# Next Steps 13245

## For Efficient Mobolization of the Nation's Resources

BY

## The Committee on the High Cost of Living

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The President has fittingly emphasized that the people of the United States should stop their waste. The greatest waste of which we are guilty is due to our policy of permitting a few people to possess and to exploit the natural resources and natural monopolies of the country. The holders of the natural resources charge all the traffic will bear. In many cases those who hold the natural resources have also secured control of the natural monopolies, such as the railroads, and also charge for the services rendered by the railroads what the traffic will bear—or what governmental regulatory bodies and the courts permit them to charge.

### LAND MONOPOLY AND OUR TAX SYSTEM

**Efficient mobilization of the nation's resources cannot be achieved while production is hampered by existing monopoly of land, and by taxes upon all products of labor.**

Many business interests are opposing the proposed tax on excess profits and on incomes, on the ground that they will hamper production and industry. The total levy suggested does not exceed for one year $850,000,000, and that in a year of extraordinary profits in many lines of industry.

Before the war, the total current cost of government —National, State and Local—was about $3,000,000,000. In 1914, only $800,000,000 was secured by taxing land values, incomes and inheritances. The remainder—$2,200,000,000—was secured by taxes on labor and the products of labor. The manufacturer can shift most of these taxes, so that the payment of them by the consumers of the country limits their productive capacity and thus restricts business. During the war, taxes on the workers will probably be increased by $1,500,000,000 to $2,500,000,000 annually.

The present selling price of urban and agricultural land in the United States is approximately $72,000,000,000; of this $42,000,000,000 is agricultural, including the high priced land in the vicinity of large cities which is classed as "farm land," and $30,000,000,000, urban. This is, of course, much less than its real value, as the taxes now paid on land values must be capitalized, and added to the present selling price to get the full value.

If the net ground rent be estimated at only 5%, the total net ground rent of the country, over and above taxes now paid on land values, amounts to $3,600,000,000. While a part of the acreage of both urban and agricultural land is not used productively, the most of the value of both these classes of land is used.

The present selling price of land is the net ground rent capitalized at about twenty times the net return. If a piece of land taxed at 2% now sells for $100,000, its selling price with an additional tax rate thereon of 4% would be, not $100,000, but $20,000. All business men pay a high price (rent) for land, notwithstanding that it is taxed lightly—the present rate varying from 1% on full value in some agricultural districts, to 2.3% in some cities.

No argument is needed to demonstrate that the value of land is created, not by the owners, but by the industry of the community and the growth of population. The annual increases in the selling price of urban and agricultural land in the United States is fully $2,000,000,000, that is, as much as the loan which the government is now trying to float. The annual carrying charges of these two billions of dollars on a five per cent net basis is $100,000,000.

**The tribute exacted from the producers of the country by our present system of taxation is at least $5,000,000,000 annually—an average of $50 per capita.**

This waste of heavy taxes on industry, and of high rent secured for the use of land, or high prices which land brings for agricultural, dwelling and business purposes, due to the existing tax system, can be remedied by either State or Federal taxation.

# The Results of Monopolization of Natural Resources in Land.

The waste of high, because monopoly, prices for coal, iron, copper and other ores, petroleum, gasolene, timber and water power, monopolized by a relatively few individuals can be stopped promptly only by Federal acquisition thereof.

## SUPPLY AND MONOPOLY OF NATURAL RESOURCES IN LAND

Aside from the high prices charged for natural resources, the waste in their production has been stupendous, and the supply of every natural resource in the land is so limited that at the present rate of exploitation most of them will be exhausted in a century to a century and a half.

### A.—COAL.

Campbell & Parker, in 1907, estimated the available and accessible coal of the United States at 1,922,979,000,000 tons. President Charles R. Van Hise in his book, "Conservation of Natural Resources," states that the waste in mining of coal "in the past has amounted to from 50 to 100 per cent for anthracite and to 50 per cent for bituminous coal of the amount taken out." President Van Hise quotes Mr. Gannett's estimate that if the rate of exploitation be the same in the future as to 1908 the available and accessible coal would be exhausted by the year 2027, and the entire coal supply would be exhausted about the year 2050, i. e., about one hundred and thirty years hence.

