solicit business, can discharge its salesmen and issue watered stock, limited only by the amount upon which

the total salaries saved will pay an interest. Having tested the sweets of monopoly the appetite for profit grows and the price is raised to the highest point that "the traffic will bear." Then comes deterioration in quality. A poor article can be made to command as high a price as the better article did formerly, because there is no other place for the purchaser to go. This is the economic road that monopoly travels; it leads downward, not upward.

Second. But there are also political objections to the private monopoly. Hope is one of the greatest assets of the American business man. No matter how humble his beginning, the way is open to the top; he looks up and works upward. Competition is his mainstay; it gives him assurance that he can coin into money his intelligence, his industry and his honesty. He economizes in youth because it gives him promise of plenty in his old age. He has a chance to be independent—this is the dream of the ambitious toiler, and his ambition is an important element in estimating his value as a citizen. He is interested in his country because it means everything to him; he is one of the people in a people's government. He feels the responsibility, and every sacrifice that he makes to secure better laws and better administration has an appreciable value to him. The prestige gained by the American soldiers in the recent war is explained in part by the fact that we have put more of hope and of opportunity before the average American than were ever put before any other average man.

Monopoly shuts out the sky. Business is converted into a wheel of fortune where favorites draw the capital prizes, while meritorious men draw blanks. The citizen is soured by disappointment; the government that took from him his club refuses to protect him from hands uplifted for his injury. He sees his business destroyed by combinations which he is powerless to oppose—by corporations which his government created but fails to restrain. He cries for relief and hears only the echo of his voice, while those who fatten on monopoly bribe the lawmaker into silence and the public prosecutor into inaction.

If a monopoly is destructive from the standpoint of economics, it is deadly poison to free government. It is not going beyond the truth to say that private monopoly is inconsistent with popular government. The two cannot permanently abide together. The individual is not free, but a slave, when he must petition for his daily bread to one who may at will give it or withhold it. If space permitted, both the economic and the political arguments could be elaborated by illustrations drawn from every class which comes into contact with monopoly. The consumer is robbed because there is only one from whom he can buy; the producer of raw material is plundered because there is only one to whom he can sell; the laborer is oppressed because there is only one who needs his skill.

Third. To expect a monopoly to be conducted wisely or humanely betrays an ignorance of the selfishness that must be taken into consideration in calculating the actions of men. The most upright judge is not permitted to decide a case in which he is pecuniarily interested. Why allow a monopolist to decide without appeal between himself and his customers?

If we had a group of perfect persons, sent from heaven, from whom the heads of monopolies might be selected, they would soon become corrupted by the overwhelming temptations to which they are subjected. The love of money, which they have good authority for believing is the root of evil, would soon make imperfect those whose lives were without a flaw when they assumed control. The arbitrary power which a monopolist exercises soon makes an autocrat out of him.

Plutocracy is next of kin to autocracy. The man who uses a monopoly to amass a fortune

cannot long be ignorant of the injustice he is doing, and when he becomes conscious that his gains are illegitimate he distrusts a government that gives to his victims a chance to protect themselves from his greed. Even if a private monopoly could be shown to be an economic advantage, we could not afford to secure its advantages at the cost of individual independence and the surrender of popular government.

If the unrighteousness of a monopoly is admitted—if we accept as a truth that a private monopoly is indefensible and, therefore, intolerable, we are in position to consider intelligently the questions which involve the principle of monopoly.

Economists draw a line between what are termed NATURAL monopolies and other industries—between those where competition is impossible, or only possible at the cost of unnecessary duplication of plants and inconvenience to the public, and those between which competition can have free play and exercise a controlling influence. The city water plant is the most familiar illustration of a natural monopoly illustration. It would be costly folly to charter enough water plants to insure competitive rates. Even under the fairest competition the rates would necessarily be much higher than they need be if one plant supplied the whole city. But that does not mean that a PRIVATELY OWNED plant, having a monopoly, would, as a matter of fact, give the consumers the benefits that follow from the monopoly. As a rule (almost universal), privately owned plants do not; but, on the contrary, deal so unfairly with the public that to save themselves from higher rates, bad water and shameful political corruption, cities have been compelled to take over the plants. Nearly all the cities now own and operate water plants. The same irresistible logic of experience is annually increasing the number of municipally owned lighting plants and will ultimately bring the street car lines under municipal ownership. I conclude this article, which is introductory to the discussion of public ownership of telegraph lines, telephone and railroads, with the proposition that, whenever conditions, natural or artificial, are such as to make a monopoly wise, the fruits of the monopoly must be enjoyed by the public generally and not by a few individuals.

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TELEGRAPHS AND TELEPHONES

The easiest problem connected with the question of government ownership is the nationalization of the telegraph lines. The private ownership of telegraph lines presents all the evils of the private monopoly, while public ownership of these lines is open to less objection than is made to any other form of ownership by the federal government.

Postmaster-General Burleson, in his recent annual report, recommends that the telegraph systems of the country be declared to be a government monopoly, to be hereafter owned and operated by the federal government in connection with the postoffice department.

And why not? It is impossible to have competition in the matter of telegraph service without such a duplication of plants and such additional expense as to make the competitive system costly wherever it is attempted, and would undoubtedly prevent telegraph service in the smaller communities. As it is, the Western Union does not reach all of the communities reached by the postal service, and it would reach still less if it had to divide business with a competitor.

The telegraph lines are used for the spread of information and are in actual competition with the post office department. It was charged