Weekly News Review

U. S. Turns to 'Price Policing' In Anti-Monopoly Campaign

By Joseph W. La Bine

Business

Government prosecution of combinations in alleged restraint of trade was known as "trust-busting" in the days of President Benjamin Harrison. In 1890 the Sherman anti-trust law began hacking at financial octopi in what was shown to be a legitimate campaign to keep American industry from killing itself by mushroomed growth.

Modern trust-busting is an outgrowth of the New Deal. Its intended victim is not the monopolistic trust of bygone days, but usually a group of powerful corporations which dominate an industry. But though the 1938 model trust buster can be credited with success (17 victories, 12 cases still pending, out of 42 filed since March 4, 1933) he might also be charged with making political capital of his job.

Thus it has been hinted that Solicitor General Robert H. Jackson, once an assistant attorney general,

THURMAN ARNOLD
New technique: Price policing.

joined the anti-trust crusade last year largely in the hope of winning New York's Democratic gubernatorial nomination. If politics was the inspiration for some anti-trust suits, these same suits have now become such hot potatoes that a vanished political purpose does not justify the justice department's dropping them.

One possible example may be the trust case against the Aluminum Company of America.

To date this year-old investigation has failed to uncover much except a re-hash of testimony and evidence from the 1935 federal trade commission's probe, and a private litigation of a decade ago from which the company emerged with a clean bill of health.

Today's anti-trust division of the justice department has 90 lawyers compared with 15 in 1933, handling monopoly cases and proceedings connected with 31 other major acts of congress. Trust-busting boss is Thurman Arnold, whose fetish is investigating the price policies of industry. Says Mr. Arnold: "We are being forced to take control of inflexible price structures and coercions in restraint of trade today just as in 1933 we were forced to take control of the financing and marketing of securities."

Much interest now centers in the justice department's newly inaugurated suit against Delaware's Columbia Gas & Electric corporation for allegedly "conspiring to monopolize" the natural gas industry of Kentucky, Ohio, West Virginia and Michigan. But in accordance with his probe of price policies, Thurman Arnold is probably more interested in oil. Since crude oil prices recently plummeted in the wake of alleged over-production by refineries, both the President and Mr. Arnold favor a program for state control over oil production and refining.

Harking back to the trust-busting days when Standard Oil's case first made the U. S. monopoly-conscious, the new probe will examine every phase of the oil industry from production to marketing. Though oil men will welcome an intelligent government program to stabilize crude oil prices, observers fail to see great consistency between this program to raise prices, and other monopoly quizzes which prosecute men for allegedly raising prices.

Agriculture

Although U. S. department of agriculture officials admit export subsidies are not very effective in reducing wheat surpluses, the government has committed itself to exporting 100,000,000 bushels by next July. Of 40,000,000 bushels thus far exported, 16 millions have been aided by subsidy payments from the federal surplus commodities corporation. All such sales have gone through regular trade channels.

But wheat export has become a disgusting business. Since every wheat-producing nation seems to have a surplus this year, the export market is glutted. In early November, Liverpool prices were the lowest since 1933-34. At such a time, the real purpose was obvious when AAA's Francis A. Wilcox left for Europe ostensibly to "study agricultural conditions." Observers are betting that Mr. Wilcox is really attempting to find European buyers for U. S. wheat, and that the government may enter business as a direct exporter of wheat.

Meanwhile, Secretary of Agriculture Henry A. Wallace received encouragement for his "domestic dumping" farm program which congress will debate next January. Calling for government subsidy of surplus farm products for home consumption, the program has received "endorsement of objective" from Idaho's Sen. William E. Borah. Denouncing the economic puzzle that lets Americans starve in a land of plenty, Mr. Borah said: "I am informed that 25 per cent of our young men between the ages of 17 and 25 would be unfit for army service in case of war because of the want of nutrition during their youth."

Domestic

Last June 10 the U. S. business index (figured on a normal of 100) stood at about 76. By November 8 it had risen to 90 and as a result retailers throughout the country anticipate as big a Christmas shopping volume as last year. Actually, it should be better, because last year's November index—while comparable to this year's—was definitely on a down-hill slide that did not stop until well after January 1. On every financial page in the country there are encouraging signs, most important of which has been re-employment in the automobile industry. New York's auto show, touching off an unprecedented volume of motor sales, has given strength to most commodities. The only pessimist in this picture has been the weather man, whose Indian summer lasted well into November and thereby blocked the normal upsurge of retail buying.

