THE UNIVERSITY OF MINNESOTA

GRADUATE SCHOOL

Report

of

Committee on Thesis

The undersigned, acting as a Committee of the Graduate School, have read the accompanying thesis submitted by Elma Karolyn Ensrud for the degree of Master of Arts. They approve it as a thesis meeting the requirements of the Graduate School of the University of Minnesota, and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Arts.

N.S.B. Gras
Chairman

Alvin H. Hansen

John D. Black

24 May, 19~~18~~21

THE UNIVERSITY OF MINNESOTA

GRADUATE SCHOOL

Report

of

Committee on Examination

This is to certify that we the undersigned, as a committee of the Graduate School, have given Elma Karolyn Ensrud final oral examination for the degree of Master of Arts. We recommend that the degree of Master of Arts be conferred upon the candidate.

Minneapolis, Minnesota

24 May, 1931

N S B Gras
Chairman

Alvin H. Hansen

C W Alvord

William Stearns Davis

L. B. Shippee

A. B. White

THE DEVELOPMENT OF A NATIONAL MARKET
IN THE UNITED STATES

A THESIS

SUBMITTED TO THE GRADUATE FACULTY

OF THE

UNIVERSITY OF MINNESOTA

BY

ELMA KAROLYN ENSRUD

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

FOR THE

DEGREE OF

MASTER OF ARTS

JUNE

1921

PREFACE

This thesis is presented as a preliminary study of the national market. The subject is important enough to justify two or three years' careful study. Both economists and business men use the term "national market", but no one has made a specific, detailed study of the subject. Some assume that there was as early as the 16th century, and that there is still a national market. Others maintain that the stage has not yet been reached. A third group states that we have already gone beyond the stage to a world market. The author, then, is raising the question to determine what a national market really is, and to what extent it has developed in the United States.

The sources used in this study are, in general, letters, private manuscripts, house organs, and pamphlets received from business firms; government documents, such as the Federal Trade Commission reports, United States Statutes at Large, and United States Bureau of Census reports; and secondary sources in the form of magazines and books. Perhaps, too many secondary sources have been cited; but an effort was made to choose only the best of them. Doubtlessly many of the letters would add much valuable information, if inserted as an appendix; but without special permission, they cannot be printed in this thesis.

The writer wishes to acknowledge the helpful advice and constructive criticism of Dr. Gras, whose faithful guidance has made this work possible. Acknowledgment must also be given to numerous business men, who have so liberally given much of their time to the preparation of material, used for reference in this thesis.

TABLE OF CONTENTS

TABLE OF CONTENTS (Continued)

CHAPTER VI

Page

THE DEVELOPMENT OF A NATIONAL MARKET

IN THE UNITED STATES

CHAPTER I

THE CONCEPT OF A NATIONAL MARKET

CHAPTER I

THE CONCEPT OF A NATIONAL MARKET

1. Definition of a Market.

In the Middle Ages, a market involved the time of sale and the place on which the traders stood. A square in the village was set aside as a definite place where producers and consumers met, weekly or semi-weekly, and exchanged wares. Lack of transportation and communication facilities necessitated such determinate places and times for trade.[1]

In later times, however, the term market has assumed a different meaning. Steamboats, railroads, telegraphs, telephones, etc., have served to bring states and nations closer together, and have thus lessened the emphasis laid on the place and the time. Perhaps the present idea is best embodied in a quotation from Marshall: "In all its various significations, a market refers to a group or groups of people, some of whom desire to obtain certain things, and some of whom are in a position to supply what the others want. A market may consist of all the inhabitants of a town or of the whole country; or it may consist in effect only of those of them who have a special interest in something, as, for instance, zinc or leather (or wheat)."[2] Thus, we note that the people, instead of the place and time, are emphasized. We may, perhaps, simplify the definition and designate a market as a group of buyers and sellers, with more or less definite geographic boundaries, who are organized for the purpose of exchange of commodities and services.

1. Less frequent and more varied transactions were conducted in a fair which was also a market; for people met in a particular place at a definitely appointed time to sell and to purchase goods. Palgrave, Dictionary of Political Economy, vol. II, pp. 695-697.

2. Industry and Trade, p. 182 (1919).

Marketing may be said to involve two types of exchange, the extended and the local. The two have existed from the very first, but the latter in varying stages. The extended exchange includes foreign or cosmopolitan trade, regardless of national boundaries, while the local refers to village, town, metropolitan, and perhaps national marketing. The process may be compared to a machine, wherein the extended exchange constitutes the whole, while the local serves as cogs within the mechanism. Let us then note how the stages of the latter have evolved.

2. Evolution of Local Marketing Systems

In village economy, the village was the center of social and economic life. It arose when tribes gave up their nomadic life, and settled down permanently in one place. At first, the inhabitants were free, but later they became dependents of a lord, who rendered protection, in turn. Manorialism came into existence; the serfs, grouped in villages, cultivated the surrounding land of the lord. Although some of these manors were isolated, many of them were members of a group.[1] The king, for instance, would be the possessor of a large number of manors in various shires. A lord would, perhaps, own a dozen demesnes, forming a lay or ecclesiastical group. First, the king, the lay lord, or the bishop or abbot, each with his retinue, went from manor to manor to consume the surplus. Later, however, the products were carried from one manor to another, and with such continuous performance, marketing arose. As marketing between the manors became more brisk, money came into use, as a means of convenience. It occurred that many serfs bought their freedom, and established towns, which were not bound to the rule of a lord. Village economy was then superseded by town economy.

1. Gras, The Evolution of the English Corn Market, pp. 3-11 (1915).

After the 12th century, the manor began to organize to supply the town, which was gradually abandoning agriculture for trade and industry. Society was being organized into producing and consuming groups,[1] and the town became the nucleus of trade for a number of dependent villages. Merchants arose who went out into the country to buy commodities. Villagers, themselves, brought goods into the town. As the population increased, a certain amount of manufacturing, particularly of clothing and shoes, became necessary. The handicraft stage of industry, with its industrial gilds, then flourished. The marketing operations of the town were regulated by municipal authorities. As time went on, there was a tendency for areas with a surplus to trade with regions where a deficiency existed. Such inter-area trading led to a struggle between certain towns for commercial supremacy. The successful town then became a metropolis with its dependent or tributary towns. In the 16th century, London became such a center, because of its favorable situation as a river-and sea-port.

Town economy was then followed by metropolitan, which is, in its essence, an organization of producers and consumers who carry on local relationships through a large city, and who trade largely with other cities of the nation and world through this center. London carried on a trade with foreign countries, and its internal trade grew so as to embrace the greater (in fact, the whole) part of the country. The fertility of the surrounding district, the means of transportation, and the location of the city with respect to routes of foreign trade were influential in establishing London as a metropolitan center. While the commodities for the town market had been carried largely by land, the new period ushered in the water stage by coast and river services. Before the coming of railroads, no European town

1. That is, when viewed from the standpoint of single commodities.

could be a metropolitan center, unless it were favorably situated on a seaport or a navigable river. Overland transportation difficulties and rates were prohibitive to commerce.

With the rise of metropolitan economy, the domestic stage of industry began on a large scale.[1] Middlemen came into existence, who served either as wholesalers or retailers. With the later metropolitan economy, however, came the centralized stage, first with the centralized workshop, and later, the factory. The market was continually widening, thus necessitating larger and more productive systems of industry.

We have thus far sketched the development of marketing stages in England, but we must now devote attention to America.

While village economy flourished for several centuries in Europe, it is practically non-existent in America. There are, of course, many hamlets of the Old World type, with a hotel, a church, and a blacksmith shop, but they are not, in the majority of cases, coterminous with village economy. Many of the townships in colonial New England were perhaps nothing more than a village, where the inhabitants had their village commons and plied their household manufacture. But these were very rapidly followed by towns. In the South plantation economy, which may be similar to that of the village, lingered longer.

Town economy in the New World may be most closely identified with the New England and Middle Atlantic states. From 1650 to 1825, towns in these regions traded with one another and with London. In the Middle West, however, its existence was timed rather by decades, because of the coming of railroads.

1. The domestic stage comprised the system wherein men worked in their own homes either independently, i. e. owning their own raw materials and tools, or dependently, i. e. working on materials and with tools supplied by an entrepreneur.

Metropolitan economy occupies a definite place in American economic history. After about 1825, cities in this country began to develop as metropolitan centers. Here, however, there has been a struggle between various cities for supremacy. Thus, New York, Philadelphia, Baltimore, and Boston engaged in commercial encounters. The first established its metropolitan supremacy as early as 1825, but it was not until the coming of railroads that the last became the metropolitan center of New England. With the westward migration, and with the development of railroads, many cities have become metropolitan centers for their respective districts in the United States.

Various metropolitan centers, then, may trade with other districts, and even tributary towns may trade with outlying towns and cities. Development of excellent transportation facilities, has led to very brisk inter-metropolitan trading. Thus, New York may and does trade directly perhaps with all other metropolitan centers of the country. Chicago likewise overlaps the metropolitan areas of the middle and far western states; for instance, Austin, Albert Lea, Aberdeen, and Eau Claire, tributaries of Minneapolis, do, in many cases, trade directly with Chicago. Such considerable overlapping of trade may ultimately lead to one whole contiguous national marketing area. At the present time, it seems that the United States is mid-way between a metropolitan and a national marketing system - with the former as yet in dominance.[1]

1. Of course, we must remember that the idea of a market area is somewhat elusive. "No definite area can be assigned as large or small enough for a market. A local community, a city, a province, a nation, a continent may be a market." Gras, The Evolution of the English Corn Market, p. 34. (1915).

3. <u>Theories of the National Market</u>

At this point, then, it may be well to consider the various theories of a national market as held by economists, and business men. Before going into detail, we may note briefly that some maintain that the organization of a national market has not yet been reached; others assume that it had developed as early as the 16th century; still others state that we have passed beyond the stage into a world market. From the economists' viewpoint, the theories of Bücher, Harms, Marshall, and Wright will be considered; the theory as held by the business man, will also be presented.

Bücher,[1] a German economist, perhaps inspired by the mercantilists, seized upon the idea of a national market as pertaining definitely to the widening distance between producer and consumer. One section thus provides the wants of other regions within the nation. One place specializes in certain wares, and thus localization and division of labor in industry arise. Thus the group of nationals become mutually dependent upon one another. Of course, a considerable portion of goods is still consumed in or about the place of production, but a sack of wheat, for instance, is "knit by a strong cord to the intricate web of national commerce."

Bücher, then, stresses the economic or marketing side of national economy. He has developed his concept with the village and town economies as backgrounds. He has not comprehended metropolitan economy, which followed town economy, and which was regulated by the national state. He, therefore, maintains that a national marketing organization originated in the 16th century, but, we may say that such a date is altogether too early. He simply made material conditions fit economic theory, as it had been evolved. Although certain sections did exchange wares, we know that national

1. <u>Industrial Evolution</u>, pp. 83-149 (1901).

distribution, in the modern sense, did not occur so early.

Harms,[1] another German economist, has worked out a system of marketing stages. From a series of <u>Einzelwirtschaften</u>, he builds up a <u>Volkswirtschaft</u>. But then, the <u>Einzelwirtschaften</u> of different nations may be united to form <u>Weltwirtschaft</u>, which supersedes <u>Volkswirtschaft</u>. The small <u>Einzelwirtschaften</u>, as illustrated on the diagram, unite first to form <u>Volkswirtschaft</u>, which is held together by national regulation over distribution. But then the <u>Einzelwirtschaften</u> of the various circles unite to form <u>Weltwirtschaft</u>.[2] His science of the world market, however, is rather doubtful, for he has not the practical substantiation of his theory. In order to form a world market, a well-developed metropolitan or national marketing system would have to exist in all the nations of the world; as conditions now exist, many sections are still in village economy, while others are in town economy.

Marshall[3] maintains that the notion of national trade is bound up with the notion of solidarity between the various members of the nation. Pride in a nation's industrial leadership is a common sentiment that holds the economic life of the nation together, and thus reacts on trade. In medieval times, there was no such warm and strong sentiment holding together the industries and trade of a large area, and hence there was no national commerce. We may question whether a people's patriotism extends so loyally to business enterprises that it can cement a nation into industrial and commercial unity.

