(Expressly for the Review.)

President Schwab's Testimony.

IT SUPPLIES VALUABLE MATERIAL FOR FREE TRADERS AND SINGLE TAXERS.

BY BYRON W. HOLT.*

Nothing like the full import, it seems to me, of the testimony of Mr. Charles M. Schwab before the Industrial Commission has as yet been grasped by Single Taxers. I heard his testimony and was astonished at both the recklessness and truthfulness of his statements. Not only did he "give away" the case for protection, but he gratuitously supplied excellent material for Single Taxers and Socialists. Throughout he showed a lack of tact, or of coaching, when dealing with the tariff question, which must have mortified his protectionist friends, some of whom are members of this strongly protectionist commission. Coming up as he has through the factory, instead of the college, he is a good business man but a poor economic reasoner, when he attempts to disguise the fallacies of protection.

EXPORT PRICES.

Thus, knowing only that iron and steel goods have, during his business experience, been sold at greatly reduced prices for export, and not realizing that these facts were not common knowledge and to be treated as "free-trade lies," he unhesitatingly said that "export prices are made at a very much lower rate than those for domestic consumption." Then he gratuitously stated a truth known to but comparatively few, when he added:

"I think you can safely say this, that where a large export business is done nearly all the people from whom supplies are bought for that purpose give you a good price for the materials that go into the exports; the railroads will carry them a little cheaper and so on down the line, but labor, within my knowledge at least, has never been asked to work for a lower price for export material, so that labor benefits more by it than almost any other factor in the transaction."

When the questions asked by his protectionist friends suggested that he had mildly shocked them he made some disingenuous attempts to square business conditions with protection theories. He asserted that the export business was conducted at a loss to enable works to "run full and steady," to "gain the foreign market," etc. "When we have as much as we can do at home," he said, "as we have to-day, we are not anxious to sell at low foreign prices, but when our mills are not running steadily we will take anything at any price, even if there is some loss in so doing, in order to keep running."

Regardless of the fact that exports of iron and steel goods have, during the last two busy years, increased more rapidly than ever before, and not denying that goods are sold for delivery six months or a year hence, at very low export prices, he continued to assert that the export business was conducted at a loss and was merely selling a surplus abroad mainly for the benefit of our highly paid labor.

In blissful ignorance, or brazen defiance, of facts he declared that "the large exportations have been in those lines in which labor has not played an important part, like rails, billets and things of that sort." He said "we are not exporting tin plate to-day. Why? Because we have not the advantages of manufacture. Our labor is too highly paid."

The facts are that the goods most largely exported by the billion-dollar trust of which he is the president are those containing the most labor. John W. Gates, manager of the Steel and Wire trust, before it became a part of the greater steel trust, testified before this same Industrial Commission that his com-

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pany supplied 60 per cent. of the wire nails consumed in England and that their products went to all parts of the world. It is also a fact that tin plate is being sold extensively (when made into cans, boxes, etc.), by Mr. Schwab's company, at prices about $1 per box below those charged to domestic consumers. It is also reported that agents abroad are soliciting orders and bidding on contracts.

Mr. Schwab's memory was very bad when he was trying to recall the exact prices at which steel rails were being exported. The best he could do was to state that the export prices would perhaps average about $23 per ton when the domestic price was $26 or $28. Apparently he had entirely forgotten that his own company—the Carnegie—had sold rails extensively for export for less than $21 just before it was absorbed by the great trust. He stated that the Carnegie company exported about 70 per cent. of all the steel exported, and he undoubtedly knew, what others acquainted with the facts assert, that during the last two years the export price of rails has averaged about $7 per ton less than the domestic price. He also undoubtedly knows that wire nails and barbed wire are sold for export at about half the prices charged at home, and that structural steel is sold for export at about two-thirds of the home price.

THE PROTECTIVE TARIFF.