The amount of coal mined during the first decade of the twentieth century exceeded the total amount mined previously, while the amount produced in the six years, 1911 to 1916 inclusive, was over four-fifths of the amount produced in the decade 1901 to 1910.

The Thirteenth Census reports that the average value (price) "of anthracite coal at the mine increased from $1.77 in 1899 to $2.26 in 1909, that the average value of bituminous coal at the mine was in 1909 only $1.05, and that four-fifths of one per cent of the coal operators in 1909 produced nearly three-fifths of the value of the product.

The average value of anthracite coal at the mine was in 1915 $2.07, of bituminous, $1.13.

In 1916, 597,474,000 tons of coal were produced in the United States—an increase of 65,855,000 or 12.4% over the product for 1915. The price of coal at the mine has increased since 1915, due to increased cost of materials and labor.

The Federal Trade Commission states, May 4, 1917: "The wage increase agreed upon on April 26, 1917, will involve an increased cost of production of between 24 and 30 cents a ton (anthracite). The mine prices anounced for May reflect approximately the wage increases of last week."

Every manufacturer and every consumer of coal knows, however, that the prices charged for coal are several times the value at the mine.

The United States Geological Survey in a recent report says:

"The factor most seriously affecting the production and shipment of bituminous coal in the last half of the year (1916) was the lack of transportation facilities. A shortage of cars in the last quarter of 1915 retarded production somewhat, and the congested condition of the railroads reduced the shipments of coal in March, 1916, but until the last half of the year the condition was more or less local and had no general effect on prices. . . . The production and shipments of bituminous coal in November were about 80 to 85 per cent of the estimated requirements, and the inability of the railroads to transport this additional 5,000,000 to 8,000,000 tons needed by the country caused an actual shortage of fuel at the points of consumption, the result of which was an unprecedented rise in prices for spot coal and a panic among buyers."

The same department reports the main users of coal in the United States in 1915, as follows: Railroad fuel 28%; manufacture of beehive and by-product, coke and coal gas, 14.6%; domestic and small steam trade, 16%; industrial steam trade, 33%. It estimates the value of the output of 531,619,487 tons net at $686,691,186, an average of about $1.30 per ton.

The Thirteenth Census reports that the average royalty paid per net ton on leased land was, in 1909, 8c, ranging from 6c per ton in Indiana to 14c per ton in Arkansas. In Pennsylvania, the average royalty was 15c per ton for mines at which coke was made. The total royalty paid and reported was $6,882,568.

The total amount of bituminous coal produced on leased land was 82,912,956 tons net. At the lowest figure, the net profit secured by owning operators of coal mines is equal to the royalty paid, so that a rough estimate may be made of the minimum profit to owners of coal.

Royalties have increased materially and average around 12c, at present, for bituminous coal, of which 509,000,000 tons were produced in 1916. The minimum monopoly profits to owners of bituminous coal fields are, therefore, $61,080,000. The royalty on anthracite coal is about 18c a ton. The minimum profit to owners of anthracite coal fields which produced last year 88,312,000 tons was $15,896,000—a total of about $77,000,000 to owners of coal fields. In 1898, the average value of bituminous coal at the mine was 80c a net ton, which jumped to 87c in 1899, to $1.18 in 1913, and fell to $1.13 in 1915. The average value of anthracite coal at the mine rose from $1.41 in 1898 to $2.07 in 1915. The Federal Trade Commission, however, in its statement issued May 4, 1917, reports that the May (1917) price of anthracite coal at the mine is, approximately, Egg, $3.61; Stove, $3.84; Chestnut, $3.93—and the average price, $3.21—this price including the increased wages granted the operatives the preceding month.

We are safe in stating that the users of coal pay uncounted hundreds of millions a year more than the costs of production, transportation and delivery, and that a large share of this excess price goes to the owners of coal land as bonus for monopolization of this natural resource.

