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ADDRESS OF

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BEFORE

West Virginia Mining Institute

Advocating Co-operation, and Organization of
West Virginia Coal Operators.



TO THE
Coal Operators of West Virginia

Gentlemen:—

When your President, Mr. Neil Robinson, asked me to read a paper at this meeting I told Mr. Robinson that I was not competent to go into the scientific part of the mining and preparation of the coal for the market: that I was quite sure there would be here at this time the very highest and very broadest intelligence on that subject that the country had. I am glad to see men of that type and character here, who will give you the latest, best and most scientific knowledge on that subject.

I told Mr. Robinson that I would prepare a paper dealing with the question of the coal operator's business with the outside world. The business, if you please, with the politician with the Mine Workers Organization, with the payment of taxes, and particularly with his customers, with a view of urging co-operation on the part of all operators on all of these subjects.

The word "co-operation" has been dwelt upon by the Institute this morning and I think there is no doubt about its advisability. The lack of it might be illustrated by a story a friend of mine

told me. He said he was out here by the Insane Asylum and while there he saw one of the attendants taking out 40 or 50 patients for a walk. He asked the attendant "Are you not afraid all these men will co-operate and turn in and destroy you?" He said, "No, if they had sense enough to co-operate they wouldn't be here."

The time has come when men engaged in mining, manufacturing, transportation and banking, must fight for their business. If the business to which men devote their lives is not worth fighting for, then they should go into something else that is both honorable and profitable. Men engaged in these enterprises have been so persistently and continuously attacked, and had their property assaulted from so many quarters in the last few years, that the fighting spirit has been apparently taken out of them. To be successful in any of these callings is to excite the suspicion of the governing powers, and generally an investigation into the strictly personal affairs of the managers, with the hope of finding something on which to hang a sensation. If the investigation discloses neither crime nor oppression, but finds a fair profit on the magnitude of the business transacted, it is used as a basic reason for regulatory restrictions and limitations with which to cripple these enterprises.

A striking illustration of the effect of governmental regulation of the business of the country, where the regulating body is hostile to the men and the properties controlled, is found in the

present railway situation. The power which public service commissions, state and national, have exercised in taking from railways their earnings in the last thirty-six months has destroyed the value of railway securities to the extent of one hundred million dollars a month. The fall in the price of cotton to the farmers of the south will bring on the people of that section a great calamity, in the way of losses, which have been estimated at five hundred millions of dollars. While the loss to railway stockholders brought on by hostile commissions is seven times that amount. The difference is, that the loss to the cotton growers could not have been entirely prevented in the United States by reason of the European war, while the losses to railway stockholders have all been brought on by the assaults made on property and men of property by those vested with the administration of governmental functions, spurred on by political demagogues and a biased and prejudiced press.

The business man and his property have been the objects of attack by all those seeking popularity or notoriety. And so persistent has this warfare been waged that honest men are intimidated from defending their own integrity. Of course there could be but one result to this persistent hammering against the enterprise and industry of the country, and that is, a nation-wide depression. The decreased and decreasing earnings of the railroads has so impaired their credit that they cannot secure the necessary capital to

meet their requirements. The new banking system has not reduced the price of money, nor made it easier to obtain. Business generally is not prosperous.

The business of mining and selling coal in West Virginia is more depressed than it has been for many years. With the exception of a few favored mines having fuel contracts with power companies, the mines as a whole will not average more than two and a half days in the week. Every operator must realize that this enforced idleness is unprofitable, and his organization would quickly disintegrate if the men could get employment elsewhere.

The coal mining industry of this state represents a value of two hundred million dollars, in round numbers, and an actual cash investment of one hundred and ten millions. The most reliable information available at this time shows that last year sixty-eight million tons were produced at an average cost of ninety-six cents, and was sold for one dollar and two cents a ton. The year's operation yielded a book profit of four million and eighty thousand (\$4,080,000) dollars. But in many of the mines no proper account was taken either of depreciation or coal exhaustion. In many of them, their statements showed a profit, when in fact, such sums were only returns of capital, as their accounts showed no sinking fund with which to retire the capital investment within the life of the lease. It is safe to say, that upon a correct system of accounting, if applied to all the

mines in the state there would be but little if any real net profit on the year's business.

For the present year, the cost of production will not be any less than last year, but the sale price will be very much less. Some of the mines in the state have made money and done well, but taking the state as a whole, there has been little if any profit made in the last two or three years. A great many of these operations keep going only because they are exhausting their capital, and are receiving the profits arising from their stores.