Wright[4] states that improvements in transportation, especially railroads, after the Civil War, expanded the market so that it became more nearly national

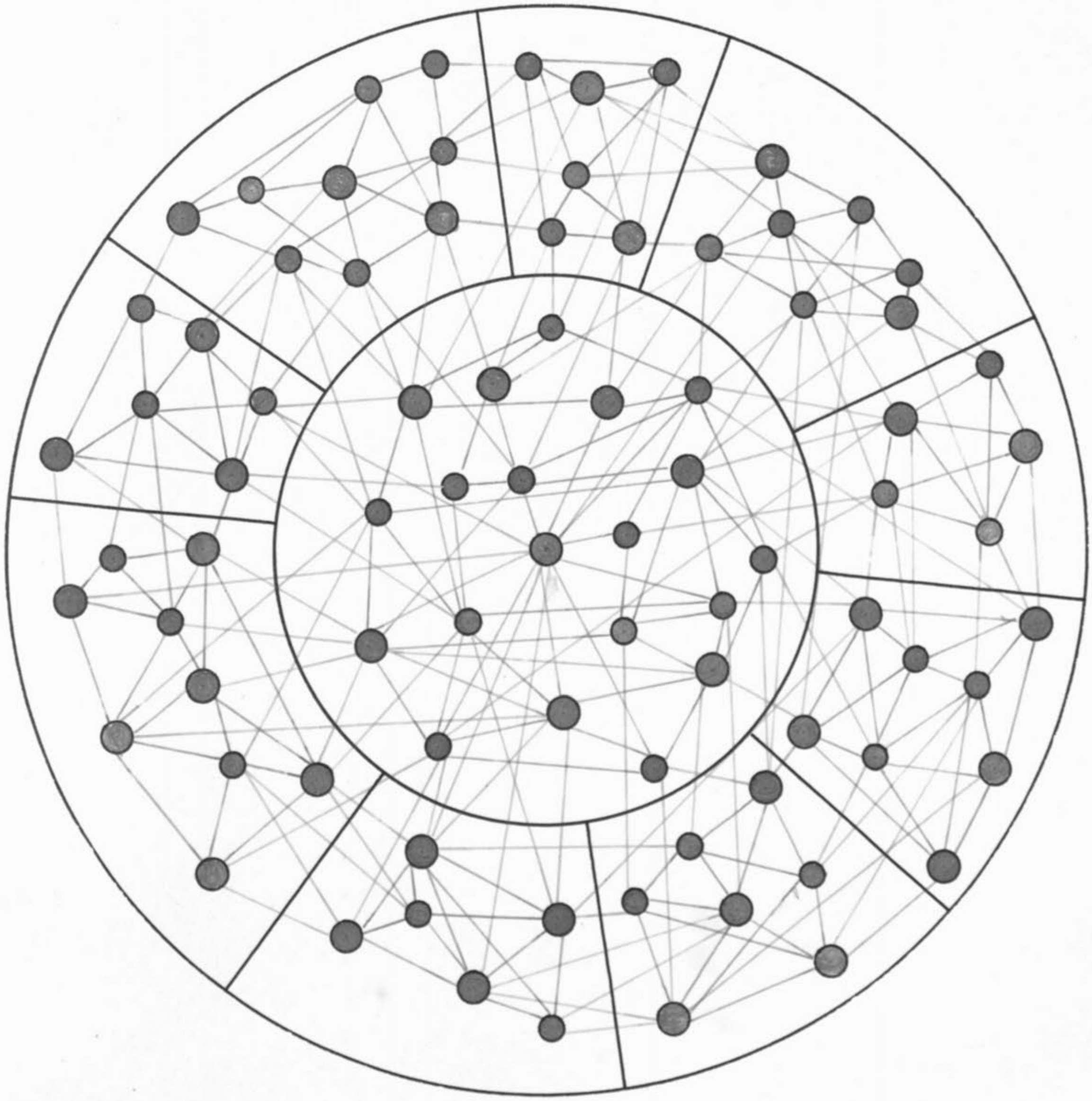
1. <u>Volkswirtschaft</u> und <u>Weltwirtschaft</u>.

2. <u>Ibid</u>., pp. 383-393 (1912).

3. Marshall, <u>Industry and Trade</u>, pp. 4, 668 (1919).

4. <u>Wool-Growing and the Tariff</u>, p. 114 (1910).

DIAGRAM OF VOLKS- UND WELTWIRTSCHAFT[1]



Einzelwirtschaft.

Lines uniting Einzelwirtschaften into Volkswirtschaft.

Lines uniting Einzelwirtschaften into Weltwirtschaft.

1. Harms, Volkswirtschaft und Weltswirtschaft, p. 384 (1912).

in scope. Railroads provided egress for the more staple products of one section, and ingress for the finer wares of other regions, and thus, the system tended to form one large national area.

According to the business man, a national market involves distribution of a firm's product, under its own management, over all parts of the nation.[1] A national market is, in such a case, a potential sales place. It is claimed that national advertising and the establishment of branch houses, all under the control of a central office, in the important cities, lay the foundation for such a market. To establish and maintain such a market, it is necessary to consistently maintain the good quality of a branded article, and to keep prices somewhat uniform to distributors in all parts of the country.

We must also add the theory of concentration in connection with the national market. We have noted that in each of the earlier stages of village, town, and metropolitan economy, there was a radiating point. Should not, then, a national market have a nucleus? Should it not be of the spider's web texture, rather than of an interwoven fabric with no predominant section? As the system now exists in the United States, is there not one center which may hold the position of supremacy? If it should be out-rivalled by another city in the future, could not the latter, in turn, become the nucleus?

On the other hand, we have the concept of a simple exchange relationship of various consuming and producing areas. Industries tend to localize in the most favorable places, whence the finished products are distributed. Will the national market, if it does develop into a definite organization, consist of an intricate interlocking of regions with no dominant center?

At this point, a somewhat tentative definition may be offered. A national market is a group of nationals, organized for the working out of the supply

1. Such firms, of course, have in almost every instance also an international market.

and demand of labor and goods, somewhat limited by national boundaries, and operating through a national center both in intra- and inter-national trade. Thus, one group may be organized in one locality to produce certain needs of another locality within the same nation, and for foreign trade. This, then, constitutes the interlocking of areas. But in addition, we may also have the nucleus as a probable leader in domestic and foreign trade.

In this thesis, the theory of a national market will be applied to the United States. We must keep in mind the fact that we may be dealing with a potentiality rather than an actuality. That this country is probably well adapted to such a study is substantiated in the following statement:[1] "The American has a constantly expanding home demand, urging him on to extensions and justifying costly improvements and adoption of new processes. He also has a continent under one government. The best places are selected for assembling materials, raw or partially prepared for their final forms. In short, it is free, unrestricted trade in everything under the same conditions, same flag, and same markets everywhere."

We shall then consider (1) wholesalers in relation to the national market, (2) national marketing as carried on by manufacturers, (3) national marketing as carried on by retailers (4) national regulation of marketing, and (5) national marketing centers.

1. Carnegie, Rectorial Address at St.Andrews, pp. 31-32 (1902).

C H A P T E R I I

THE RELATION OF WHOLESALERS TO THE NATIONAL MARKET

CHAPTER II

THE RELATION OF WHOLESALERS TO THE NATIONAL MARKET

1. The Rise of Wholesalers

In tracing the rise of wholesalers, we must consider briefly the growth of middlemen (in general). A middleman may be any factor entering between the producer and the consumer in the marketing process; but the term wholesaler is here restricted to a merchant, who buys in large quantities, and sells in smaller portions, not to the consumer, but to the trade, usually to the retailer. The evolution of middle-men is most clearly portrayed in the marketing history of England.

The marketing system of England, historically considered, may be divided into three groups, (1) village or manorial, (2) town or local, and (3) metropolitan.[1]

Manorial marketing was supposedly contemporaneous with late village and early town economy. Many manors were not isolated, but were members of a group. Consequently, a great deal of "inter-manorial" trade was carried on. Serfs carried the products to neighboring demesnes, and in return, received other articles. But transactions in all such cases were made directly between producer and consumer. The marketing mechanism was not complex enough to demand the services of middlemen. Pure barter eliminated risk, and the need of much capital. Bailiffs of the manors kept the accounts, and the serfs performed the labor in marketing.

With the decline of the manor and with the rise of towns, a change in marketing methods occurred. Barter was gradually eliminated, and money became the common means of exchange. By provisions of municipal law, trade was to be transacted, as far as possible, directly between producer and

Gras, The Evolution of the English Corn Market, pp. 3-64, 95-129 (1915).

consumer. In products of local manufacture, intermediary trade was forbidden to everyone.[1]

But it was not possible to confine all the marketing to direct sales. There were always the poorer people who could not buy enough, on the designated market days, for future sustenance. Middlemen, therefore, entered, who purchased from the producer for sale to the consumer.[2] In general, three groups of middlemen or retailers arose, namely, grocers, peddlers, and cloth dealers. The wool dealers were most important in the earlier period of town economy, because no wool-weaving was done in many localities. As time went on, their activity was limited to the handling of the finer kinds of foreign goods, and, in addition, they often made room for weavers in their shops.[3]

In the corn trade, one can find different classes of middlemen, acting in the capacity of retailers. There were the corn merchants, who bought in large quantities for sale to consumers. Then there were the corn mongers, (of whom earliest reference is found in the years 1204 and 1222) who sold in daily town markets, corn which had been purchased in near-by districts. Corn brokers were also employed to bring buyer and seller together, and to serve as witnesses in commercial transactions in order to prevent frauds in qualities and quantities. Corn regrators bought supplies after consumers had had their chance on the market; often, however, they were prohibited from buying upon the market for sale again, so had to confine their purchases to the country.[4]

1. Bücher, <u>Industrial Evolution</u>, p. 121 (1901).

2. <u>Ibid</u>., p. 124.

3. <u>Ibid</u>., p. 125 (1901).

4. Gras, <u>The Evolution of the English Corn Market</u>, pp. 156-160 (1915).
In times of dearth, when the local supply was inadequate, brokers were especially useful in bringing buyer and seller together. Their activities in England, however, were largely confined to London.

In general, laws provided that corn dealers were to buy only in open market, and then store the food in granaries for resale. The laws of the town council bore hard upon the middlemen, and thus restricted any general rise of wholesalers.[1] Evidence for wholesaling as a separate function in domestic marketing, cannot be definitely obtained for the system of local marketing.[2]

Bücher maintains that wholesale trade was exclusively itinerant and market or fair trade, down to the close of the Middle Ages. (Of course, he deals more or less exclusively with Germany.) There were few settled merchants in the towns who carried on wholesale trade from permanent headquarters. Only commodities brought from a distance were subject to wholesale trade, among which were spices and southern fruits, dried and salted fish, furs, fine cloth, and wine. Foreign wholesalers sold only in large lots or in minimum quantities, as, for instance, twelve and one-half pounds in the case of spices. Local peddlers and retailers then carried on the sale in detail.[3]

It may be concluded that the bulk of corn, during the earlier period of local marketing, was sold direct from producer to consumer; during the later period, however, more and more retailers entered the market. To facilitate the more complex operations of foreign trade, wholesalers sold to local retailers; the domestic trade, however, was almost wholly devoid of wholesalers.

In the 16th and 17th centuries, when London gained her position as metropolitan center, the marketing situation was again changed. Instead of a narrow, local area, there was now the large metropolitan region. Then we find

1. Bücher, Industrial Evolution, p. 124 (1901). Under protection of the law, the urban consumer possessed exclusive right to purchase imported commodities. Foreselling in country places or before town gates was forbidden. Sélling to middlemen, artisans, and strangers was permitted only after consumers were supplied. The withdrawing of goods from the market was forbidden until after three days.
2. Gras, The Evolution of the English Corn Market, p. 176 (1915).
3. Bücher, Industrial Evolution, pp. 124-126 (1901).

that corn chandlers in London, who tapped wide sources of supply in the rural districts, began to sell meal in their shops. Since they worked from the marketing center, they became strong enough to stifle the competition of country mealmen. The "urban chandlers" successfully combined milling and trading, because they could take advantage of rise in prices, and they also had available capital.[1]

The larger and more concentrated population of the metropolitan center, and the later growth of the factory system necessitated a wider market. It became more difficult, therefore, to sell direct from producer to consumer, and so the middlemen became "indispensable factors." The retailer, instead of buying from the producer, began to buy from the merchant who obtained supplies from distant domestic and foreign areas. Thus purchases from wholesalers became the normal method of supply for retailers.

Unlike the town officials, the urban magistrates began to realize that middlemen, (and we may now state explicitly wholesalers) were essential in the marketing mechanism.[2] Restrictive laws were, therefore, deprecated, and wholesalers were allowed to develop as demand called them forth.

Indeed more and more wholesalers have entered the field, until we find that producers often sell their products through commission men, brokers, and agents, who may sell to jobbers and wholesalers, and who again sell to retailers.[3] Thus, we find in the economic history of England, the gradual

1. Gras, The Evolution of the English Corn Market, pp. 185-188.(1915).

2. Ibid., pp. 208-209. The Physiocrats and Adam Smith played a great part in influencing the public to see the value of middlemen.

3. "The introduction of the middleman into economic life had a most profound influence in the social history of mankind. Instead of local self-sufficiency and separation, a broad economic inter-dependence and community of interests arose. A competitive system supplanted the medieval direct exchange, public market, fixed-and-just price system. Supplies were equalized in times and places, and made less dependent upon the accidents of weather. Economic life acquired a speculative quality. The modern categories of economics arose. Business was born." Westerfield, in Cherrington, Elements of Marketing, p. 62 (1920).

evolution of middlemen up to the highest point of complexity in the marketing system.

In American economic history, the middleman was brought into existence at an early date. We have noted above that village economy, with its slight, but direct exchange, was practically non-existent. Town economy was only a transitory stage of a few decades. During that period, mill owners, shoe-makers, clock-makers, etc., sold their products directly in the near-by markets. Shop-keepers, and commission men, however, were in existence at this time.

