

TIMBER OWNERSHIP IN THE UNITED STATES

The Origin of a Great Monopoly

The United States is famous among other more agreeable things for being a most prolific breeding ground for trusts and monopolies. Of course, the American people do not love the trusts—no one does—and quite a number of efforts were made by the Roosevelt and other Administrations to restrain them, if not to destroy them altogether. These endeavours have been singularly unsuccessful. Trusts “dissolved” by order of the Courts seem still to retain their pristine power, and the unfortunate consumer still sees the price of commodities soaring higher and higher. The policy of the “big stick” has, indeed, been quite ineffective, not necessarily because it did not mean well, but because no attempt was made to undermine the basis of the monopolies. Perhaps no one knew what that basis was, but the present Administration at least can no longer plead ignorance, for there has recently come from the Department of Commerce and Labour a most radical and thorough examination of a typical monopoly in the lumber industry.*

OWNERSHIP AND MONOPOLY OF TIMBER.

The basic facts as to the lumber industry are that “the remaining supply of standing timber in continental United States (excluding Alaska) is now about 2,800 billion (2,800,000,000,000) board feet,† of which about 2,200 billion is privately owned,” and that there is a “concentration of a dominating control of our standing timber in a comparatively few enormous holdings, steadily tending toward a central control of the lumber industry.” (p. 1.)

An area was investigated including practically 80 per cent. of the privately owned timber in the United States, and it was found that three companies held 13.6 per cent. of the timber in the area, 48 holders had 32.8 per cent., and 195 holders owned 48 per cent. of the timber. (p. 109.) But these figures give only a faint idea of the concentration of ownership for they take no account of the fact that the larger holdings include the best timber and that the directorates of the companies are interlocked. (p. 95.)

NOT DUE TO ECONOMY OF LARGE SCALE PRODUCTION.

Monopolies are often supposed to arise owing to the superior cheapness of large scale production, but not so in this case. The report proves conclusively that “the rapidly increasing concentration of control of the lumber industry is not due to any particular economy of large manufacturing plants.” (p. 3.) This is obviously the case owing to the great bulk and weight of logs, the large proportion of waste on them and the great cost of transport to the saw-mill.

BUT TO OWNERSHIP OF THE SOURCE OF SUPPLY.

Even if the saw-millers were able to combine they could not long retain much or any of their monopoly profit. “If the price of timber can be advanced by the manufacturer, it simply means [that he has to pay] a higher price for his timber.” (p. 39.) This brings us to the central feature of the monopoly. It is due to the ownership of the timber lands. “Whatever power over prices may arise from combinations in manufacture and distribution (as distinguished from timber owning), such power is insignificant and transitory compared to the control of the standing timber itself or a dominating part thereof.” (p. xix.) “Indeed, it is almost axiomatic that a real control of the raw material of any great industry is the most effective means of combination or monopoly.” (p. 4.)

* THE LUMBER INDUSTRY. Part I. Standing Timber. Government Printing Office, Washington, 1913.

† The unit “board foot” is a foot square and an inch thick. (p. 1.) A billion board feet would load a freight train 417 miles long. (p. 95.)

SPECULATIVE WITHHOLDING FROM USE.

The object, of course, of every monopoly is by controlling the supply to raise prices until the net profits of the monopoly reach a maximum. The manager of the National Lumber Manufacturers' Association recently said to lumbermen on the Pacific coast: “The day of cheap lumber is passing and soon will be gone, but the men who make the money will be those who own timber and can hold it until the supply in other parts of the country is gone. Then they can ask and get their own price.” (p. xxi.) At the annual meeting of this body in April, 1910, Mr. J. L. Thompson, President of the Yellow Pine Manufacturers' Association said:—

“Recently we had a little meeting over at Memphis. We had 70 billion feet in a room about the size of this room here. We all realised that there was only one evil. We took a vote on what was the cause of our troubles—‘over-production.’ Every solitary man agreed on that, and everybody was willing to suggest a remedy; everybody knew what the remedy was.” (p. 40.)