But why point out these discouraging conditions to operators, when they are all so thoroughly advised of them? What they want, I take it, is to hear the suggestion of a remedy. In a word, I say to the operators, that your remedy, is to *fight*. You have been temporizing and compromising with the politician, the trust buster, and the agitator, under the delusive hope that they would ultimately leave you in peace to manage and develop your properties, so you could enjoy the legitimate profits you might earn. But instead of this reasonable expectation, your business has grown from bad to worse, and these assaulting forces are making new demands on you every day. Your remedy, I repeat, is to fight, and fight boldly, aggressively, defiantly, and unitedly. You can make such a fight by an organization that will represent the combined power and influence of all the operators in the state. Your adversaries are organized to despoil you of your property, and it is their organizations that make them strong, and if you would

resist this intended spoliation you must meet organized power with the same weapon. With your power concentrated into one central organization, working in harmony as a trained army, you can overthrow any political party in the state if it refuses to give you a square deal, you can successfully resist the avowed purpose of the United Mine Workers to confiscate your property, and the trust buster will be greatly impressed by your power and your purpose, and you can compel the officers of the law to do their duty if a strike should come.

If you expect to free yourselves and your property from these menaces, if you would realize from your investments that reasonable return' which you have a right to expect, you must organize yourselves into an effective fighting force, and serve notice on the whole world that your business is an honorable one and you propose to protect it against every assailant.

The concrete forms of the hostile forces arrayed against you are:

- (1) Increased taxation;
- (2) United Mine Workers of America; and
- (3) Sherman Anti-Trust laws and amendments.

I.

TAXATION.

The State of West Virginia must have more revenue. The loss of the whiskey license tax, and

the general stagnation of business and decreased values, will so lessen the state's revenues that these losses must be made up from some other source. There are many persons (not engaged however in the coal, oil, or gas business) that would impose a production tax upon coal, oil, and gas to make up the deficiencies. I am informed that bills for this purpose will be submitted to the next legislature. Organization upon the part of the coal men will defeat any such vicious and hostile legislation. Taxation is an ever present and always a live subject, and it will come up at every session of the legislature and every year before the assessors in the counties, and if you are organized the power of concentrated numbers will always secure a patient hearing and just treatment for your interests.

There will be an attempt made to change the constitution of this state as it relates to taxation. It will be proposed to so change the constitution that the legislature will have the power to say that certain classes of property shall be exempted entirely from taxation, and that certain other class of property shall pay only one-half of what other classes do. What does that mean to you? As a matter of fact, it means that the politicians, if the constitution will permit it when it is changed, will go to Charleston and say that a favored class shall be exempt from taxation, or that they shall be assessed at 10% of their value, and that coal and railroad property shall be saddled with the rest. The legislature, under this changed legisla-

tion, would have the power to make all these changes in taxation.

The fact is that the constitution of West Virginia establishing a system of taxation is the best, is the wisest and is the most just system, or, rather, basic principle of taxation, that has ever been devised by man. It is simply this: that all property shall be taxed and that it shall be taxed in a uniform way. No one species of property shall pay more than any other species of property having an equal value. That is the sum and substance of a just system of taxation and when you get away from it, when you destroy that system, you are giving to yourself the privilege of paying practically all of the taxes that will be levied.

The exercise of the power of taxation by both National and State authorities is one of the methods by which those who are hostile to your enterprise propose to take your earnings. The franchise tax and the income tax which you must pay to the Federal government, are not taxes in the usual meaning of taxes levied upon property, but they are in reality *penalties levied by the government on your thrift and industry*. The gross inequalities imposed negate the idea that the authors expected a great deal of revenue from this source. These are taxes upon efficiency, in order to punish the successful. If you permit a production tax to be levied upon your output, it will be but a short time until the larger part of the state's revenues will be paid out of your property. Organization will secure for you justice, and you desire nothing

more. I know it is said, and some of you have said, that the business man should keep out of politics. You have followed this course until a great many of you are almost out of business. Nothing can advance the business interests of the country more than just laws, impartially administered.

Let us assume that the next legislature will be flooded with all kinds of bills to destroy you. Tell your representatives "We do not want any favors but we do want justice and must have it." "Our property is a great property, our business is an honorable business and we do not propose to have it destroyed. Give us a square deal: we do not care who runs the politics of the state, but if you do not give us this we will put you out of power." If you do that you will get a decent hearing and decent laws. If you do not do it you will be put out of business. If you would send representatives to appear before one of the committees in Congress which has to deal with your affairs which materially affect your interests, instead of being treated with very scant courtesy and being shoved out of the door to make room for some agitator, you would be taken into their counsels and received with the courtesy which your business interests entitle you to.