With the rise of metropolitan economy, the middlemen came into being, in all their categories as brokers, commission men, jobbers, wholesalers, bankers, insurance agents, etc. The widening of the market necessitated such factors. Thus, New England textile mills began to market their goods through the following means:[1] (1) Consignment on commission to wholesale merchants; (2) employment of a selling agent; and (3) sale by auction through a regular selling organization and exchange. These organizations assumed the function of distributing the goods of the manufacturers. They consigned the goods in small quantities to the retail stores of the immediate neighbor-hood, and shipped them in larger quantities to other wholesalers at New York and cities farther south.

New York became, then, at an early date, a great wholesaling center, whence goods were consigned to other cities of the country. But with the greater westward drift of population, Cherrington maintains that the jobbing trade has also moved on. Thus, every metropolitan center of the United States has become a great jobbing center for the tributary cities of the region.

We find, then, that the metropolitan centers contain a large number of wholesalers, who function for the smaller retailers in the respective areas.

1. Clark, History of Manufactures in the United States, pp. 356-357 (1910).

Just as wholesalers became an indispensable factor in London's marketing mechanism, so they have been vital elements in American metropolitan marketing. In the modern system of distribution, however, as will be indicated later, it appears that independent wholesalers have been losing their important position. But since wholesalers have been and still are so important, we must briefly enumerate their functions.

2. Functions of Wholesalers

Under the metropolitan marketing system, there is a concentration of population in the cities. Consequently, the greater part of the consumers are distantly removed from the producers. It is, therefore, necessary to employ intermediary factors who devote their attention to bringing buyer and seller together.

The following specific functions of wholesalers are enumerated by Shaw: (1) sharing the risk; (2) transporting the goods; (3) financing the operations; (4) selling; (5) assembling, assorting, and re-shipping.[1]

The manufacturer was for a long time primarily concerned with production. In fact, he did not have enough capital to engage in the marketing process. So, wholesalers arose, who shared the risk in distribution, by giving credit to retail trade. Marketing was a slow and clumsy process prior to about 1860, because of lack of transportation facilities. It was, therefore, necessary that a middleman do the marketing, because he could devote more of his time to the transportation of goods. Likewise, the middleman could devote all his capital and energy toward the selling, the assorting, and the assembling of goods. The problem of production rested heavily on the manufacturer, and it was absolutely essential for his success, and for the benefit of the public, to employ middlemen. Some of these functions, however,

1. Shaw, Some Problems of Market Distribution, Quarterly Journal of Economics, vol. 26, p. 731 (1912).

have become less significant, as will be noted in the discussion of the relation between wholesalers and the national market.

3. The Wholesaler in Relation to the National Market

While the earlier producers in metropolitan economy, of necessity, had to concentrate all their attention on production, the present-day manufacturers in the national marketing field, are, for various reasons, enabled to direct a large amount of activity toward marketing. To establish more personal relations, and to eliminate many useless expenses, many producers are now taking over the wholesaling function under their own management. The greater efficiency of the producer, the lessening of risk through insurance companies, the easier means of transportation through a well developed railroad system, the more available capital through corporate organization and banks, the clash between certain manufacturers and wholesalers, and the creation of demand through national advertising, have all facilitated the modern trend to shorten the process of distribution.

Present-day manufacturers are today selling direct to the new types of retailers, namely, department stores, chain stores, cooperative organizations, and mail order houses. Producers, with an extensive national distribution, have established branch houses in the largest cities of the country, and many employ a large force of salesmen in order to give the best service to such retailers.

To ensure themselves of a permanent clientele of both retailers and consumers, manufacturers have adopted certain trade-marks and brands. Thus, the consuming public comes to know a certain article by its brand, as, for example, the "Arrow" collars of Cluett, Peabody, and Co., and the "Rexall" articles of the United Drug Company. These trade-marks are advertised so extensively and intensively in a national way, that they are perceived alike by all in almost every part of the country. Hitherto, when the wholesalers did practically all the selling, they put their own house brand on different articles. Thus, a manufacturer's product was apt to have as many brands as wholesalers.

Misbranding and unwillingness to push certain firms' products, led to discontent on the part of more potent manufacturers. Accordingly, they ventured into the field of wholesaling on their own account. Now when a producer permanently adopts one brand for the whole nation, he must keep his product of the best grade in relation to the price, or he may lose large portions of his clientele.

But there are also many manufacturers who are selling direct to the consumer. In our study of the United Drug Company, we will see that they operate successfully over two hundred retail stores in the United States. Likewise, the Walk-Over Shoe Company has also established retail stores. Then, too, many manufacturers have retail outlets in the factory itself, for the consumers. Many mail-order houses do a considerable part of their manufacturing, and sell the products directly to the consumer. It is, therefore, very difficult to find wholesalers, who operate on a national scale. It appears that wholesaling and jobbing belong essentially to the metropolitan organization; for the manufacturers and retailers, who make the national marketing operation possible, have ventured to manage their own functions of wholesaling.[1]

To compensate their lessening influence, wholesalers, themselves, are

1. The following advantages are claimed to be derived by manufacturers, who have taken over, under their own management, the wholesaling functions of selling, assorting, assembling, and reshipping: (1) obtain entire time of trained men, devoted solely to the handling of their products; (2) obtain direct contact with the retail buyer, who, he finds, prefers on the whole to buy directly from the manufacturer; (3) enabled to carry larger and better assorted stock than wholesaler would be willing to carry; (4) credit losses are less when the wholesaler is eliminated; (5) maintain better control of policy and prices.

Shaw, Some Problems of Market Distribution, <u>Quarterly Journal of Economics</u> (1912), vol. XXVI, p. 739.

turning to manufacturing. It is almost impossible to find wholesalers with an exclusive jobbing trade, who have a wider marketing area than that of a metropolitan region. It appears that wholesalers who enter the national marketing field, must, in order to compete with other producers, enter the field of manufacturing. Thus, the Simmons Hardware Company of St.Louis, which started out as a purely jobbing firm in the last quarter of the 19th century, and which has now a national market, does fifty per cent of its own manufacturing, leaving only fifty per cent for actual wholesaling. Likewise, the Ely and Walker Dry Good Company of St.Louis[1] carries on an extensive wholesaling business in twenty-two of the largest cities in the country; but they also do a large amount of manufacturing, which places them in a producing rather than a wholesaling class. In the same manner, Patrick and Company of Duluth, which started out as a jobbing firm, has become a manufacturing firm of national importance.

In my research work for this thesis, I have found only one purely wholesaling or jobbing firm, which has a national market, namely, Butler Brothers Company of Chicago. Further search would doubtless disclose others; perhaps many others.

Butler Brothers Company is a firm which is engaged in the selling of general merchandise at wholesale to retail merchants.[2] The firm was started in Boston in 1873, doing a jobbing trade in five and ten cent notions. The Butler Brothers soon sold out, and moved to Chicago, where the business has developed into its present immense proportions. In addition to the parent plant in Chicago, the company maintains distributing houses in New York, St.Louis, Minneapolis, Houston, and Dallas. Sample houses are located in

1. Ely and Walker Co., Merchandise News, (Sept., 1920), p. 1.

2. Information submitted by Butler Brothers Company, Minneapolis.

Omaha, Milwaukee, Cleveland, Kansas City, San Francisco, and Seattle. Thus, we note that their distribution is facilitated in all parts of the country, by the establishment of branches in strategic cities.

The firm is in reality a wholesale mail order house. Only a very few salesmen are employed. Catalogues are sent out to retailers, who do their buying through mail orders, or by personal visits to the various branches.

In the distribution of its goods, the firm does not divide the regions into distinct metropolitan regions. The Minneapolis house reaches beyond the metropolitan district, and serves Nebraska, Oregon, Washington, Idaho, and Alaska. In like manner the Chicago house distributes goods to California, because of ample railroad facilities.

The Butler Brothers Company does only a negligible amount of manufacturing, but the entire output of many factories is purchased. The firm maintains that it can serve retail merchants just as cheaply as, and perhaps more efficiently than, manufacturers who sell direct.

The Company claims that it sells goods to retail merchants in practically every town of over 200 population in the United States. A large amount of goods is also shipped to Canada. The managers maintain that the firm owes its success, in the establishment of an intensive national market, to the selling of popularly priced, yet high grade goods.

Thus Butler Brothers, who really call themselves "jobbers", operate a very successful national market. It is evident, therefore, that it is not impossible for wholesalers to go beyond the metropolitan areas and establish a national distributive area. By concentrating his effort on the marketing side, it would seem that the independent wholesaler could operate a more efficient distributive system. There is danger, perhaps, of the producer's organization's becoming too complex if he attempts too intensively to control both ends of production, manufacturing and marketing. Time alone will tell which system shall prevail, although tendencies at the present time seem to indicate the elimination of independent wholesalers in the national marketing scheme. Substantiation of the fact that manufacturers and retailers, who have a national market, have eliminated independent wholesalers, will be given in Chapters III and IV.

C H A P T E R I I I

NATIONAL MARKETING AS CARRIED ON BY MANUFACTURERS

CHAPTER III

NATIONAL MARKETING AS CARRIED ON BY MANUFACTURERS

1. Outline of the Growth and Development of Manufactures in the United States.

The Colonial Period.

The industry of colonial times was primarily agricultural. In the South, the Cavaliers maintained large plantations; but in the North, the more democratic Puritans worked small farms. The southern colonies exported tobacco, rice, indigo, and cotton to the Mother Country, and in turn, received the staple and more luxurious articles of manufacture. But the less favorable climate and soil of the North could yield only a few products, to which England's market was largely closed. Consequently, the balance of trade swung low for the New Englanders. Their precious coin had to replenish the deficits. Such an embarrassing situation led inevitably to the establishment of secondary industries.

A great deal of household industry was developed in many colonial homes, particularly in the middle and northern colonies. During the long winter, ample time was found for carrying on a system of usufacture. The women carded and spun the wool, and wove the cloth; the men tanned leather and made boots. But such a state of self-sufficiency could not long exist. As population increased, a wider demand would lead to a wider scope of industry to satisfy the growing market.

As demand arose, household industry was followed by the handicraft stage. Shoe-makers, weavers, and other hand workers set up their own little shops, wherein goods were produced according to order or chance-sale. Miss Hazard, who made a study of the boot and shoe industry,[1] states that the shoe-maker

1. Organization of the Boot and Shoe Industry before 1875, Quarterly Journal of Economics, vol. 27, pp. 236-262 (1913).

had his shop where he worked on his own or customer's supply of leather, and made boots according to the orders received. In this stage, the shoe-maker dealt directly with the consumers, and was, during this period, contemporaneous with town economy. In a like manner, coarser grades of cloth, hats, joiner's work, tools, and nails were made in the colonies. Better grades of cloth, ironware, cutlery, silks, and luxuries were imported. In the middle colonies, iron ore was found and smelted, some of which was exported to England. The homes of the merchant and planter alone afforded the convenient and luxurious articles of importation; the masses of farming and laboring people were far more scantily supplied by the cruder goods of home production.

Doubtlessly, colonial manufactures would have developed rapidly, but they were hampered by British restrictions,[2] as well as by lack of capital and skilled labor. England was cautiously supporting her own growing industries. The colonies were forbidden to make woolen goods for sale in America, or for export abroad. In 1732,Parliament forbade the exportation and intercolonial sale of hats, in order to protect the trade of the London hat makers. To guard the iron industry of England, the colonies were permitted to make only pig and bar iron. Distance, however, prevented rigid enforcement of the many restrictions.

The expanding home market and the natural energy of the people encouraged, to some extent, the development of manufactures. In the development of industry, the colonists often went directly from the handicraft to the centralized stage, omitting the intervening domestic or assemblying system.

1. In Boston, a Paul Hathaway kept a "15 x 20 shop", and employed three journeymen, and two apprentices. The shoes spoiled by the employees were disposed of by the master. A surplus was also often taken to grocery stores, where the stock was sold.

2. Weeden, Economic and Social History of New England, 1620-1789, vol. II, pp. 722, 504, 684 (1891).

As early as 1753, a linen manufactory had been established in Boston.[1] This was a central workshop, operated by hand machinery, where spinning, weaving, and bleaching were carried on. It is probable that the articles, produced, were sold in the immediate territory of Boston.

After the outbreak of the Revolution in 1776, a new turn was taken in industry. British restrictions were eliminated, and each state or colony set about to develop manufactures to supply the market. Progress in steel manufacture was evidenced by the establishment of numerous furnaces and forges. One hundred thousand fire arms were produced yearly by the Quakers alone. In Pennsylvania, twenty-one powder mills were in operation. Paper, glass, and pottery mills were established. Great pride and enthusiasm were manifested for things made in America; such patriotism was highly instrumental in spreading the market beyond its former narrow confines. When the war was over, a more active domestic commerce was established.

<u>Period from 1783 up to 1860</u>.

Generally speaking, in the period from 1783 to 1860, the industry of the New England and Middle states was largely in the centralized stage. In the newer western districts, the household, handicraft, domestic, and centralized systems followed one another, as the communities developed. In the South, the plantation system prevailed, hence, the greater part of the manufactured articles were imported. A more active domestic commerce was continually developed throughout the period.