International

Japan once offered an excuse for her Chinese aggression. To complaints that she had violated the nine-power treaty guaranteeing China's integrity, Tokyo used to answer that she had taken no territory for annexation, therefore had not violated the treaty. If someone charged her with violating the Kellogg-Briand pact against war, Japan answered that the pact said nothing about defensive war; by some mysterious definition, Nippon regarded her Chinese conquest as a defensive proposition.

Now that China is conquered, Japan feels safe to abandon excuses. Tokyo has stated officially that it may be necessary to repudiate the nine-power pact, which is almost tacit admission that she has both violated and abandoned the Kellogg-Briand accord. Moreover she has named the turncoat Chinese war lord, Gen. Wu Pei-Fu, as leader of a new central Chinese government which combines the old Nanking and Peiping units. Though an-

UNDERSECRETARY WELLES
The protests become outspoken.

nexation is not mentioned, China has been absorbed economically and politically by Tokyo.

The U. S. has been most stern in its protests, since Great Britain is too busy appeasing dictators to speak up in defense of her Chinese stake. To Secretary of State Cordell Hull's demands now come surly replies that the U. S. had better keep its hands off China or Japan will "take retaliatory measures."

This state of affairs is probably behind the latest U. S. anti-dictator outburst, more outspoken than its increasingly outspoken predecessors. Sumner Welles, undersecretary of state, has given the world fresh notice that the U. S. is ready to protect not only itself but all the western hemisphere from "the doctrine of hatred" now threatening civilization.

The new American policy, a la Welles: "As a nation we will assure ourselves that we are in a position to defend ourselves from all aggression from whatever source it may arise, and to be prepared to join with our fellow democracies of the new world in preserving the western hemisphere safe from any threat of attack."

Heaped atop this plea for western hemisphere consolidation will be the eighth Pan-American conference, opening December 9 in Lima, Peru. Observers expect a U. S. delegation headed by Secretary Hull to furnish plenty of ear-burning thrusts at Japan, Italy and Germany.

Foreign

The European domination won at Munich by Germany and Italy is but a prelude to Hitler-Mussolini plans for relegating France and Great Britain into second-rate status. Still to come is a four-power pact, but first must come the groundwork in which France and Britain are fattening themselves for the slaughter:

ENGLAND sees growing resentment toward Prime Minister Neville Chamberlain, who claims: "Our sole concern is to see that this country and her colonial communications are safe." But recalling successive British diplomatic defeats in Manchukuo, Ethiopia, Spain, China, Austria and Czechoslovakia, Chamberlain's foes wonder what he means by "safety." The real Chamberlain policy is appeasement of dictators at any cost. Thus the prime minister has forced a 345-138 approval of his Italian friendship pact in the house of commons. Thus, too, he has dropped Britain's elaborate defensive armament plan and urged the retirement of War Minister Leslie Hore-Belisha. Once active in opposing Spain's civil war, Great Britain must now grant belligerent rights to both Loyalists and Rebels. Still unfulfilled are Hitler's demands for return of war-mandated colonies and a 3-1 air domination over Great Britain. Although Britishers themselves look unkindly on Nazi colonial ambitions, it is known that English South Africans are more than willing to return mandated territory if it will avert war.

FRANCE, now torn by financial distress resulting from feverish rearmament, has welcomed Reichsfuehrer Hitler's offer of a 10 or 25-year truce. This is more groundwork behind the eventual four-power pact. In return for German renunciation of territorial claims (in Europe) against France, Paris would re-establish normal diplomatic relations with Italy (already accomplished) and possibly turn away from the League of Nations to live at the mercy of dictators. The only other alternative, now being politely suggested, is that Italy, Germany and Japan be lured back into the League by a "purge" of anti-dictator Geneva officials. Since France faces bankruptcy unless she can halt rearmament, any kind of peace is welcome. Still another sign of French capitulation is Premier Edouard Daladier's renunciation of Communist party support, a move which gains favor with Soviet-hating Nazi-Fascist states.

ITALY AND GERMANY are now so sure of their positions that they find it unnecessary to ask British-French advice on handling Czechoslovakia's minority problem. Although the treaty of Munich stipulated four-power action on Czech minority problems, Foreign Ministers Joachim von Ribbentrop and Count Galeazzo Ciano have just transferred a large part of Czechoslovakia to Hungary. For Germany, recent weeks have opened a wedge permitting a successful economic "drive to the east." For Italy they have brought Franco-British recognition of her Ethiopian conquest, placing Premier Mussolini's battle-won empire in good standing with Europe's highest diplomatic society. At best the highly touted four-power pact will be a mere formality for totalitarian states.