LABOR.

You can not have any large measure of success unless your labor is well paid, and is kept satis-

fied with the conditions under which they work. Every sane man outside of demagogues and professional agitators desire the most perfect harmony between employer and employee. The matter of industrial peace has been the subject of more thought, more discussion and more legislation in the last quarter of a century among civilized peoples than any other subject pertaining to our material welfare. All kinds of arbitration, conciliation and friendly adjustments of labor disputes have been enacted into law and thoroughly tried out; yet in spite of all these proposals and beneficent efforts we have had in our own country—and especially in the coal mining business—in the last two or three years more strikes and more vicious and murderous industrial wars than ever before. The institutions of this country that stand for law and order cannot withstand these shocks indefinitely.

INDUSTRIAL PEACE.

I have on my desk two bills which will be submitted to the legislature, with a lot of others, attempting to create boards of arbitration for labor disputes, or boards of conciliation in labor disputes, if you please. I want to say to you that the motive back of these bills is very fine. It is good if any man can devise a plan or a scheme of legislation that will ultimately settle all labor disputes in this country, and if any man does that he will be the greatest benefactor this country has

had in many, many years. However, the plans to be introduced have all been tried out, not only in other states, but in other countries and have proved absolutely a failure. You cannot get any such thing in this country as compulsory arbitration. The reason is that under our laws and our constitution you cannot have compulsory or involuntary slavery or servitude, so we cannot operate in this country as they do in some of the Australian countries. We cannot prohibit men from striking. The law could not demand that men go on working, as that might be a sort of involuntary servitude, which our state and national constitutions prohibit, so the only thing possible would be a conciliatory board or a board of conciliation. One of the bills that I now have on my desk is drafted after the Canadian plan. They tried this solution in Australia and it proved an utter failure: neither the workmen nor the employer wanted it. They have there a certain measure of success in their compulsory arbitration because of the fact that in 99 out of 100 cases of arbitration result in favor of the workmen and of course they are satisfied with it, and the manufacturers are not numerous enough or sufficiently organized to resist it,—but that is not a precedent for us. Such legislation, so far as the coal mining industry is concerned, and for all of you who operate non-union mines, it means that by legislative enactment it would give the Mine Workers' organization the power to compel you to treat with them and arbitrate with them and conciliate with them.

I state with confidence that there can be no such thing as industrial peace *unless* both employer and employee know their rights in and about the property where the work is to be done. And with these rights declared by law, so all may understand, there can be no such thing as strikes and industrial disputes.

The thing that is fundamental today is for you to decide whether or not you own your property? Whether you have the right to do with it as you please, and if you may in the exercise of your right of ownership employ and discharge men as you may see fit. If you conclude that you do own your property, and that ownership gives you the right to manage the property in your own way, then, in order to maintain that right and secure the benefits of your own industry about your own property, it has become imperative that you form a strong and determined organization to protect these rights.

On the other hand, if you in reality do not own your mines, but hold them as a mere trustee for the benefit of the general public, then the general public, being the beneficiaries, have a right to direct and compel you to operate the mine so this public will receive all the benefits instead of yourself. A large class of politicians, newspapers, college professors, and authors boldly take the position that you do hold your own property in trust for the public and the public have the right to enjoy it and direct its administration. Practically every agitator, all socialists and a large number

of socialistic writers—calling themselves political economists—urge the propaganda that every one of your employees has a vested interest in his job; that you have no right to discharge him or give his place to some one else,—and if you should attempt to give his place to another, that other will be prevented by force from working, and his attempt to do so will result in great bodily harm and probably death to him.

If the theory that you hold your property in trust for the public is correct, then it does have the right to administer your property and practically take it out of your hands; and if the theory that your employee has a vested right to his job be correct, then you have no right to take it away from him, and you are morally responsible for the bloodshed that follows if you attempt to do so.

In other words, if I am working at a mine and have a right, legally or morally, to work at that mine in spite of the wishes of the owner of that mine and that he has no right to discharge me, then if he does discharge me he is morally responsible for the bloodshed which will follow because he has taken from me the right to my employment.