Mr. Schwab showed a remarkable lack of interest in the tariff question and admitted that "we have reached a point where we do not need the tariff" on some lines of steel, but, he said, "you take the lines of steel manufactured in which labor forms the largest part of cost and you have got to have a protective tariff or reduce your labor." Evidently he had not read the newspapers and did not know that the manufacturers of all Europe are in terror before the "American Peril" and contemplate the "Yellow Peril" with comparative serenity. He had not observed that now, as always, the products of highly paid labor are generally the cheapest and that manufactured goods go from high to low wage countries.

THE FORGOTTEN CONSUMER.

Mr. Schwab apparently thought it necessary and proper to evince a great interest in the employees of the protected mills, but he took no interest in the consumers of this country, except to treat them as a necessary factor in distribution. It never occurred to him that they had any rights. He treated them as the legitimate prey of the protected interests, to be charged the highest possible prices regardless of the cost of production or of prices charged to foreigners. And why shouldn't he do so? They continue to vote for "Protection" and high prices, and it is presumed that they want what they get for their money-protected and rich manufacturers.

Asked about free iron ore he thought it would make no difference to any one, partly "for the reason that a drawback of duty is allowed whenever goods are exported manufactured from imported ores"—forgetting that American consumers might be interested in the matter. Asked about the Babcock bill to put certain iron and steel products, made by trusts, on the free list, he replied:

"I do not see that it would do anybody any good. It would not hurt anybody in those lines where we need no tariff, and in those lines where protection is necessary the only persons it would hurt would be the working people. . . . I should like to see it (the tariff) left alone. That is my personal opinion. I think it is unwise to disturb these things when there is no necessity for doing it. The tariff on rails and billets is not enough to hurt if you are not bringing them in. It may be inconsistent, but that is a point of view I am not prepared to discuss."

In concluding his testimony, he said:

"I firmly believe that the results of these great consolidations will be of benefit both to the investor and the laborer. Labor has already been greatly benefited, and I think that as the result of this development of industrial methods we can sell our products at fair prices and pay good wages. I can see nothing in the future but good results."

NATURE, EXTENT AND VALUE OF THE STEEL TRUST'S MONOPOLY.

But it is Mr. Schwab's evidence as to the nature, extent and value of the Steel Trust's monopoly that most directly concerns Single Taxers. On these points he was unusually frank—probably having in mind the enhancement of the corporation's securities in Wall street rather than the fear of supplying material to Single Taxers.

He said that the constituent companies, producing 75 per cent. of the product of the United States, had been able to dictate prices to the European manufacturers, and he assumed that the United States Steel Corporation would probably be able to do it hereafter. "I think," he said, "the export business will probably be greater in the future than in the past."

He repeatedly referred to "the advantages of a controlled ore supply," as the *Iron Age* put it.

"The great advantages," he said, "which the new company enjoy start with the ore, embracing the well-known ranges in the Northwest, from which all the constituent companies derived their supply, and 80 per cent. of which the United States Steel Corporation own or control."

He said that "we buy some coal, but as a broad principle we supply ourselves in all lines of our raw material."

Asked if he would, in his bookkeeping, "assume higher prices for ore when there is a strong demand for the finished product," he replied:

"As to ore this is fair: There is a known quantity of ores in the United States, and as far as the best geologists can determine this ore region is not likely to be extended. Now, I think it is perfectly fair for the United States Steel Corporation, in view of this fact and knowing that they own a given tonnage of ore which can be very closely estimated, to fix a liberal price upon that ore, because in years to come it is going to be very valuable, exceedingly valuable."

"Would you vary the price of ore with the demand for your finished products?"