"In 1784, Pittsburgh was making lumber, brick, and iron for the Ohio trade, and supplied the materials for building Louisville. Before the adoption of the

1. The building was erected by Massachusetts Bay Company, and was financed by taxes. It aimed to give work to the poor, and to teach the young people to engage in industry. Evidently, it could not have been hard pressed by the needs of any market.

Constitution, its pioneer newspaper advertised the shops of gold-and silversmiths, other metal workers, cabinet makers, and manufacturers of farming tools."[1] These varied industries indicated the diverse demands of the market. "In 1790 the Kentucky settlers were manufacturing a greater variety of things than were the people of New York in 1765. Improved communication and the deepening inland of the frontier were promoting a division of labor among different sections of the country.------ Already under the Confederation, according to a contemporary observer, Pennsylvania actually became to a considerable extent the same resource for the furnishing trade to the southern states that England had been before."[2] The former fact is significant, because it indicates how rapidly domestic markets were established after the war.

The first important factory in America was established in 1793 in Pawtucket by Slater, an English immigrant. At the beginning of the nineteenth century, articles produced in this factory were marketed in Kentucky.[3]

In 1807 commercial estrangements between England and America culminated in the Non-Importation and Embargo Acts of the latter country. These laws were disastrous to commercial interests, but were beneficial for the establishment of manufactures. The war of 1812 gave additional stimulus to the rise

1. Clark, History of Manufactures in the United States, p. 107 (1910).
2. Ibid., p. 230.
3. Ibid., p. 356.

Slater left England when the Industrial Revolution was beginning, and had carried the inventor Arkwright's plans in his mind. Hence, he built a "water frame" for spinning, that could be operated by water power. Almy and Brown, commercial men, supplied the capital and a cotton factory was started. From this enterprise, the large modern cottonfactories of Pawtucket were developed.

of factories, and consequently, many merchants turned their capital from shipping into manufactures.[1] For eight years, from 1807 to 1815, the American manufacturers were practically unhampered by British competition, and thus, had the home market to themselves. At the close of the war, New England supplied a large part of the country's merchandise, and sent many million dollars worth of manufactured products to the agricultural South, which previously had purchased such articles abroad.

Industry developed rapidly in the period from 1815 to 1860. However, one must remember that "the great extension of settlement tended to maintain those frontier conditions characteristic of our colonial history. Great districts remained sparsely populated, with imperfect means of local communication, and by necessity largely self-subsisting. Consequently, we mark no decline, but rather a decided increase in the aggregate product of homespun industries."[2] Thus, some districts were restricted in their marketing to local areas, while others were in a metropolitan marketing area.

The rapidly growing population and the rising standard of living increased and diversified demand. By the end of the period, the frontiersmen had wedged their way through the wilderness, until they finally had reached the Golden Gate. No longer was the home market confined to the coastal states, and the Ohio and Mississippi valleys, but now it stretched across the continent, in spite of the self-sufficiency of many sections. The tastes of the people had become more varied; the inhabitants of the well-developed East demanded more luxuries and comforts. The American manufacturers had to enlarge the production of their factories, therefore, to satisfy the growing market.

1. Fish, <u>Development of American Nationality</u>, p. 133 (1919).

2. Clark, <u>History of Manufactures in the United States</u>, p. 355 (1910).

Introduction of steam navigation and the improvement of waterways by means of canals, opened new markets for the rising manufactures. Sections began to specialize in products best adapted to their vicinities. Pennsylvania, in the heart of mines, was becoming the center of the steel industry. Cincinnati, with a large number of livestock in the surrounding territory, developed a considerable packing industry.

In 1840 the railroads furnished a still greater impetus to the growth of manufactures and the widening of the market. Markets could now be reached more quickly and by a more direct route. The process of transporting raw materials was accordingly simplified. Industrial centers were no longer confined to rivers, for overland transportation broke the isolation of inland towns.

Widened markets, brought about by increased demand of the more settled communities, and by improvements in transportation facilities, facilitated the growth of manufactures. In 1809 there were 80,000 spindles in the country, but in 1860, there were 5,280,000.[1] Likewise, approximately 406,000 tons of pig iron were produced in 1809, but in 1860 approximately 885,000 tons were produced.[2] These figures show the tremendous growth of factories, but it was not until after 1860, however, that the Industrial Revolution was effected in the United States.

<u>The Period from 1860 to the Present</u>.

"The Civil War, with the abolition of slavery, embraces so many and so necessary economic implications that it logically concludes an era in the country's development. During the period which it closes, primary industries, especially agriculture, were unquestionably dominant in our national economy; the interest of the people was absorbed in problems of production, to the

1. Fish, <u>The Development of American Nationality</u>, p. 376 (1919).

2. <u>Ibid</u>., p. 376.

comparative neglect of questions of distribution; manufacturing labor was mostly of native stock; and the frontier, with its unoccupied public domain, continued to exercise unimpaired a controlling influence over investment, wages, and the distribution of population. Very rapidly after the war, these conditions were modified or reversed; not by reason of that event, but because the war itself resulted from a shifting of industrial as well as political forces that unsettled the stability of society."[1]

Many factors contributed to the revolution in industry after 1860. There was a wholesale application of steam power to industry. As such, factories grew by leaps and bounds, and industries developed to large scale dimensions. An abundance of natural resources facilitated production. Cheap and plentiful labor was obtained through the large immigration to this country. By means of available capital, great enterprises were ushered in, which culminated in the highest organization of factory economy. Many of the small, dispersed industries were gathered into one large whole by combination and integration.

Of course, we must not forget the widening of the market, which was such a vital factor in the establishment of large-scale production. Establishments of settlements in every section of the United States, with the corresponding construction of railroads, furnished a big national area for marketing. Trade was most active in the metropolitan districts, each with its dominant center. Since the Civil War, the population has increased from 31,000,000 to 110,000,000, which indicates that there is an enormous demand to supply in the home market. In addition, however, a vast inter-national trade is also carried on.

The New England and the Middle Atlantic states were and are still supreme in the amount of manufacturing. Although industries are largely localized in

1. Clark, History of Manufactures in the United States, p. 234 (1910).

the East, a comparatively large amount of manufacturing is also done in the West. Large cities have grown up which teem with industry and trade. One solid network of marketing is carried on between cities, and different sections of the country. But before we continue, it may be well to consider more in detail the nature of the present organization, the factory system.

2. Nature of the Present Organization: the Factory System.

The household, handicraft, and domestic systems of the past, have now completely given way to colossal, large-scale factory production. In turn, village and town markets have been superseded by metropolitan trade, which is, perhaps, being followed by big-scale national distribution or marketing.

Bücher maintains that concentration of demand has necessitated large-scale production, and substantiates his point as follows: "The aggregations of human beings that have been formed in the great cities in the course of the last half century, furthermore standing armies, the large state and municipal institutions, prisons, hospitals, technical schools, etc., the extensive establishments for transportation, factories, and larger undertakings in the departments of trade, banking, and insurance, all form centers of wholesale demand for industrial products. To these are added the great departmental warehouses, export businesses, and cooperative societies, focusing the demand of large sections of the population at a few points. This demand they are no longer able to satisfy as customers of individual craftsmen."[1]

But this demand for large-scale production is not merely confined to densely populated centers; it is also voiced in sparsely settled agrarian communities. This, then, creates a uniform need for massive industry.

It is evident that an ever-widening and varying market necessitated a new industrial development. As a consequence, concentration, combination, and

1. Bücher, Industrial Evolution, p. 192 (1901).

integration are now the pillars of industry.[1]

Concentration, or large-scale production, may have varying meanings.[2] Sometimes it means that an individual plant utilizes a large amount of capital. Smaller plants have combined under one management, so as to increase the power of output. Sometimes concentration means combination of a number of plants of the same kind, usually termed horizontal combination. The term "large-scale market administration" might also be applied, because increase in size comes primarily from economies in marketing and administration. Large-scale production may also refer to integration or "vertical combination", which unites, under one management, all the consecutive processes in the manufacture of a product.

Thus, the mammoth flour mills have replaced the village mill with its crude millstone. Numberless concrete elevators hold the grain, instead of the small canvas sacks used in the early mills. Every stage in the manufacture of wheat into flour is specialized, so that one man cares for only one minute part of a process - whereas, the miller of old performed the whole process alone. The old village mill supplied only the immediate market, but the modern mills supply a market intra- and inter-national in its scope.

Manufacturers have now developed such an efficient system of production that they can turn their efforts toward distribution. As a consequence of combination and integration, many producers are powerful enough to build up intensive intra- and inter-national trade.[3] By means of national advertising, salesmen, and branch houses, many manufacturers have established and are

1. Of course, there are exceptions where the very nature of the process necessitates the retaining of handicrafts, as in custom trade, and of small factories.

2. Marshall, Readings in Industrial Society, p. 634 (1918).

3. A discussion of the inter-national market cannot be included in this thesis. Lack of time would not permit an adequate treatment of the subject.

establishing a national market, i. e., a distribution of their products in every state of the Union. In the remainder of this chapter, we shall devote our study to such manufacturers.

3. A Study of Various Manufacturing Firms in their Relation to the National Market.

So far, we have considered the development of manufactures with emphasis on their relation to marketing. Such a study is included, because it may serve to give a clearer concept of the present system. We have noted how manufactures have developed from the first to the last stage, and how the market has correspondingly widened from a state of self-sufficiency to an area more or less national in its extent. We will, then, take up for further study the following industries, having firms which approach a national market:

1. The Meat Packing industry.
2. Agricultural Implement industry.
3. Motor Car industry.
4. Boot and Shoe industry.
5. Men's Clothing industry.
6. Patent Medicine industry.
7. Drug Industry.
8. Soap industry.

It must be remembered that the industries selected have developed into their present proportions since the Civil War. It will also be observed that the firms in our study have taken over the wholesaling function under their own management.

The Meat Packing Industry

"Upon frontier tables, salt fish and bacon were considered luxuries. - - - In the eighteenth century there was no refrigeration, except as some New England farmers, late in the fall, killed a thousand pounds or so of fattened poultry which they packed in snow for winter marketing. - - - The only commercial processes of preserving meat were by salt-pickling, dry-salting, and smoking. Farmers and planters, who stored and packed their own animals, brought to market the excess not needed by their families. Merchants took livestock in exchange for goods and had it killed and packed by men who made a specialty in this business. Some packers were themselves dealers in cattle and provisions, combining in their own hands both manufacturing and merchandising."[1] By 1820 packing had become a specialized industry in Cincinnati. Meats were salted, cured, and smoked, and lard was rendered. By the middle of the Century, however, the industry was migrating to Chicago. In 1861 the Yards were designed primarily to furnish meat to Chicago. There were then no central packing houses, with branches and car routes, making distribution simple and efficient over great territories.[2]

Since 1870 the packing and marketing of meat have been revolutionized. The demands of an ever increasing, consuming public for steady supply of meat, for uniform high quality, and for efficient service, necessitated a change in the meat industry.[3] To obtain a picture of the marketing side of this industry, we may investigate separate firms.

Swift and Company[4]

In 1875 Gustavus Swift of Barnstable, Mass., where he had been buyer, butcher, and peddler of meats, came to Chicago.[5] He had also been a cattle

1. Clark, History of Manufactures in the United States, p. 482 (1910).

2. Swift & Co., Meat Packing Industry in America, p. 4 (1920).

3. Ibid., p. 3.

4. Information obtained by letters and pamphlets from Weld, Commercial Research Manager, Swift & Co., Chicago.

5. Swift went to work for a butcher for $1.00 a week when he was fourteen years old. After he had learned the business, his father loaned him $20.00 with which he bought a heifer, which he killed and dressed himself. He peddled the meat around Barnstable, and made a profit of $10.00.
Weld, A Big, Vital American Industry, Banker's Magazine, (Reprint), p. 3 (1920).

dealer in Boston and Buffalo. As a man of great foresight, he set about to better conditions in the meat industry. Refrigerated cars, for the transportation of fresh meats to distant markets, were brought into operation; coolers for storage were conceived; and mechanical contrivances for slaughtering were invented. Accordingly, large packing firms have since been developed, the five largest being Swift, Armour, Cudahy, Wilson, and Morris.

Most of the livestock shipments of the country move to certain large livestock markets, where the packers have their plants.[1] Swift and Co. have twenty-four plants, situated in various sections of the United States from Boston, Mass., to Fort Worth, Tex., and from Portland, Ore., to Moultrie, Ga., as illustrated by the accompanying map. The parent plant, the largest of the group, is located in Chicago. Although the slaughtering plants are relatively well distributed, the greatest concentration occurs in the Middle West, which is nearest to the stock-raising districts. In these plants, the animals are slaughtered,[2] the meat is dressed, cooled, and packed for shipment

1. Each of these markets has stock yards where the animals are unloaded, fed, and watered, and held until ready for slaughter, or in some cases until shipped to markets farther East. The livestock comes to the yards consigned to commission merchants, who are expert salesmen. Many of the stock yards are owned wholly or in part by the large packers, who then have plants in conjunction with the yards. The packer maintains a buying organization to properly select the animals to be purchased.
Weld, A Big, Vital American Industry, Banker's Magazine, (Reprint), pp. 7-8 (1920).