Religion

U. S. diplomatic relations with the Vatican were broken off 70 years ago on the ground that the Papal state no longer had a territorial domain and therefore did not deserve diplomatic status. Two years ago when Catholic Postmaster General James A. Farley was granted an audience with the Pope, there were rumors that diplomatic relations might be resumed. Not unnoticed is the spacious new Washington headquarters being built for the U. S. apostolic delegate, nor the fact that President Roosevelt entertained Chicago's Cardinal George Mundelein when the latter stopped off en route to Rome. Since U. S. Ambassador to Italy William Phelps displayed unusual assistance to Cardinal Mundelein on his arrival in Italy, and since the visit has drawn wide attention among Catholic churchmen, it is possible that U. S.-Vatican diplomatic relations might be on the mend. Certain it is that Pope Pius XI sees eye to eye with Washington on what Secretary of State Cordell Hull calls "international lawlessness."

Trend

How the wind is blowing . . .

DOBBIN'S DECLINE.—U. S. department of agriculture figures show 11,163 horses and mules in the country, half as many as in 1915. Continued downward trend is expected.

MERRY CHRISTMAS. — Mutual savings banks in 17 states will distribute $54,429,205 in Christmas savings to 1,326,797 people just before Christmas. Deposits are almost $3,000,000 above last year.

FINE BUSINESS.—A New York woman driver has been fined for going too slowly, the first case of its kind in New York's history.

MEN AT WORK.—An Emporium (Pa.) WPA project has been suspended because improving business has recruited all unemployed laborers.

MEATY NOTE.—During 1938's first eight months, Americans ate 125,000,000 more pounds of meat than in 1937's first eight months.

Bruckart's Washington Digest

President Promises Legislation To Relieve Railroad Situation

Thoroughgoing Re-Examination of Rail Problems Essential to Finding Reasonable Solution; Competition Cuts Earnings; Public Has Responsibility to Bear.

By WILLIAM BRUCKART
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WASHINGTON.—I believe it can be said that most readers of newspapers "digest" their news rather slowly. It is not their fault entirely that the full significance of a news story escapes them even though it may be spread under black headlines on the front page. Nor do I mean to say that all readers are lax. It seems to be true, nevertheless, that days or weeks or even months and years may pass sometimes before the intangible personality that we call "the public" has considered fully the significance of reported events.

Existence of this condition, however, is warrant for an attempt at analysis of what has happened, what is happening, and what is likely to happen in the railroad industry. Perhaps that statement should have added to it the suggestion also that there will be something affecting the public, too, in connection with the recent series of incidents and events directly concerning the rail industry. Indeed, prospective developments portend even more.

There were, of course, the many dangers of a financial character with which the railroads were beset. There followed the attempt of railroad management to reduce expenses by a program cutting wages of the workers by 15 per cent, and there came almost immediately thereafter the dread specter of a strike threat by the million or more rail workers who are highly unionized. After that, in the sequence of events was President Roosevelt's utilization of the law providing for consideration of the differences by a fact finding commission for the first time.

It is necessary only as a further review to recall that the fact finding commission heard days of testimony and reported to the President that a wage cut was unjustified. But the commission made no constructive suggestions. As a matter of fact, it added nothing to the total of human knowledge, but it got a lot of publicity for its findings.

Legislation to Relieve Railroads Up to Congress

The problem was, thereupon, left in Mr. Roosevelt's lap. He called in the representatives of the rail managements and the leaders of the unions. The rail executives were willing to call off the proposed wage cut, if there were any way to be found to keep the railroads from going bankrupt—more than half of the mileage being already in the hands of receivers. Union leaders reiterated they did not want to strike and they did want the railroads to get on their feet, because it meant jobs. J. J. Pelley, spokesman for the rail lines, asked then what the government could or would do, and Mr. Roosevelt promised legislation.

So there we are today. There will be no strike. There will be consideration of rail legislation in the next session of congress that will be designed to help the railroads so they will have at least as much income as expense. And it will be supported by Mr. Roosevelt's administration, by the railroads and by the railroad unions.