The Thirteenth Census report states of the anthracite industry: "The 11 coal mining concerns affiliated with railroads reported 84.4 per cent of the total coal land in 1909, 75.7 per cent of the total output of anthracite and 78.2 per cent of the total number of wage earners." . . .

It also states:

"Of the entire output of coal in 1909 nearly one-half was mined by operators known to be closely affiliated with railroads or industrial concerns. Producers connected with railroads mined more than one-fourth of the total coal production, and more than three-fourths of the total in the case of anthracite. The coal mining subsidiaries of iron and steel companies produce about one-tenth of the total tonnage, and those of other industrial concerns nearly as much. These figures show that the large consumers of coal have quite commonly taken measures to secure their own supplies of fuel."

## B.—IRON.

Dr. C. W. Hayes, in "Iron Ore of the United States," estimates the iron ore supply as available ores 4,788,150,000 long tons; low grade ores—those not now available under existing conditions, but which may becomes available in the future—approximately 75,116,070,000 long tons.

The amount of iron ore produced in the decade 1900 to 1909 was 135.2% more than the amount produced in the decade immediately preceding. President Van Hise, in his book cited above (published in 1912) says:

"If the rate of increase of exploitation of iron ores of the past three decades be continued, the high grade ores of the United States, those that are now available, would be exhausted in about three decades more;" and also, "Of the available ores (iron) of the country, it is certain that the United States Steel Corporation owns more than 50 per cent, and some estimates place the holdings of the company as high as 75 per cent."

That corporation now owns probably only about 50 per cent, as it has given up the Great Northern ores.

The Thirteenth Census states that the average expense for salaries and wages, and average cost of supplies and materials per long ton of iron ore fell from $1.97, in 1879, to 97c in 1909.

The unearned profits from monopolization of iron ores is shown by the profits of the large steel companies. The Brookmire Economic Service (56 Pine Street, New York), in its bulletin for February 19, 1917, states that the profit per ton of the United States Steel Corporation was for the first half of 1917, $17.37; for the second half, $24.75, while the normal profit is $11.00 per ton. Moody's Investors' Service (January 18, 1917), gives "steel prices 1914, $28.36; 1916, $56,67, increase 99.8%." The prices have advanced rapidly since and are now $94.57.

The United States Steel Corporation reports that after cost of materials, labor, depreciation, overhead, interest and all other charges had been deducted, its net profits were in 1914, $23,496,768, and in 1916, $271,531,730, an increase of nearly eleven fold.

The reported net profits of the United States Steel Corporation for the first quarter of 1917 were $113,121,000, allowing a quarterly dividend of 3% for common stock. It is estimated that in 1917 the profits will exceed $400,000,000 on about 15,000,000 tons.

The Bethlehem Steel Corporation reports that after making the same deductions for all charges, its net profits were, in 1914, $8,590,020, in 1916, $43,593,968; an increase of nearly four fold. The Lackawanna Steel Company reports, for 1914, a deficit of 1,652,444, and, in 1916, a net profit of $12,218,234, an increase of nearly thirteen fold. The Republic Iron and Steel Company reports its net profits, in 1914, to have been $1,028,748, and, in 1916, $14,789,163, an increase of over thirteen fold.

Further indication of the profits of the United States Steel Corporation is shown by the fact that the average market value of its outstanding stock increased from $682,649,282, in 1914, to $961,181,378, in 1916. The average market value of the outstanding stock of the Bethlehem Steel Company was, in 1914, $17,536,690, in 1916, $106,112,130.

The Thirteenth Census report states that, in 1909, royalties were paid for more than two-thirds of all iron ore mined. The royalty averaged 42c per long ton iron mined and the total royalties paid amounted to only $14,880,282. The royalties paid on iron ore is a negligible measure of the profits made by the owners of iron ore because a large proportion of the iron ore is owned by the companies that manufacture steel directly. The net profits to owners of iron ore, due to monopolization of this natural resource, must amount, as in the case of owners of coal fields, to several hundred millions annually.