2. The annual dressing capacity of these plants is over 3,000,000 cattle, 8,000,000 hogs, 5,000,000 sheep, and 1,000,000 calves - or over 57,000 animals every working day, 120 every working minute. "This is an interesting contrast to the activities of the Swift plant sixty years ago - a New England farm boy driving an unruly heifer along the Barnstable highway to a barn, where he dressed the beef with his own hands, took it to market, and even sold it himself."
Swift and Co., The Meat Packing Industry, p. 15 (1920).

in refrigerated cars to the various branch houses of the Company. Meat from the Chicago cooler is distributed over the country, and were we to follow it in its travels, we would probably find some of it served as roast beef in Boston, sirloin in New Orleans, and porter-house in Los Angeles.[1]

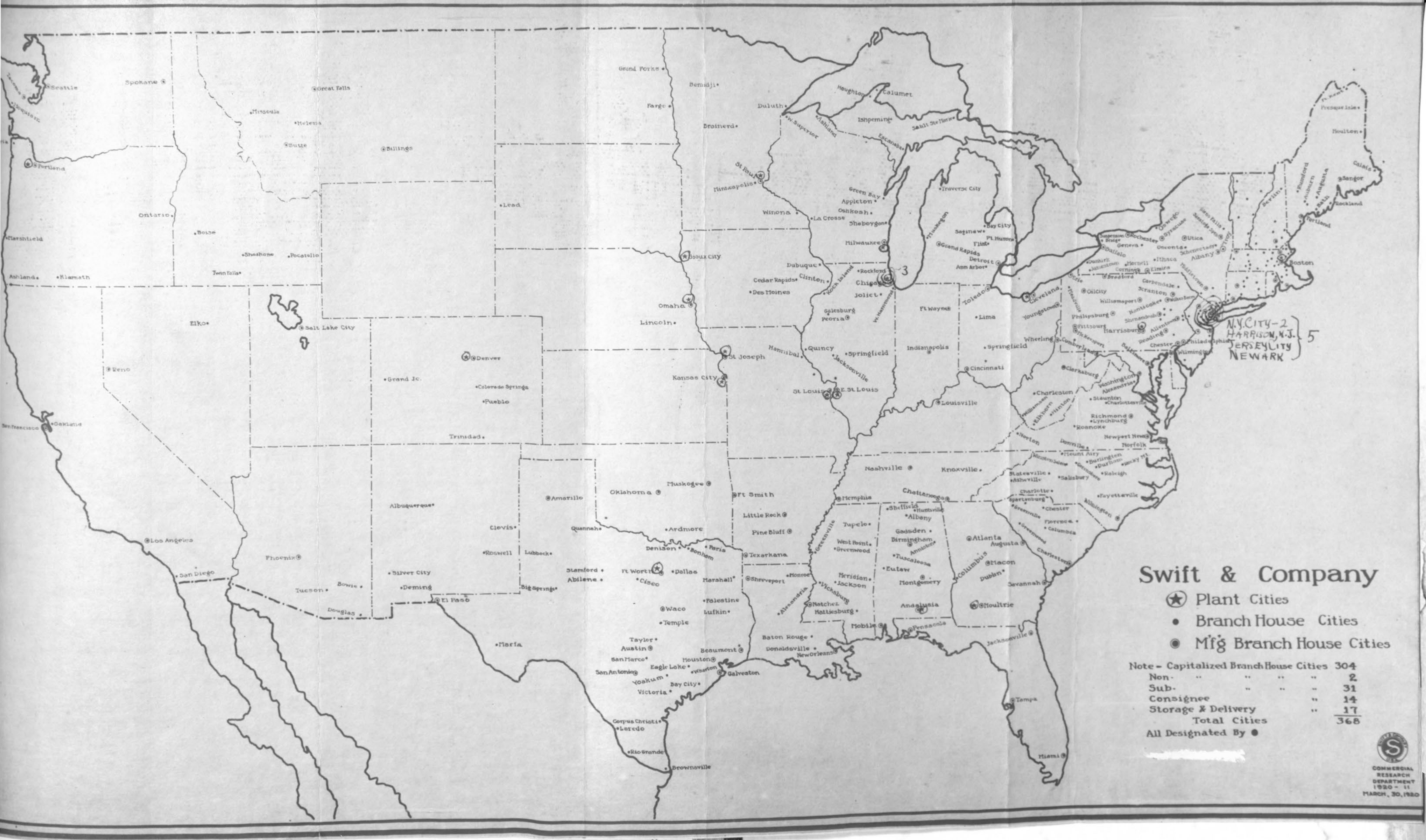
Swift and Co. have approximately 400 branch houses, located in the principal cities of every state, except Wyoming. It will be noted by the accompanying map that the houses are more numerous in the East and South, because of the concentration of population in those sections. The more sparsely populated districts are provided for by means of car line routes. Traveling salesmen are sent out into the territory to sell direct to retailers. Then, too, retail butchers or grocers in the immediate vicinity may telephone their orders, or they may go to the house itself. According to the density of population in various sections, the whole country is literally peppered with Swift and Company's branch houses.[2] By means of these branches, the Company attains a national market, and sells the meat at wholesale price to retail butchers all over the country.

Car line routes furnish another means of distribution. This system consists of loading refrigerator cars with shipments for a dozen or more towns located on a railroad. Deliveries are made weekly or bi-weekly, direct from the packing plants.[3] South Dakota, which has only one branch house, is

1. Swift and Co., The Meat Packing Industry, p. 42 (1920). The slaughtering plant in Boston is not large enough to supply that portion of Eastern territory.

2. These houses have refrigerating facilities for storage, and expert meat handlers and cutters are maintained. A delivery force delivers the meat to the nearest retailer, and a shipping force controls shipments to the smaller towns. If the reader will look at the maps on pages 27 and 129 of the Federal Trade Commission Report No. III on the Meat Packing Industry, he will find the relative strength of the five big packers in the slaughtering and distributive processes in the United States.

3. Weld, who is manager of the Commercial Research Department, maintains that this is a very satisfactory and economical method of supplying the trade in small and scattered territory. (Correspondence, Nov. 17, 1920.)



Swift & Company
Plant Cities
Branch House Cities
M'f'g Branch House Cities
Note - Capitalized Branch House Cities 304
Non- " " " " 2
Sub- " " " 31
Consignee " 14
Storage & Delivery " 17
Total Cities 368
All Designated By ●
COMMERCIAL
RESEARCH
DEPARTMENT
1920 - 11
MARCH, 30, 1920
N.Y. CITY - 2
HARRISON, N.J.
JERSEY CITY
NEWARK
5
3
Seattle
Spokane
Great Falls
Missoula
Helena
Butte
Billings
Portland
Ontario
Boise
Shoshone
Pocatello
Twin Falls
Marshfield
Ashland
Klamath
Elko
Salt Lake City
Reno
San Francisco
Oakland
Los Angeles
San Diego
Phoenix
Tucson
Bowie
Douglas
Grand Jc.
Denver
Colorado Springs
Pueblo
Trinidad
Lead
Albuquerque
Clovis
Roswell
Silver City
Deming
El Paso
Marfa
Grand Forks
Bemidji
Fargo
Brainerd
Duluth
St Paul
Minneapolis
Winona
La Crosse
Sioux City
Omaha
Lincoln
St Joseph
Kansas City
Cedar Rapids
Des Moines
Dubuque
Clinton
Rock Island
Galesburg
Peoria
Quincy
Hannibal
Springfield
Jacksonville
St Louis
E. St Louis
Chicago
Rockford
Joliet
Milwaukee
Sheboygan
Oshkosh
Appleton
Green Bay
Ashland
W. Superior
Houghton
Calumet
Ishpeming
Escanaba
Sault Ste Marie
Traverse City
Muskegon
Grand Rapids
Saginaw
Bay City
Flint
Pt. Huron
Detroit
Ann Arbor
Toledo
Ft Wayne
Lima
Indianapolis
Springfield
Cincinnati
Louisville
Cleveland
Youngstown
Wheeling
Pittsburg
Buffalo
Rochester
Syracuse
Utica
Albany
Oswego
Geneva
Ithaca
Elmira
Oneonta
Binghamton
Scranton
Wilkesbarre
Williamsport
Harrisburg
Allentown
Reading
Chester
Philadelphia
Wilmington
Baltimore
Boston
Portland
Bangor
Rockland
Calais
Houlton
Presque Isle
Augusta
Rumford
Clarksburg
Charleston
Staunton
Charlottesville
Washington
Alexandria
Richmond
Lynchburg
Roanoke
Norton
Danville
Newport News
Norfolk
Durham
Raleigh
Salisbury
Statesville
Asheville
Charlotte
Spartanburg
Chester
Greenville
Florence
Columbia
Fayetteville
Wilmington
Charleston
Augusta
Atlanta
Macon
Savannah
Moultrie
Jacksonville
Tampa
Miami
Pensacola
Mobile
Montgomery
Andalusia
Birmingham
Gadsden
Anniston
Tuscaloosa
Eutaw
Columbus
Dublin
Nashville
Knoxville
Chattanooga
Sheffield
Albany
Memphis
Tupelo
West Point
Greenwood
Greenville
Meridian
Jackson
Vicksburg
Natchez
Hattiesburg
Monroe
Alexandria
Shreveport
Baton Rouge
Donaldsville
New Orleans
Ft Smith
Little Rock
Pine Bluff
Texarkana
Muskogee
Oklahoma
Ardmore
Amarillo
Quannah
Lubbock
Big Springs
Stamford
Abilene
Denison
Bonham
Paris
Ft Worth
Dallas
Cisco
Marshall
Palestine
Lufkin
Waco
Temple
Taylor
Austin
San Marcos
San Antonio
Yoakum
Victoria
Eagle Lake
Wharton
Houston
Beaumont
Galveston
Bay City
Corpus Christi
Laredo
Rio Grande
Brownsville

served by car routes from South St.Paul; Wyoming, which has no branch houses, receives shipments from the Omaha plant.[1] By means of slaughtering plants and branch houses located in diverse sections of the country, and by means of car line routes, Swift and Company maintain an intensive national market.

Swift and Company employ no independent wholesalers to sell their meats, but have taken over that function under their own management. The Company has established such an efficient system of production, that attention can now be placed on a nation-wide distributive system under their own operation. Only a few sundries or by-products, such as soap and glue, are sold to jobbers.

Swift's meats are nationally advertised in popular magazines, and also in metropolitan newspapers. Since such publications enter the majority of homes in the country, a national demand for the Company's meats is built up. By following up the advertisements with an efficient distributive system, a national market is maintained.

Armour and Company[2]

A study of Armour and Company is strikingly similar to that of Swift and Company; hence, it is not necessary to go into detail. The plants of the Company are well scattered over the country in sixteen cities, as follows: Chicago, Kansas City, East St.Louis, Fort Worth, South Omaha, Sioux City, St.Joseph, Denver, New York City, Fowler Kansas City Plant, Jersey City, Indianapolis, Jacksonville, Spokane, South St.Paul, and Tifton, Ga.[3]

1. None of the big packers have established branch houses in Wyoming. Apparently the whole state, aside from the local supply, is served by means of car line routes.

2. Information obtained through pamphlets and letters sent by Orear, Manager of the Publicity Department, Chicago.

3. Armour & Co., <u>Seeing Armour's</u>, p. 1 (1920). The Armour plants have a cattle killing capacity of more than 1500 an hour. The Chicago plant handles 350 an hour.

Armour and Co. have approximately 400 branch houses[1] which reach the cities and large towns, especially in the East, where the urban population is greatest.[2] The more sparsely settled communities are more adequately served by the 197 car line routes of the Company. Approximately 3,700 towns are reached by car line routes.[3] Then, too, the Company operates a system of distribution by auto trucks. Approximately 20,836 towns are reached by auto trucks,[4] one-fourth of which are in the South Central States and one-fifth in the North Central States. In New York state there are over 1,000 Armour truck towns; so also in Pennsylvania and in West Virginia. In Texas there are nearly 1,600.

Like Swift and Co., Armours also have an extensive national distribution of their products. Practically every city, town, and hamlet of the country are reached by means of branch houses, car line routes, and auto trucks.

The modern packer has now made packing a national instead of a local business. The bulk of the people have now become largely dependent upon the packers for their meat, since practically every section of the country receives its daily meat from these manufacturers. In earlier times, people put up a supply of meat, which lasted throughout a whole season. Now housewives order from day to day, and a surplus is not kept in the larder. Since the packers control a large percentage of the total output of meat, our menus would doubtlessly be meatless, should their distribution halt for any length of time.

1. Armour & Co., _Year Book of 1920_, p. 28.

2. Federal Trade Commission, _Report on the Meat Packing Industry_, part I, p. 144 (1919).

3. _Ibid._, p. 143.

4. _Ibid._, pp. 143-144.