"No, we would not. We might charge it in for the purpose of reducing our profits. We ought to fix the price that we think the ore is worth. That is the basis of it all. If we fix a price for ores it ought to be maintained under all conditions, and then, whether we take our profit on the ore and lose it on the steel, it would not make any difference. But the value of these plants has been much under estimated by people who cannot appreciate the limited quantity of raw material that is available in the United States, or the world for that matter, for the manufacture of steel. For example, England thought years ago that she had an unlimited supply of raw material, and her manufacturers went ahead using it. To-day the manufacture of steel in England is largely a question of procuring raw material. They did not place nearly a high enough estimate on the value of materials which they had in England, and now they are going to Spain and Sweden and even taking some ores from America. That ought to show the value of the ore deposit which we have in America; and I am constantly talking to our people about putting a sufficiently high valuation upon them, because at the rate they are now being used they will not last many years."

Again, when discussing the question of capitalization and whether or not the stocks of the great trust were not all water—the tangible assets being entirely covered by the $304,000,000 of bonds, he replied:

"That is entirely a question as to the valuation you put upon your raw material resources. If I were putting the raw materials into this capitalization it would not be big enough. I claim that our ore and coking coals, limestone, etc., are of much more value than people, as a rule, have ever given to them. For example, this company have over 500,000,000 tons of ore in sight in the Northwest. Now, it does not take many dollars per ton on that ore alone to equal the capitalization of these concerns. We own something like 60,000 acres of Connellsville coal. You could not buy it for $60,000 an acre, for there is no more Connellsville coal. If the consumption of steel increases in the future as it has in the past, I believe the Connellsville coal will be exhausted in thirty years. If the consumption of iron ore in the Northwest goes on as it has in the past it will not last very long, perhaps sixty years. Of course there are other coals, but it is a well-known fact that the Connellsville coking coal is an ideal coal for manufacturing purposes. Now, this coal field is very clearly defined, and every acre of it is highly prized, and it is owned by these constituent companies in toto. There may be developments of coal in other directions, but nothing like this coal; therefore I say the matter of capitalization depends very largely on the value you put on the raw material."

He said that "these companies * * * have created values by coming together, and the owning of these stocks by one corporation will enhance the value of them all." He said that while iron and coal mines were usually put in at the outset at cost, and were carried on their books at low valuations, yet "if they appreciated in value by reason of the fact that a limit could be placed upon the possible sources of supply they certainly would possess a higher value if considered at only subsequent periods."

CONCLUSION.

Such evidence from such a high source makes it clear that the present-day monopolizers are considering carefully the limits of the supply of raw materials, and are beginning more fully than ever before to appreciate the fact that too high a value cannot be placed upon the natural sources of production when well under control. It indicates a scramble, in the near future, to gather in the odds and ends of iron, copper, coal, borax, petroleum, etc., mines, in order to secure a more perfect control of the greater and more valuable mines now owned by great corporations. The great monopolizers are playing to get control of the sources of production and of the highways of exchange, realizing that the ownership of these, and these only, can constitute a well-developed monopoly with full power to dictate prices and wages.

Even now it is almost true that one set of men, headed by John D. Rockefeller, own our iron, coal, copper, petroleum and salt mines, as well as many of our most important railroads, street railways, gas and electric lighting plants, etc. The Rockefeller group is, in fact, the only one which occupies an impregnable position, and Rockefeller is about the only one whom it would be impossible to break, by any combination of unfriendly interests, while our "vested-rights" laws are undisturbed.

Sixty thousand acres of coal land worth $60,000 an acre give a value of $3,600,000. Does the United States Steel Corporation pay taxes on one-hundredth of this amount? Will not some Single Taxer tell us what these Connellsville lands are assessed at?

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In the carnival of recklessness which has recently been witnessed at Albany not only all the indirect tax, but ten million dollars more was spent, and the taxpayer soothed with the statement that the tax rate had been reduced forty-three one-hundredths of a mill. *Marvelous achievement!* Not satisfied with what they have accomplished they are now reaching out for the savings banks, for the life insurance policies, and for every source from which a dollar might be squeezed to be squandered among the favored elect.

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Talk about the inequalities of taxation. The days of the Roman Emperors were nothing as compared with what is going on in Ohio to-day.