## C.—COPPER.

The production of copper, in 1916, was, according to Moody's Investors' Service, 67.5% greater than in 1914. Copper prices increased from 13.063c in 1914, to 27.202c in 1916—110%.

Brookmire's Economic Service gives the profits of Utah copper per pound for the first half of 1916 as .173c, for the second half as .168c, and the normal profit as 6c per pound.

In May, 1917, it reports the price of copper, Lake Spot, at 32½c per pound. It is estimated that the supply of copper ore in this country will last about 30 years.

## D.—PETROLEUM.

The Thirteenth Census reports that there were, in 1909, 7,289 producing operators of petroleum and natural gas, and that of these 24, or three-tenths of one per cent, controlled 9,322,938 acres, or 66.3% of the acreage of petroleum and gas fields—while 19 operators produced 46.2% of the aggregate value of products. President Van Hise states that in 1904, the Standard Oil Company produced 86.5 per cent of the refined illuminating oil and that "For the United States the known Standard Oil concerns marketed 88.7% of the illuminating oil." . . "If we suppose that we know the present fields of the United States and the present rate of increased exploitation should continue, the petroleum would be exhausted by about 1935; and if the present production goes on with no increase, the product would be exhausted in about ninety years."

Moody's Investors Service, January 18, 1917, states that the production of petroleum, in 1916, was 9.9% greater than in 1914, and gives the price of petroleum as 120.9c, in 1916, as compared with 80.6c, in 1914—an increase of 50 per cent.

Messrs. Carl H. Pforzheimer & Co., in their book entitled "Standard Oil Issues," published May, 1917, state, regarding the companies included in the Standard Oil Company, the following:

> "We find, therefore, that since the dissolution (in 1912) to April 1, 1917, there have been distributed by these companies $407,401,626 in cash, $207,300,000 in stock at par value and subscription rights at par to the extent of $40,900,000. If the market value of the stock distributed were taken into consideration, the value of the cash and stock dividends alone would aggregate upward of a billion dollars."

Mr. L. C. Ogg, in a recent financial publication, discussing the profits of the Standard Oil group, said:

> "In other words, stock bought five years ago for $8,165, can now be sold for $43,772.77.
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> "Nor does this show all. Total cash dividends of $5,025.68 were received on stock originally purchased and afterward acquired during the period, equal to over twelve per cent annually on the $8,165 invested. Also $898 was paid out of dividends in exercising rights for the purchase of new stock at par. Considering dividends and expenditures the man who tried the plan is now worth $47,900.45. Since 1912 he has actually earned $39,735.45, which is but a trifle short of ONE HUNDRED PER CENT annually on his investment. It is small wonder that investment bankers who are ordinarily suspicious of anything less than a first mortgage bond, should recommend the Standard Oils, even though the apparent yield is only three per cent."

They state that, on April 15, 1912, the capitalization of these companies was $276,916,754, the market value of the stock was $906,233,984. On April 15, 1917, the capitalization was $503,108,382, and the market value of the stock, $2,154,482,627.

The monopoly profits secured by the owners of the natural resource, crude petroleum, must also aggregate several hundred millions of dollars annually.

## E.—TIMBER LANDS.

The Bureau of Corporations in its report on the Lumber Industry, Part II (1914), states:

> "1,694 timber owners hold in fee over one-twentieth of the land area of the entire United States from the Canadian border to the Mexican border. In many States these 1,694 own no lands at all. In the 900 timbered counties investigated they own one-seventh of the area."
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> "These 1,694 holders own 105,600,000 acres. This is an area four-fifths the size of France; or greater than the entire State of California; or more than two and one-half times the land area of the six New England States. Sixteen holders own 47,800,000 or nearly ten times the land area of New Jersey."

Brookmire's Economic Service reports that the price of yellow pine lumber, 14 grades, increased from $18.64 per 1,000 feet, in 1914, to $29.03, in May, 1917.

Of the merchantable saw timber of the United States about 20% is still owned by the government, but 80% is in private hands. The former Commissioner of Corporations showed that the Southern Pacific Company, the Weyerhauser Timber Company, and the Northern Pacific Railway Company own nearly 11% of the privately owned timber in the entire country.