By “over-production” these gentlemen evidently meant that in spite of the enormous increase in the price of timber during the last fifty years they did not consider themselves to be reaping large enough profits. Their “remedy” no doubt is to restrict still more the production of lumber and to raise prices still higher. There is no evidence that the consumers felt themselves to be suffering from over-production, but the monopolist sees things from a different angle from the consumer.

AN ENORMOUS INCREASE IN VALUE.

Accompanying this concentration of ownership and partly as a result of it there has been an enormous increase in the value of timber. During the last forty years, “and chiefly in the latter half thereof, the value of standing timber has increased tenfold, twentyfold, and even fiftyfold, according to local conditions.” (p. xviii.) “The present commercial value of the privately-owned standing timber in the country not including the value of the land, is estimated (though in the nature of the case such an estimate must be very rough) as at least \$6,000,000,000.” (p. 1.)

PROSPECT OF INCREASED VALUE CAUSES VIRTUAL MONOPOLY.

This increased value is not solely due to the concentration of ownership. Values could not help rising with the enormous increase in the population of the United States, and the diminution of supply as more and more timber comes to be cut. Thus we have “an enormous increase in the value of this diminishing natural resource, with great profits to its owners. This value by the very nature of standing timber, the owner neither created nor substantially enhances.” (p. xvii.) Now, as Henry George long ago pointed out with regard to land in general, this prospect of increased value due to increase of population causes the owners of the natural resources of a country to hold them out of use, to hold the land as a means of speculation and not as an instrument of production, and thus there comes a speculative increase of value added on to that which increase of population alone would have caused.* To quote the Report:—

A monopoly price may be exacted for a commodity of limited supply if a comparatively few individuals and corporations own enough to control the market. If the supply of such a commodity is known to be decreasing rapidly, as is actually the case with timber, much of the effect of a commercial monopoly may be produced even though the owners be somewhat numerous and even though no close or formal agreement exist among them. The persons who deal in timber know that its price has risen fast, and they expect that this rise will continue. If much of the supply is in strong hands, able and willing to wait, each will value his timber

* See Book IV. of Henry George's PROGRESS AND POVERTY.

according to his opinion of the gain to be got by holding it. The strong hands will hold their timber off the market; and though there may be no actual commercial monopoly or combination, the course of prices may be much the same as if there were. As prices go up, the question becomes increasingly important whether timber owners, merely as such, are obtaining extraordinary profits without rendering any corresponding public service. (pp. 38-9.)

"A PROBLEM OF GREATER MAGNITUDE."

Not only is the monopoly dangerous from the point of view of timber ownership, but also from the point of view of the ownership of the land apart from the timber. This is a "problem of possibly even greater magnitude." "After all the timber has been cut from the great private holdings the value of the land alone will be enormous. Much of this cut-over land may be best adapted for new growth, in which case there may be a continuing concentration of timber ownership. A large part of the land, however, will be exceedingly valuable for agricultural purposes. Another important feature in connection with some of the land is the possibility of great wealth in minerals, oil and gas (although under the terms of the grants mineral lands, except iron and coal, were excluded). . . .

"The possibilities involved in such a concentration of land ownership irrespective of the timber, hardly require discussion. The danger of abuse of that power, in the absence of restrictive regulations, is obvious. This danger, moreover, is greatly increased because a few of the largest owners of this land also occupy dominating positions in rail-road transportation over great sections of the country." (pp. 28, 29.)

ORIGIN OF THE MONOPOLY.