But I am wondering whether the country as a whole is fully aware of what is behind the troubles that formed the immediate basis of the news developments recorded above. And I am wondering further whether the shock of the strike threat has awakened the country as a whole to the need for a thoroughgoing re-examination of the situation in which the railroads find themselves! Because it is in the underlying conditions that we are going to find a solution. None can deny that we need rail transportation; none can deny that they either must operate without losses or else they are going to be left in the lap of the government, and what a terrible mess that would be, for government seldom runs anything without making a mess of it. The rail problem, its relation to other forms of transportation, the public interest, national policy, all must be threshed out very soon. It can not be longer avoided without increasing the dangers of genuine national suffering.

Public Has Tremendous Responsibility to Bear

When consideration of the various phases of the condition gets under way, if it is done thoroughly, congress must give attention to a revision of some of its long-established policies. They are basic. When I am talking about the plight of the railroads, I am, at the same time, condemning to the very core some of the high-handed brigandage, thievery, corruption, that went on among so-called captains of industry a few generations ago. That stealing, that corruption (in which politics figured amazingly) put the railroads in disrepute as an industry. But most of that has ended. The highly respected interstate commerce commission saw to that job. Yet, the stigma and lack of public good will remains to curse the carriers that operate over steel rails.

So, there is first the need for a national acceptance of the good faith which most of the railroad managements now display. The public must give credit where credit is due, and the public has a tremendous responsibility to bear in connection with this phase.

Next, and without doubt one of the really important phases, is the question of continued subsidy, both direct and indirect, that has been given by the government to competition of the rail lines, competitors like the bus and the truck and the automotive industry generally. There can be no dodging the fact that this subsidy exists under various guises, and the great motor industry which bred busses and trucks and private automobiles by the millions stands as a monument, a marker, showing where that subsidy was distributed. The thousands of miles of hard roads, all-year roads, are a part of the subsidy that went to competitors of the carriers, and who can say that such an expenditure by government was not one of the greatest steps for progress?

Monster of Competition Cuts Railroad Earnings

Of course, road construction was necessary. It was vital. The national policy for good highways can only be praised. Yet, their very existence is one of the reasons why the railroads' income has fallen off, or, more properly, the normal increase in receipts was not realized. We see, therefore, a great monster of competition set up with money from taxpayers' pockets. The railroads long have been the most heavily taxed of any industry, which is to say they helped pay for creation of competition.

There was the creation of the interstate commerce commission some years ago as a unit of government for supervision of the rail lines. It was, and is still, needed. But its existence, too, has held down rail earnings. This has resulted from the control of rates. No railroad is permitted to charge more than a rate approved by the I. C. C. While the competitors were creeping forward, under governmental blessing, the I. C. C. was saying to the rail lines: "You fellows obey our orders, or else."

Subsidies out of taxpayers' pockets have gone to build up another competitor, also. I refer to inland waterways and to coastwise shipping. This means of transportation has a value that hardly can be measured. It is as much a part of our national economic life as the highways and the attendant motor transport. But it exists, and it is able to operate as a competitor of the railroads, because of a paternal government that made things easy and gave a helping hand wherever it could do so.

Air Transportation Now Steps Into the Picture

Lately, air transportation has been expanding with remarkable rapidity. No nation in the world has such efficient air service, nor as safe air service, as is to be found in the United States. It is carrying increasing amounts of freight and express; it is transporting thousands upon thousands of passengers. These passengers are of the type, generally speaking, willing and able to pay for the luxury train service which is profitable when the trains are filled. These air lines are benefiting from government subsidy in several ways. The air mail doesn't begin to pay its way; the government makes up the difference by contracts that call for stated payments. And consider the scores of great air fields throughout the country! The bulk of them are built at public expense. True, the air lines pay for the privileges of the field, but does anyone think that the air lines could afford to spend $40,000,000 to build such a field as that which serves metropolitan New York? Funds for it came largely from a federal government grant. The same beneficent Uncle Sam is putting out several millions at the doorstep of the national capital here to build a proper airport.

There are other things that could be taken up and set apart to show how the government has helped competitors of the rail lines in most practical fashion. Questions of taxation, grade crossing construction of an expensive character forced upon the carriers, requirements for terminals of luxury-type construction and so on. I believe it unnecessary to recount them. Those that have been enumerated serve to show where the trouble is. It does not show the answer, but I believe it points the way to an answer. The answer, as I have mentioned above, certainly can not be found, however, unless there is genuine study of an unselfish sort undertaken by congress.

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