President Van Hise in his book, "Concentration and Control," also published in 1912, states that timber is being cut, at the present time, about three times as fast as it is being renewed. As a proof of the monopolization profits made by those who have secured control of the timber lands, he cites the following figures and comments on the present policy:

> "In 1880 the average price (paid the State of Minnesota) per thousand feet was $1.47; in 1890, $2.24; in 1900, $5.17, and in 1909, $7.53, or more than five times the price in 1880. Other illustrations of the rise in price during the past twenty years are as follows: from $5 to $30 an acre, $7 to $40, $20 to $150, $1 to $13, $4 to $140, $1 to $50.
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> "The Government gave its lands as bonuses to railroads, canals, and wagon roads, or received $1.25 or $2.50 per acre for the same. In short, our reckless liberality in giving away our natural resources and our defective land laws were the chief underlying causes which have led to the extraordinary concentration in ownership of one of the great natural resources of the country, the timber."

## F.—WATER POWER.

The control of water power is of pre-eminent importance because of the rapidly diminishing supply of coal. The minimum potential water power of the United States is estimated at 32,083,000 horse power. Commissioner of Corporations Smith stated, in his report on "Water Power Development of the United States," that a large proportion of the water powers, especially the best and largest ones, are owned by a few large capitalists. He says that the General Electric Co. controls at least 250,000 horse power, and partly controls 420,000 more; that the Westinghouse Company controls about 180,000 horse power, and partly controls 100,000 horse power additional; and that eleven companies control 875,000 horse power, making a total, in the control of thirteen companies, of 1,825,000 horse power, or more than one-third of the entire development of the United States:

President Van Hise states:

> "Therefore, the economic advantage which comes from large holdings and from coupling, combined with the fact that monopoly of water power does already exist in various parts of the country, and is likely to exist elsewhere in the near future, make it absolutely necessary for the public to control the prices which may be charged for water power. The companies must not be allowed to decide the rates which they levy. If this be done extortion will be practiced."

## CONCLUSION

The crisis in economic conditions produced by war necessitates prompt governmental action to relieve the consuming public of the burden extorted by the monopolizers of these natural resources. Obviously, no present owner of any one of these natural resources—coal, iron ore, copper ore, crude petroleum, timber, or water power—created any of the value thereof. Despite this fact, those who have monopolized these natural resources, as has been pointed out, are reaping enormous unearned profits from their monopolization. The value of coal and iron ores, petroleum and copper ore has not increased since the war began. The increased demand has enabled the present holders of title—in many cases defective—to capitalize their privilege into hundreds of millions annually.

Exact data must be secured as to the unit cost of production of all natural resources, including labor, materials and all other necessary expenses; also the actual prudent investment in development of the plants. Either of two courses of action will eliminate monopoly profits.

1st. These resources can be taken over by the Federal Government and operated either directly by it, or through the present operators, the owners being paid only for their actual prudent investment, but nothing for the value of the resources, created by nature, and nothing for good will. If this is done the products should be sold at cost, at least during the war.

2nd. Instead of Federal acquisition of the natural resources, the Federal Government or State Governments might levy a direct tax upon the full value of coal, and oil fields, and of iron, copper and other mines, of two to four per cent. Such a tax, under a well-known economic law, cannot be shifted to the consumer. This would stimulate production in order to meet increased carrying charges, and would break up the existing monopoly of these natural resources, and force the reduction of prices now charged for the products thereof.

The Committee on the High Cost of Living has requested the Federal Trade Commission to make such an investigation as above outlined. Every manufacturer and every consumer is vitally interested in this question and is urged to write the President and his Congressman and Senators, urging that such investigation be made promptly, and that legislation be then at once enacted to empower the Government to acquire these natural resources, during the war.

**To reduce the cost of living permanently, profits derived from monopolization of natural resources must be eliminated, and taxes now levied upon every form of industry, labor and thrift must be transferred to land values.**

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