The Agricultural Implement Industry

Considerable interest in better agricultural implements was manifested after 1783. Washington imported a plow, and Jefferson experimented with a locally-invented seeding drill.[1] Here and there iron plowshares were made in the country furnaces. Shops that were fortunate enough to have a forge and a trip hammer, made scythes, axes, hoes, shovels, etc., for the local market. As early as 1829, a factory in Pittsburgh turned out one hundred plows a day for both immediate and distant markets.[2]

It was not until 1847, however, when the McCormick[3] factory was established in Chicago, that the agricultural implement began in an important sense. Numerous companies came into existence between 1850 and 1870, but only the most important of these are still in existence. In 1902 the five leading companies were merged to form the International Harvester Co. These companies, in order of their importance, were: The McCormick Harvesting Machine Co., the Deering Harvester Co., the Champion Machine Co., the Plano Co., and the Milwaukee Harvester Co.[4] Since the International is the largest corporation in this industry, it bears consideration from the marketing viewpoint.

1. Clark, History of Manufactures in the United States, p. 476 (1910).

2. Ibid., p. 478.

3. In 1840 McCormick of Virginia invented the reaper which was successfully used in that state. He started shops at Cincinnati and Brockport, but later he moved to Chicago, where the industry has developed to its present enormous dimensions.

4. Federal Trade Commission, Causes of High Prices of Farm Implements, p. 46 (1920).

The International Harvester Company[1]

The Company has immense manufacturing plants located in the following cities: Springfield, Ohio; Chicago (seven plants); Milwaukee; Akron (two plants); Chattanooga; Canton, Ill.; Rock Falls, Ill.; and St.Paul, Minn.[2] The total annual output of products runs into the millions. Demand for implements and tools, radiates from every section of the United States. But, of course, the Middle Western and Central States are the heaviest consumers.[3]

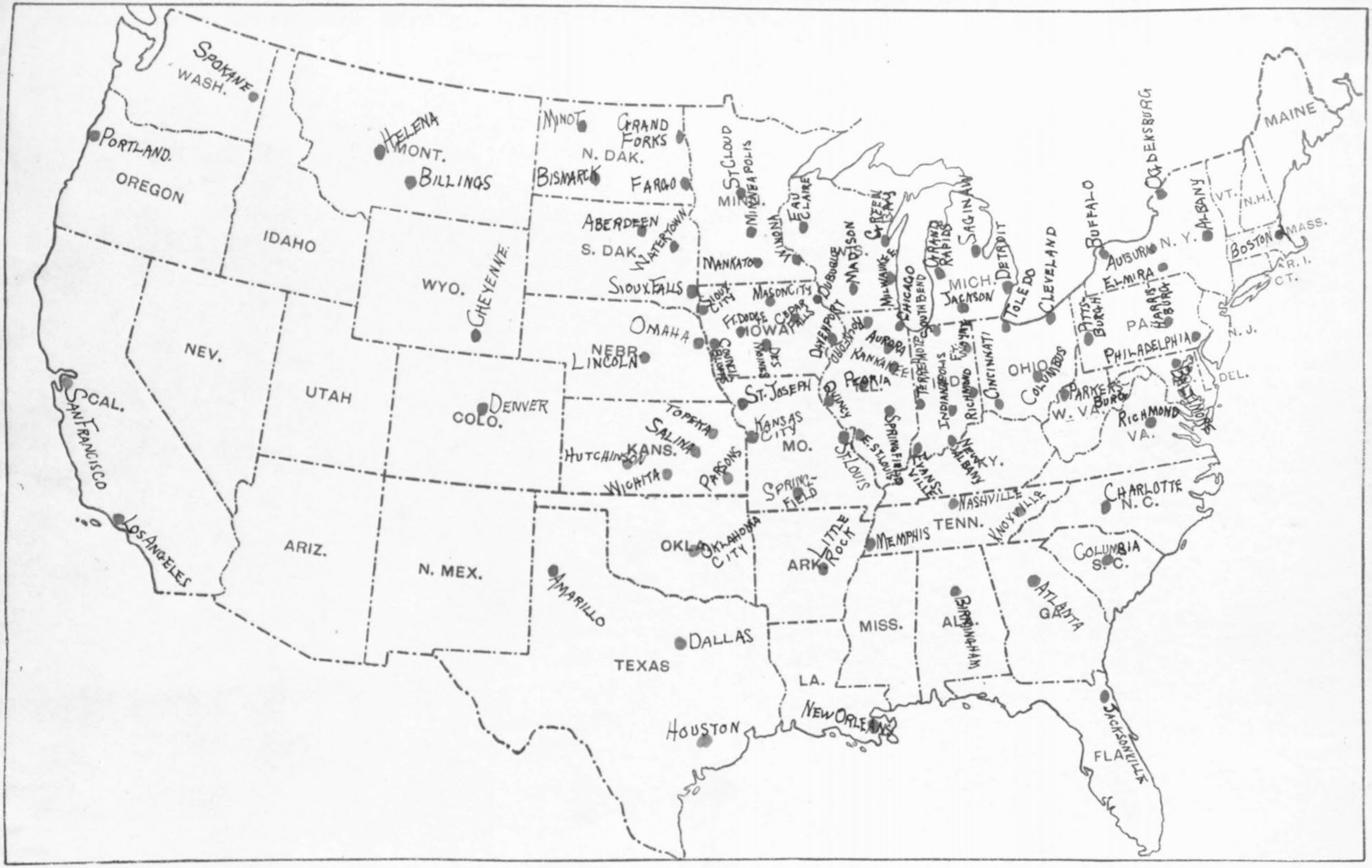
An immense marketing organization is maintained by the Harvester Company. As indicated on the accompanying map, ninety-two branch houses are in operation all over the United States. Of course, some states, as, for instance, Idaho, Nevada, Arizona, and New Mexico, have no branch houses, but that does not bar the organization from a claim to a national market. Few agricultural implements are needed in these sections, for the country is very mountainous. Where the mountains end, the desert mesas begin. Hence, acres and acres of land lie unreclaimed. The few irrigated sections obtain farm machinery from retailers who purchase from the branches in neighboring states.

In the United States and Canada there are some 18,000 dealers selling Harvester goods. Goods are also sold in fifty foreign countries. But naturally the largest market is in the United States, where agriculture has

1. Information obtained in literature and letters sent by Seyfarth, Assistant Advertising Manager, Chicago.

2. International Harvester Co., Annual Report, 1919, p. 23.

3. Over forty per cent of the establishments in the agricultural implement industry are located in the East North Central states group, which includes Ohio, Indiana, Illinois, Michigan, and Wisconsin. This centralization is partly due to the fact that the rapid agricultural development of these sections was in progress at the time when factory production of implements began. In 1914 over 75.2 per cent of the total value of output for the entire industry, was produced in this section.
Federal Trade Commission, Causes of High Prices of Farm Implements, pp. 46-47 (1920).



BRANCH HOUSES OF THE INTERNATIONAL HARVESTER COMPANY.

developed farther, and where the market is closest to the manufacturing and selling organizations.

The Harvester Company's trade, the firm claims, has developed in all sections to the point where it can be better handled by the organization itself, than by jobbers. Sales are made directly to retailers by "blockmen" traveling out of the various branch houses. Some salesmen, who operate in conjunction with the blockmen, are employed. Their services are often offered to an implement dealer to help him sell his stock of International machines.

The Company advertises nationally through the farm press. An intensive, direct-by-mail campaign on behalf of the local implement dealer, who extends the necessary cooperation, is carried on. An attempt is made to reach all the farmers of the United States, so that national distribution may extend even into the most isolated communities. An Agricultural Extension Department is maintained in the interest of better farming and general agricultural education. Over 120 different booklets on agriculture have been prepared, with a total distribution of more than 4,000,000 copies. Almost 70,000 meetings have been held, where charts and lantern slides have been displayed in connection with lectures. It is estimated that more than 11,000,000 people have attended these gatherings, which have been held in every state of the Union.[1]

Since the International Harvester Co., sells goods to approximately 18,000 retail dealers, it may well be said to have a national market. Of course, the trade is more vigorous in the more thoroughly agricultural states, but nevertheless, its products are distributed in every state of the Union.

1. International Harvester Co., Annual Report, 1919, p. 19.

The Moline Plow Company[1]

Another important organization in the agriculture implement industry is the Moline Plow Co. This firm was established in Moline, Ill., in 1865. Its market was extended by the rapid development of agriculture, until at the present time it has a sales organization reaching out over all the States. Since 1906 it has acquired the Mandt Wagon Co. of Stoughton, Wis., the Henney Buggy Co. of Freeport, Ill., the Monitor Drill Co. of Minneapolis, the Acme Steel Co. of Chicago, the Adriance Platt Co. of Poughkeepsie, N. Y. The corporation is under the control of the Willys-Overland Company.

In addition to the firms acquired since 1906, the Company has plow, truck, and tractor works in Moline and Rock Island, Ill. Branch houses or selling organizations are located as follows:

California Moline Plow Co.,	Stockton, Cal.
California Moline Plow Co.,	Los Angeles, Cal.
Colorado Moline Plow Co.,	Denver, Colo.
Dakota Moline Plow Co.,	Sioux Falls, S. Dak.
Eastern Moline Plow Co.,	Baltimore, Md.
Indiana Moline Plow Co.,	Indianapolis, Ind.
Iowa Moline Plow Co.,	Des Moines, Ia.
Kansas Moline Plow Co.,	Kansas City, Mo.
Louisiana Moline Plow Co.,	New Orleans, La.
Minnesota Moline Plow Co.,	Minneapolis, Minn.
Missouri Moline Plow Co.,	St.Louis, Mo.
Nebraska Moline Plow Co.,	Omaha, Neb.
New York Moline Plow Co.,	Poughkeepsie, N. Y.
Ohio Moline Plow Co.,	Columbus, Ohio.
Oklahoma Moline Plow Co.,	Oklahoma City, Okla.
Oregon Moline Plow Co.,	Portland, Ore.
Southern Moline Plow Co.,	Atlanta, Ga.
Texas Moline Plow Co.,	Dallas, Tex.
Western Moline Plow Co.,	Salt Lake City, Utah.
Moline Hooper Company,	Memphis, Tenn.

The domestic distribution is accomplished entirely through these agencies. These branches undertake all the selling activities, and make shipment of goods to their customers (retail implement dealers) in part from their own

1. Information obtained in a letter from Brown, Assistant Branch House Director, Moline, Ill. The Moline Plow Co. was purchased by the Willys Overland Co., in 1919, but it still retains the old firm name.

stocks and in part direct from the factories. The Company has approximately 6,000 regularly established dealers. But dealers who handle a small portion, or who handle the products only casually, bring the number up to 14,000.

The advertising of the Company is directed to dealers through trade journals, and to customers and farmers through the farm press. We note that the Company has branch houses located from New York to California, and from Oregon to Georgia. Its distribution extends to 14,000 retailers in every state of the Union, and although some counties may be omitted, we may surmise that it has a national market.

The Motor Car Industry

It may truthfully be stated that the automobile industry is the child of the twentieth century. The first appearance of a motor car was in the year 1893, when Mr. Haynes of Detroit succeeded in putting forth a "horseless carriage"; at the same time Dr. Olds (R. E. Olds) produced a similar invention. These cars were, of course, exceedingly crude and difficult to operate compared with the present day models. But after 1900, experimentation had proven the value of motor cars. Hence, the industry grew by leaps and bounds, until it is today one of the largest in the United States. That an industry could develop so rapidly in less than twenty years shows the remarkable resourcefulness and wide marketing area of the country. For even though the manufacturers did possess the inventions, the raw material, and the capital, the industry could not have prospered so remarkably without the general demand from every section of the country. Some of the most important motor car companies, namely, the Ford, General Motors, Chevrolet, and an "X" Company will be discussed in this thesis.

The Ford Motor Company[1]

A study of the Ford Motor Company is of special interest here, because it illustrates a remarkable growth of distribution in a period of sixteen years. In 1903, the year of its organization, 1708 cars were marketed, but in 1920, 1,250,000 cars were distributed throughout all sections of the United States.

The parent plant of the Company is located at Highland Park, a suburb of Detroit, Mich. Thirty-six assemblying plants which also serve as wholesale or sales branches for Ford dealers, are located in the following cities: Atlanta, Buffalo, Cambridge, Charlotte, Chicago, Cincinnati, Cleveland, Columbus, Dallas, Denver, Des Moines, Detroit, Fargo, Houston, Indianapolis, Jacksonville, Kansas City, Kearney, Los Angeles, Louisville, Memphis, Milwaukee, Minneapolis, New Orleans, New York, Oklahoma City, Omaha, Philadelphia, Pittsburgh, Portland, St.Louis, Salt Lake City, San Francisco, Scranton, Seattle, and Washington.[2] An analysis of the location of those cities will show that the branch houses are so situated that they can quickly supply retail dealers in all parts of the country. Thus, the tentacles run from Portland, Ore., to San Francisco, from Seattle to Jacksonville, and from New Orleans to Minneapolis. The Company performs its own wholesaling functions by selling directly from the branches to the retailers. It has been found more successful to sell direct to the dealer who comes in contact with the consumer.