We now come to consider the influences which have favoured the growth of the monopoly. In the first place the land policy of the Federal Government is to blame in permitting the gift or sale of the timber lands for a most insignificant return, instead of retaining the ownership and leasing the lands at a rent to be periodically revised. "Only 40 years ago at least three-fourths of the timber now standing was (it is estimated) publicly owned. Now about four-fifths of it is privately owned. The great bulk of it passed from Government to private hands through (a) enormous rail-road, canal, and wagon-road grants by the Federal Government; (b) direct Government sales in unlimited quantities at \$1.25 an acre; (c) certain public-land laws, great tracts being assembled in spite of legal requirements for small holdings. . . . What did the Government get for the timber? Of the southern pine sold for \$1.25 an acre, much is now worth \$60 an acre. Large amounts of Douglas fir in Western Washington and Oregon, which the Government gave away, or sold at \$2.50 an acre, now range from \$100 to \$200 an acre. . . . Practically none of the great forests in the public-land States was sold by the Government for more than \$2.50 an acre." (pp. xvii, xviii.)

THE NEW FOREST POLICY.

In recent years rather more attention has been paid to the rights of the people. "The national-forest policy inaugurated in the nineties and now in successful operation, marked a fundamental change in the ideas which had formerly prevailed as to the handling of public timber lands. The basic principle of this policy is the retention of the fee title to the land and the sale from time to time of the timber only, with a view to the wisest use of the supply and to its proper conservation. By this policy the Government is able to secure for the public the full market value of this timber at the time of cutting, and at the same time to retain the land itself for reforestation or for such other use or disposition as may later seem advisable." (p. xiv.)

THE REAL SOLUTION.

The new policy is a very good plan for securing the rights of the people to such timber and timber lands as have not been alienated, but the main difficulty is what to do about the lands which have fallen into the hands of the private monopolists. On that our Report offers no suggestion; we understand that it is to be dealt with in a further volume. It is plain that the new forest policy does not apply to lands which have been alienated, but a policy might be adopted which would apply equally well in all cases. The object to be kept in view is to prevent any speculation and holding up of timber for private profit, to obtain for the nation the value added to these natural resources by the growth of population and the activities of the community generally. These objects might quite well have been obtained by giving the land to whomsoever would take it provided that the land were made subject to such taxation as would equal its yearly value. The State might then obtain the full value of the land without the responsibility of developing it, and the private developer would have no incentive—and, indeed, would be quite powerless—to hold the land merely as a speculation. The advantage of this policy is that it can be applied at once both to the lands which have been alienated and to those which have not. It is the only effective plan of getting back for the people what the folly of former Governments has lost to them; and it is the only effective means of breaking up the monopoly, for as we have seen above there would still be a virtual monopoly in the absence of any agreement as to prices between the various owners because the prospect of increasing values induces each owner individually to keep his holding out of use until the time comes when he thinks he can realise most profitably. The weakness of anti-trust legislation has been the attempt to dissolve monopolies without disturbing those economic arrangements which give the trust its power. To abolish the trusts we must abolish special privileges of all kinds and especially those laws which exempt the speculator from taxation and charge the products of labour with the cost of government.

F. C. R. D.

WAR SAVING AND THE LAND

The Parliamentary War Savings Committee in addition to its other proposals is suggesting that the better utilisation of land is an important means of economising. It is suggested that the advice given by the Board of Agriculture for the foundation of village war food societies should be generally adopted.

The duty of the war food society would be to ascertain the existence of uncultivated areas, vacant building plots, and the like, to obtain possession of these and arrange for development, including the supply of manures and stock all on a co-operative basis.

Mr. H. E. Morgan, who is assisting the Committee, stated in an interview, published in the DAILY NEWS of July 27th, that "the object is not exactly to make a potato patch of every lawn, but to get the utmost from all available land that can possibly be obtained for food purposes."

A series of five articles on "The Land Question: For Town Dwellers" appeared in the LIMERICK LEADER during July and August. They are by Mr. John Cameron, formerly of Coatbridge, Scotland. To those who are acquainted with Mr. Cameron's writing we need hardly say that these articles are remarkably attractive, lucid, and convincing. Our heartiest congratulations to the author on his success in this new sphere of activity.