Permit me to repeat, and emphasize if I can, the statement:

THAT THERE CAN BE NO SUCH THING AS INDUSTRIAL PEACE AND PROGRESS AS LONG AS YOU FEEL THAT YOU OWN YOUR PLANT AND HAVE THE RIGHT TO RUN IT, IF AT THE SAME TIME THE PUBLIC

TREATS YOUR OWNERSHIP AS ONE OF TRUST, AND THE EMPLOYEE HAS A VESTED RIGHT TO WORK IN THE MINE IN SPITE OF YOUR OBJECTION.

There can be no such thing as industrial peace brought about by boards of arbitration, conciliation or intervention, or whatever else they may be called, for none of these things have any power to compel obedience to their findings, and at best are only temporary expedients to postpone for a few days the trouble that is certain to break out with renewed fury.

The only possible solution of labor disputes that will secure peace is for the legislative department of government to fix and declare the legal rights between the employer and employee, and between the public and such owner. An organization of the coal operators of the state can bring about such a legislative declaration as will determine the status of the public, the owner and the worker with relation to your mines.

II.

THE UNITED MINE WORKERS OF AMERICA.

The organization of United Mine Workers of America is not a labor union. While it is an organization of laborers, yet their demands are not in accord with unionism, but are socialistic pure

and simple. This organization as now constituted has for its principal purpose the taking for the workers all the money for which the coal sells in the market, except such as is required to pay for the cost of hauling. I do not believe that it is generally known among the operators that this organization proposes to keep on increasing its demands until it receives the full value of all the coal mined, allowing nothing to be appropriated to the operator for the use of his plant and for interest on his investment.

It is not generally known that in the investigation had in the Paint and Cabin Creek strikes it was brought out that in the year 1913, a political party—and that was the Socialist party,—captured and took charge of the United Mine Workers of America and changed the constitution of that organization, which had been in existence since the day it was organized. The basic principle of their organization, as declared in their preamble, prior to that time was that the miner, the man who went down into the earth and assumed the risks incident to mining, was entitled to a fair and equitable share of the proceeds of the sale of the coal. As a declaration of a principle, nobody could object to that, and that was the principle for which this organization fought up to that time, but when the Socialists got hold of it they changed the fundamental principle of their organization and, instead of saying, "We workers are entitled to a fair and equitable share of the proceeds of the sale of the coal mined", they issued the demand, "We are en-

titled to all of it without one cent going to the mine owner for the plant, the tipple, the mine or the lessor." This is the bold, open, defiant demand today, so I think it is well that the operators of the state should know exactly what they demand.

The Vice-President of the organization in this state came upon the witness stand and said, "We propose to make an increase in our demands every year until we finally take over the mines ourselves. We will get then all of the value of the coal that is mined." The editors of their papers said so, their constitution said so. All this violence that took place in Colorado, is now taking place in Arkansas, and took place within sight of your capitol in West Virginia, is based upon the principle that you do not own this property and that, "We, the workers, must, will and shall take it from you."

From the beginning of the organization until its annual meeting in 1913, it demanded only an *equitable* share of the value of the coal mined by them, but at that meeting the socialists were in complete control and their constitution was changed so as to demand the *full value of all the mined coal* for the workers. The evidence taken in the investigation into the Paint and Cabin Creek strikes says, quoting from the statement of Griffith's, an official of the local association, "that they intended to increase their demands until at last they got possession of the mines."

You are now confronted with this organization claiming the right to own and operate your property for their own exclusive benefit. This is

not a labor union demanding a fair wage and better working conditions, but the largest organization in the United States, boldly, openly and defiantly demanding that you surrender your property to them. They propose to enforce this demand by real and actual war, armed with guns and dynamite. Their armed revolution in West Virginia was partially successful—because there was no real co-operation upon the part of the state's mine owners to resist them. They brought on civil war in Colorado, but the operators there have made a successful resistance because of their co-operation. In Arkansas the Federal army was called on to keep peace and enforce the orders of the court, restraining them from destroying the property where non-union men worked. Since the first of April this year the United Mine Workers of America have had control of the eastern Ohio district, and all these mines have been idle, because the operators did not feel like trying to run their mines in view of the prevailing political conditions.

There is nothing more certain than that the United Mine Workers will take your properties out of your hands, unless you organize among yourselves a force strong enough to resist them. Theirs is a strong organization, using to the utmost their supposed political power to induce the public officials to give them a free hand in their campaigns of force and violence. If you would successfully resist them, you must have an efficient organization, opposing them at every point and

every angle, making yourselves strong and determined, and all the public officials will give you justice and protect both you and your property from assault. If you will organize and prepare for war, you will not have labor troubles.

III.

SHERMAN ANTI-TRUST LAW.