1. Information obtained in literature and letters sent by Brownell, Advertising Manager of Ford Motor Co., Detroit. The Company started with a subscribed capital of $100,000, but only $28,000 has ever been paid into the treasury. It has always financed itself with its own resources; it has never sold any stock, issued any bonds, given any mortgages, but it has been able of itself to carry on and develop its business until today its invested assets are in excess of $300,000,000.

2. Ford and Co., <u>A Business Utility</u>, p. 56 (1919-1920).

There are 7,000 retail dealers who sell Ford cars in the United States. These cars are less expensive than other kinds, hence more people are able to purchase them - this, in turn, leads to a more intensive national distribution. We may say that the Ford Company has a national market, for "there are Ford dealers in all principal cities and towns throughout the entire country."[1]

The General Motors Company[2]

Perhaps the most gigantic industrial corporation in the United States is the "General Motors". It was incorporated in 1916, and acquired practically the entire stock of the General Motors Company of New Jersey. In 1918, it was affiliated with the Du Pont Company, which insures financial stability to the mammoth enterprise. Such a powerful organization does not contine its sales to a restricted market, but distributes its products over the entire nation, and in foreign countries as well. When new constructions are finished, the Company will have the following motor car capacity per annum:

Chevrolets,	625,000
Buicks,	200,000
Oaklands,	85,000
Oldsmobiles,	69,000
Samsons,	47,000
Scripps Booth,	25,000
Cadillacs,	25,000
G. M. C. Trucks,	20,000
Other Models,	10,000
Tractors,	130,000

These figures are given to indicate the extensive market of the Company. A brief analysis of one of the companies, follows:

The Chevrolet Company.[3] The Chevrolet car ranks next in popularity to the Ford, because it is a light machine, and sells for a reasonable price. The Company has a national market, because its distribution extends over all

1. Ford and Co., A Business Utility, p. 56 (1919-1920).

2. Moodys, Manual of Industrials, pp. 2584-2589, (1920).

3. Ibid., pp. 2587-2588 (1920).

the states. Manufactories are located in Flint, Mich., Tarrytown, N. Y., Fort Worth, Tex., Toledo, Ohio, and Bay City, Mich. Subsidiary selling companies are in Kansas City, Atlanta, and Minneapolis. The retailers may buy the cars direct from the factory, or through salesmen of the Company, or through subsidiary selling companies. Sales agencies are located in all the principal cities of the United States; and retailers are found in almost every medium-sized town.

The "X" Motor Car Company.[1]

The consideration so far has been confined to cars which are in largest demand. For means of comparison, we will take a more expensive and luxurious motor car.

The "X" Motor Car Co. was incorporated in 1909 in Michigan, with a factory located in Detroit. In 1912 the output of cars was 3,617, but in 1919, the number reached 7,347. We note the small number compared with the other companies. Nevertheless, the cars are distributed in every state of the Union, although the number marketed in a more sparsely settled state may not be greater than six. The national market of this Company is relatively unimportant from the standpoint of the output. The reason is obvious, for only the very wealthy are able to purchase the cars.

Subsidiary selling companies are located in New York City, Philadelphia, Chicago, St.Louis, and Kansas City. There is considerable territory included in each of the cities. The Chicago area includes Milwaukee, Rockford, Davenport, Peoria, Rock Bend, etc. These companies sell to approximately one hundred dealers in the United States, who in turn sell to two hundred and fifty retailers. The latter are located in the larger cities, for a smaller town could not maintain a large market for the product. If a person desires

1. Information given by the Vice-President of the Company. I was not permitted to give the name, so must refer to this firm as the "X" Co.

such a car, he must go to a larger city to procure it.

The bulk of the cars is sold east of the Mississippi, and in the northern half of the same portion. The goods are, therefore, largely sold in the most thickly populated districts, and it so happens that these are the oldest and wealthiest districts. There are important selling centers in the West and South, however, so that the trade, at least, approaches the national market.

The Boot and Shoe Industry

The boot and shoe industry of the United States has, perhaps, passed through all the industrial stages:- the household, the handicraft, the domestic, and the centralized, including the central workshop and the factory.[1] After 1789 specialization of processes in the industry, developed rapidly. Gradually the market was extended, so that a larger supply was always needed. Accordingly division of labor arose,- some made heels, others made soles, and still others sewed uppers. New England became the center of the shoe industry, and concentration there has become so marked, that today Boston is known as the "Shoe Man's Mecca". In 1850, shortly after the discovery of gold, Boston shoes were marketed in California. After 1875, the invention of steam driven appliances, the Goodyear Welt, and the McKay machines, enhanced the large-scale production of shoes.

Although the greatest localization occurs in New England, a great deal of manufacturing of boots and shoes is done in New York, Ohio, and also in Missouri. We shall first study a firm located in the state of New York.

The Nettleton Shoe Company[2]

The factory of the Nettleton Company, makers of men's fine shoes, is located at Syracuse, N. Y. The Company maintains the business originated in

1. Hazard, Quarterly Journal of Economics, vol. 27, pp. 236-262 (1913).

2. Information obtained in a letter from Nettleton Co.

that place, because Mr. Nettleton's home was in that city. 450,000 pairs of shoes are made annually, ninety per cent of which are sold in the United States. The Company employs twelve traveling salesmen, who sell the shoes in every state. The shoes are sent direct from the factory, according to the orders received, to the 1500 retail Nettleton dealers in this country. Because the shoes are so expensive, the national distribution of the Company is confined to the larger cities in each state.

The Holters Company[1]

The Holters Company, makers of women's shoes, is located in Cincinnati. For the year ending May 31, 1920, the output of the Company numbered 510,000 pairs of shoes. Twenty-eight salesmen sell the shoes direct to retailers. The firm does not sell to wholesalers, but maintains that, in the shoe business, it is better to sell direct, and it would not be wise to cater to both jobbers and retailers at the same time. The Company has a more intensive national distribution than Nettleton, for 4400 retail dealers sell the Holters shoes in every state of the Union. Distribution in the New England states of Maine, Vermont, and New Hampshire is limited to mail orders, for no salesmen are sent into that region. Those states are largely supplied by the shoe firms in Massachusetts.

The Keith Company[2]

The firm of Geo. E. Keith Co., makers of "Walk-Over" shoes, is, perhaps, the largest shoe manufacturing concern in America. The Company operates ten factories as follows:[3]

Brockton, Mass. (5 plants)
Middleboro, Mass.
North Adams, Mass.
East Weymouth, Mass.
Boston, Mass.
Rochester, N. Y.

1. Information obtained in a letter from O'Brien, Vice-President of Holters Co.
2. Information obtained in letters and house organs sent by Keith Co.
3. Keith Co., Book of Instruction and General Information, p. 19 (1920).

This notation represents the geographic concentration of the industry in and about Boston. The yearly capacity of these plants is approximately 10,500,000 pairs of shoes.

The firm was started by George Keith in 1874 with one thousand dollars that he had earned and saved while working at the bench of his uncle's factory. As early as 1843, his parents had made shoes in a little "10 x 10" shop.[1] The latter fact is significant, for we can trace through one family the remarkable development of this industry from its meagre beginning with a town market to its present stupendous size with national and international markets.[2]

The Company employs salesmen to sell to 6,000 retail dealers all over the United States.[3] The policy is to sell to but one agent in each city or town. There are also in the United States one hundred fifty privately owned exclusive Walk-Over stores.[4] In addition, however, the Company also reaches the consumers directly. There are now seventy-five Walk-Over stores owned and controlled by the Keith Co.,[5] and it is entirely plausible that the number will increase. These stores are not concentrated in any one section, but

1. Keith Co., Book of Instruction and General Information, p. 18 (1920).

2. Walk-Over shoes are sold in over one hundred countries throughout the world. There are forty-six exclusive Walk-Over stores in foreign countries, twenty-four of which are located in England, Ireland, Scotland, France, Belgium, and Holland, owned personally by Geo. E. Keith. These stores were the first American shoe stores abroad. Thirty-one foreign stores are now under the direct management of Americans. Ibid., pp. 22-23.

3. Ibid., p. 22.

4. Ibid., p. 22.

5. Ibid., p. 22.

are scattered throughout the whole country, so as to attain a national market. At a Walk-Over convention held in Brockton in January, 1920, two hundred twenty-one dealers from thirty-one states were present[1] - a remarkable representation, considering the distance traversed.

In establishing a national market, this Company has not only omitted the independent wholesalers, but has gone directly to the consumer, in many cases, by the establishment of retail stores under its own management.

The Men's Clothing Industry

The Patrick Company:[2]

The Patrick Company, located at Duluth, Minn., has in a period of twenty years, developed a national trade. The firm manufactures mackinaws, overcoats, sweaters, hosiery, golfing suits, auto and steamer robes, etc. Besides the main factory, woolen, spinning, and knitting mills are operated.

The Company has selling offices in New York City, Baltimore, Chicago, Detroit, San Francisco, and Minneapolis. Salesmen are sent into every state, and a national distribution is thereby gained for products of the firm's own manufacture. But the Company also has a "General Line Territory" which is a jobbing concern for the immediate area, and which disposes of articles purchased from other manufacturers. About seventy-five per cent of the mackinaws manufactured are sold in the national trade area.

The firm advertises in all leading magazines and metropolitan newspapers. Their slogan reads, "A nationally advertised product can have national distribution no matter where it is manufactured."

Hart, Schaffner, and Marx Company:[3]

The immense firm of Hart, Schaffner, and Marx Company was developed from

1. Keith Co., Walk-Over Magazine, March and April, 1920, pp. 95-96.
2. Information obtained in letters from Neff, Vice President of Patrick Co., Duluth.
3. Information obtained in letter from Hart, Schaffner, and Marx, Chicago.

a small retail establishment opened in 1876. Its production is concentrated in one large factory at Chicago. This city was chosen because of its central location with respect to the greater part of the United States, and because of its ample and adequate transportation facilities.

Men's and boys' suits, overcoats, and top-coats are manufactured in the firm's factory. The Company performs its own wholesaling function. Retailers are reached by salesmen who cover the entire part of the country. Clothiers also come to the factory to order their goods. Then, too, many mail orders are received. The clothing of this firm is sold in the smaller, as well as the larger, cities of every state.

The Company believes that the development of a national market is a matter of having a "stable product and establishing it as a quality product, rigidly maintaining the quality and improving it where possible, and distributing it at a fair price."

Cluett, Peabody and Co.:[1]

Cluett, Peabody and Co., makers of "Arrow" collars, cuffs, shirts, handkerchiefs, etc., have factories at Troy, N. Y.; Rochester, N. Y.; Corinth, N. Y.; South Norwalk, Conn.; and Leominster, Mass. To indicate their large trade, it may be noted that 12,000,000 dozen collars, and 500,000 dozen shirts are made annually.

The firm has a strong marketing organization, for it has realized from the outset that the power to produce must be backed by the power to sell. Salesrooms are located in the following cities: Atlanta, Baltimore, Boston, Buffalo, Chicago, Cincinnati, Cleveland, Denver, Detroit, Kansas City, Los Angeles, Minneapolis, Newark, New Orleans, New York, Philadelphia, Pittsburgh, San Francisco, St.Louis, Seattle, and Troy. An able manager has charge of

1. Information obtained in literature and letter sent by Kennedy, Vice President of Cluett, Peabody, & Co., Troy.

the stock rooms, offices, advertising, and the tributary salesmen for the surrounding districts of the enumerated cities.

In addition to salesrooms, sample rooms are operated to insure quick and satisfactory distribution to the place of demand. The latter are located in Des Moines, Dallas, Hartford, Houston, Louisville, Memphis, Milwaukee, New Haven, Nashville, Portland, Me., Portland, Ore., Providence, Rochester, Scranton, Toledo, and Washington (D. C.) These cities are so located as to facilitate the operation of a national market. Dealers may come to see sample rooms to make their own purchases. Not only are "Arrow" collars sold in the largest cities, but the smallest village clothier also handles them; for small accounts always receive as much attention as the large ones.

As early as 1898, the Company advertised in papers in every section of the country from Portland, Me., to Portland, Ore., and from the Rio Grande to Canada.[1] They saw the power of establishing demand through visualization. Today they are lucrative advertisers in almost every magazine of national importance. By establishing branch houses in strategic cities of the country, the national demand, partially created by advertising, can be translated into real national distribution.

<u>The Patent Medicine Industry</u>

<u>The J. R. Watkins Company</u>:[2]

The Watkins Company is located in Winona, Minn. Though the city is comparatively small, five railroads furnish good transportation facilities. In summer, river transportation may be utilized for sending products to the South. The firm was started on a small scale in 1868, but it has constantly expanded until it is now one of the finest units of its kind in the United States.

1. <u>Cluett, Peabody, & Co., Haberdasher,</u> Mch. 1900, p. 4.

2. Information obtained in literature and letters sent by Campbell, Sales Manager of Watkins Co., Winona.

Medicines, extracts, spices, cosmetics, etc., are manufactured. In the preparation of spices, the Company is undeniably the largest institution of its kind in the United States, if not in the world.