Co-operation has been often discussed by the operators, but too many of them have said they were afraid of the Anti-Trust Law for these conferences to lead to any tangible result. In the meantime and during these past several years, you have been waging a war of competition against each other that has made it in most cases impossible to get a fair price for your coal.

I do not believe there is a man in this state who sells coal who feels that he is getting a fair price for his coal. Why should you people send coal up into New England and give it away, or why should you send it to the Lake country in the Northwest and sell it for cost or less than cost? You are exhausting your resources, you are exhausting your mines, you are working for other people and not getting the benefits, yourselves.

You have been furnishing New England and the Northwest their fuel supplies at a ruinously low price. There can be no valid reason why these sections should not pay you a reasonable price for

your coal. The fault lies not with the buyer, but with the seller.

A certain measure of protection is necessary, in order to save your property from ultimate destruction. This protection can only be secured by an intelligent co-operation. The Supreme Court has written into the Anti-Trust laws the rule of reason. In other words, that men may combine to steady prices, restrict output and competition if these things are done within reason. If you will form your organization, and let it be guided by the rule of reason, you will violate no law and will save several million dollars a year that you are now spending for useless expense. It cost most of the mines ten cents a ton to sell their coal. If you will intelligently co-operate with one another the sales can be made for four cents a ton, and you will save for your industry over four million dollars in that one item alone each year. In the process of production many economies can be introduced by a group of mines co-operating, e. g., for instance in the item of power, by using one plant for several mines. The fear of prosecutions for thus co-operating on the theory that it will violate the Anti-Trust laws is not well founded. No court in this country can be found that will punish a man for doing the reasonable and obvious thing to save waste and expense and protect his business from loss.

It is not a sufficient objection to your organizing to say that the new trust laws may prohibit such co-operation. The fact is that no one knows

what these amendments mean, as was' frankly stated by those who passed them. It will probably take the courts twenty years to finally construe them, as it took that long to find out the meaning of the original act.

The fear of these laws should not be permitted to stand in the way of protecting your property. There is no more reason to prohibit the establishment of a coal exchange than there is to stop the grain, cotton and stock exchanges. Here commodities and securities are bought and sold and the prices fixed and steadied.

Every business that is intelligently conducted is entitled by right to a fair profit, but the business of mining coal in West Virginia is not receiving that profit, although it is capably managed. Without violating the Sherman or any other Anti-Trust law, you can establish a system of mutual aid and co-operation that will save expense, introduce economies, and steady prices that will make your business profitable rather than precarious.

THE ADVANTAGES you will derive from a strong co-operative organization, may be enumerated as follows:

- (1) Saving in sales through joint or single agencies;
- (2) Economy in production;
- (3) Securing better transportation facilities;

- (4) A just consideration of your interests by public officials;
- (5) Fair assessments and taxation;
- (6) And above all, it will secure to you the right to manage your own property;
- (7) Successfully repel any assaulting aggregation whether it be the United Mine Workers that would take over your property by force, or that reforming element in society that would confiscate it under forms of law.

THE PLAN OF ORGANIZATION adopted by the operators at their meeting held in Huntington about a year ago will, I believe, meet all the requirements that are necessary to give ample protection to your business.

This plan contemplated an organization of all the mines on the Kanawha and Michigan, Chesapeake and Ohio, Virginian, and Norfolk & Western railways. The affairs of the organization would be controlled by seven trustees, two to be appointed from the Pocahontas district, two from the New River, one from the Kanawha, one from Coal and Guyan rivers, and one from the Thacker district. These trustees would have plenary power to manage, appoint officials and such others as would best carry out its purposes.

In order that the association might have ample funds to meet any exigency that would arise, each corporation would contribute a cent a ton on all the coal mined and shipped, until the fund

reached a sufficient sum. This sum would always be available for the purposes of the organization, and would be used to promote the interest of the association. Unless a better plan is suggested, I would recommend to the operators to adopt this plan and perfect your organization without delay.

You will greatly need such an organization, to successfully resist the vicious legislation that will be proposed against you when the legislature meets in January next. Such an organization will be a necessity next year in dealing with the labor conditions in those districts that are now wholly or partially unionized. A great many mines can not much longer continue to operate under existing conditions. Competition is slowly but surely driving them to the wall. To this competition may be added the burden of an unjust taxation and the unreasonable demands of the mine workers organization. A poor market on a half time production, with royalties and fixed charges to pay, makes failure of many operations a necessity unless some protective measures are adopted. This can only be done by a strong co-operative association that will give the greatest possible measure of protection to each of its members.