Branch houses and factories are located at Memphis, New York City, and San Francisco.[1] Agents, who are able to give securities to the Company, sell the articles (on their own accounts) direct to the consumers. Each man furnishes himself with a wagon or an automobile, so that he may cover the territory carved out for him. 3,500 salesmen are employed, and they sell the products in approximately 4,000,000 homes in the United States and Canada.[2] It is estimated that 20,000,000 people are numbered as consumers, among whom farmers and inhabitants of the smaller towns are the most extensive purchasers.

The Watkins trade is so extensive that the Company is able to give ample credit to the purchasers. "In times of financial stress, local storekeepers may be pressed by their wholesalers. If their banks feel that the limit of credit is reached, the storekeeper must shut off credit to the farmer, and the bank will curtail the credit it will allow the farmer to carry him over until the next crop season."[3] Distress in one section, it is maintained, will not affect the Watkins people, for it is counterbalanced by prosperity in other areas of trade.

Many of us do not know of the Watkins Company, while others think it is more of a local concern. On the contrary, however, the Company has a national market, for salesmen cover counties in every state of the Union.[4] In the New England states only a few counties are covered in each state, but in many of

1. Watkins Co., <u>Cooperation</u>, p. 7 (1920).

2. <u>Ibid</u>., p. 26.

3. Ibid., p. 25.

4. Watkins Co., <u>Territory List</u>, pp. 6 ff. (Oct. 1, 1920.)

the western states all counties are reached. But the trade is strongest in the South, and in the rural districts.

The Soap Industry

The Procter and Gamble Company:[1]

In 1837, in Cincinnati, Procter and Gamble, English immigrants, formed a partnership, which was the foundation of the present firm. After its incorporation in 1880, it became one of the largest soap factories in America. "From candle-making of more than three-quarters of a century ago, begun on a kitchen stove, the business of the Company has extended to include the refining of edible oils, soap-making, manufacture of cooking fats, and numerous by-products, all in factories of most modern and sanitary construction, by improved labor and time-saving machinery. Actual trainloads of soap are sent out daily from each factory."[2]

Factories are situated at Ivorydale, Cincinnati, New York City, Dallas, and Macon (Ga.). The distribution of the Company's products is accomplished through the head offices in Cincinnati, and through twenty district offices, each one administering the Company's business in its territory as a unit. These offices serve as warehouses also. They are located in Atlanta, Baltimore, Boston, Chicago, Cincinnati, Dallas, Denver, Detroit, Kansas City, Memphis, Minneapolis, New York City, Pittsburgh, Richmond, St.Louis, San Francisco, Syracuse, and Seattle.[3] Salesmen, operating from these offices, reach practically every grocer in every town of the United States. The cities, in which the offices are located, are widely scattered so as to serve the whole

1. Information obtained in literature and letters sent by Rogan, Procter and Gamble Co., Cincinnati.

2. Procter and Gamble Pamphlet, Book of Ivory, p. 2 (1920).

3. Procter and Gamble Co., House Organ, Jan. 1920, pp. 28 ff.

Form 648-1-20

List of National Periodicals Used in Advertising Procter & Gamble Products

IVORY SOAP

	Per Issue
American Cookery	35,000
American Magazine	1,038,000
Delineator, Designer, Woman's Magazine	1,412,000
Century Magazine	52,000
Christian Herald	271,000
Christian Science Monitor	121,000
Everybody's Magazine	339,000
Forecast Magazine	53,000
Harper's Magazine	80,000
International Moulders Journal	39,000
Ladies' Home Journal	1,823,000
Literary Digest	1,000,000
Little Folks Magazine	130,000
John Martin's Book	18,000
McCall's Magazine	1,201,000
McClure's Magazine	523,000
Modern Priscilla	559,000
National Geographic	650,000
National Service	10,000
Outlook	107,000
Peoples Home Journal	847,000
Pictorial Review	1,352,000
Progressive Farmer	188,000
St. Nicholas	66,000
Red Book	605,000
Red Cross Magazine	1,211,000
Scribner's Magazine	92,000
Southern Agriculturist	161,000
Southern Ruralist	268,000
Sunset Magazine	136,000
Trained Nurse	17,000
Woman's Home Companion	1,100,000
Woman's World	1,018,000
Saturday Evening Post	2,021,000
Total	18,543,000

CANADIAN PUBLICATIONS.

Canadian Magazine	37,000
Canadian Home Journal	273,000
Everywoman's World	99,000
MacLeans Magazine	62,000
Western Home Monthly	35,000
Weekly Saturday Night	34,000
Total	540,000

IVORY SOAP FLAKES

Delineator, Designer, Woman's Magazine	1,412,000
Ladies' Home Journal	1,823,000
Modern Priscilla	559,000
Pictorial Review	1,352,000
Saturday Evening Post	2,021,000
Woman's Home Companion	1,100,000
Woman's World	1,018,000
Youth's Companion	426,000
Total	9,711,000

P. & G.–THE WHITE NAPHTHA

Delineator, Designer, Woman's Magazine	1,412,000
Ladies' Home Journal	1,823,000
McCall's Magazine	1,201,000
Modern Priscilla	559,000
Peoples Home Journal	847,000
Pictorial Review	1,352,000
Woman's Home Companion	1,100,000
Woman's World	1,018,000
Total	9,312,000

CRISCO

American Cookery	35,000
Delineator, Designer, Woman's Magazine	1,412,000
Holland's Magazine	177,000
Journal of Home Economics	4,000
Forecast Magazine	53,000
Ladies' Home Journal	1,823,000
Pictorial Review	1,352,000
Saturday Evening Post	2,021,000
Sunset Magazine	136,000
Texas Farm and Ranch	101,000
Woman's Home Companion	1,100,000
Woman's World	1,018,000
List of Jewish Papers for Kosher Crisco	339,000
Total	9,571,000

Miscellaneous

172 WEEKLY LABOR PAPERS FOR INSTITUTIONAL ADVERTISING.

Circulation 918,655

STREET CARS

40,000 for Various Products

country advantageously. By means of such a systematic arrangement, the Company is able to operate an actual national market.

On July 1, 1920, the Procter and Gamble Company eliminated the independently operating jobber and wholesaler. At that time, salesmen of the Company charged out into the territories to get business direct from the retailer, who was given the same terms as those formerly given to wholesalers. It is hoped by the Company that the shortening of the marketing process will stabilize and more evenly distribute the sales.

Procter and Gamble Company carry on an extensive advertising campaign in all the most popular magazines. A list of national periodicals, used in advertising the products, is inserted here, as it was submitted by the Advertising Manager of the Company. These magazines are extensively distributed in the majority of homes in the country, and as such an intensive national demand is created.[1]

The Drug Industry

The United Drug Company:[2]

The parent plant of the United Drug Co., which manufactures the well known Rexall products, is located in Boston. Mr. Liggett, formerly a traveling salesman, is largely responsible for the inception of the "Rexall idea." He professed that by combining the buying and manufacturing power of the druggist, a more reliable line of products could be marketed.[3]

1. The Company maintains that the vigorous national advertising of Procter and Gamble has doubtlessly placed Ivory soap and Crisco cooking fat into millions of American homes.

2. Information obtained in a letter from Hawkins, Assistant Sales Manager of The United Drug Co., Boston.

3. His investigations indicated that the druggist was hampered by many obstacles, and he maintained that manufacturers were overstocking the trade. The average small town merchant sold patent medicines that were sold by every other druggist in his locality; to recover losses due to cut rate competition, he resorted to making his own preparations.

Consequently, in 1903, Mr. Liggett called a meeting in Boston of thirty-five leading druggists in the United States. The plan of organizing a United Drug Company was enthusiastically endorsed, and a meeting of forty druggists was held a week later in Chicago. Stock subscriptions of $4,000 per capita were made. The policy of the Company was outlined as follows:

1. That the Company should manufacture only controlled brand goods.
2. That there should be no more than one controlling member in any one city or town in the United States.
3. That they were to manufacture and market their own products under their own sales name.
4. That the products should be sold to the agent stockholders of the Company at a price which should net the corporation a reasonable profit on its gross selling prices.
5. That the control of the Company's trade mark products should remain in the hands of the druggists themselves.

It will be noted that the provisions relate almost wholly to marketing, and are, therefore, inserted at this point.

As previously stated, the central plant is located in Boston. There were no commercial or geographical reasons for locating there. The firm maintains that it was purely fortuitous, because Mr. Liggett happened to be living in the neighborhood. A new plant, which is the largest single drug plant in the world, has recently been established in St.Louis. Because of its central location, and because of adequate transportation facilities, this place forms the best point from which to distribute goods to western stockholders.

Distributing houses are located in Boston, New York City, Chicago, St.Louis and San Francisco. These houses are located so that products may be quickly distributed to the stockholders in the various sections of the United States. Thus, Boston will supply the trade in New England; New York the trade in the Middle Atlantic and South-eastern states; Chicago, the Northern Central states; St.Louis, the Middle Western and Southern states; and San Francisco, the Pacific Coast.

There are in the United States from 6,000 to 7,000 Rexall druggists who sell the products of the United Drug Co. There is scarcely a town with a population of over 5,000, in our nation, that does not possess a Rexall drug store.

In addition to selling direct to the retailers, the United Drug Company also does its own retailing in many places through the Liggett stores. Mr. Liggett is president of the Company. At the present time, there are 225 of these stores. Through them, the Company secures adequate representation for its products in the large metropolitan centers. In the effort to eliminate separately owned distributing organizations coming between retailer and producer, and even between consumer and producer, the United Drug Company has been very successful.

Everyone has undoubtedly learned much about Rexall products through their thorough advertising. In the current magazines, a full page is usually given over to the representation of Rexall goods. But the Company also advertises extensively in local newspapers; thereby some of the most remote agrarian communities are brought in contact with the United Drug Company. Through the many Rexall dealers, located in every county in every state of the Union, and through the many Liggett stores, the United Drug Company may be said to have a truly national market.

<u>Summary</u>

We have noted, briefly, the development of industry through the household, handicraft, domestic and centralized stages, with the corresponding village, town, and metropolitan marketing systems. We have also considered the nature of the present organization, the factory system of the centralized stage, with its large-scale production. Indications point toward a new large-scale market administration, which will, <u>perhaps</u>, assume the form of a truly general national marketing system. We have studied individual firms, in the various industries, with emphasis on their extent of distribution. Thus, the large packers through their system of national distribution, supply the daily meat for the bulk of the inhabitants of the nation. The International Harvester Company, a combination of the five largest implement companies, sells its products to nearly every farmer of the country. The Ford Motor Car Company markets its cars in every city and practically every town of the country. So, too, the Walk-Over Shoe Company, the Watkins Company, and the United Drug Company have their national markets. Of course, we must remember that the different firms have a different intensity in the national distribution of their products. By elimination of the independent wholesaler, by establishing branch houses in the important cities of the country, by sending their salesmen into all sections of the United States, and by active national advertising, the firms studied have built up a market which is national in its scope. Will such manufacturers eventually assimilate the smaller distributors and establish one vast, national market for their particular products?

We must go on to a study of retailers, who have organized and established a trade, so as to bear consideration as to their relation to a national market.

CHAPTER IV

NATIONAL MARKETING AS CARRIED ON BY RETAILERS

1. Definition of Retailer and his Position in the Marketing System

In Chapter II, a study was made of wholesalers in their relation to the national market. In Chapter III, manufacturers who have enlarged their production and distribution so as to supply a national market, were discussed. The subject of the present chapter is the retailer and his place in the national distributive system.

The retailer is the factor in the distributive process, who sells goods or commodities in large or small quantities, to the immediate consumer. Thus, the retailer is in direct contact with the final purchaser. "With his direct contact, his personal influence, and his final selling talk, the retailer is the power that concludes sales. The influence of the retailer in intimate touch with the consumers is far greater and more effective than that of a distant manufacturer whose appeal is by means of the printed word alone."[1] Through advertising the manufacturer creates a market by stimulating a desire for branded goods. But it is the retailer who must handle those goods in order that the wants of the consumer may be supplied. Manufacturers establish their radii over the whole nation through the retailers; but the people within the national circle, who make up the rank and file of the market, go to the retail establishments to buy their goods. Since the retailer occupies such an important position, it is interesting to note how different types of retailing have evolved in order to keep pace with the widening of the market.

2. Development of Retail Trade in the United States

In early colonial days, in the agrarian communities of New England, a

1. Louis, The Dealer's Part in Distribution, System, vol. XXI, p. 585 (1912).

square in the village served as a marketing establishment. Producers brought their goods to this village square and bartered them for the articles of other producers. When the villages grew into more pretentious towns, stores and shops were established to supply more conveniently the demands of the marketing area of the town. Here handicraftsmen often sold their articles directly from their workshops, as was the practise of the first boot-makers in Boston. On the other hand, manufacturers often carried their own goods into the country districts to sell them to consumers; thus, the Connecticut clock-makers sought a retail market beyond the town area. As the towns increased in population, larger stores were established, which carried a general line of merchandise to supply not only the immediate market, but also sections in a neighboring state. For example, merchants of Pittsburgh sold a large quantity of goods to the market in Louisville.

In the West, the first retail establishments were trading posts. Here traders bartered their commodities for the luxurious furs of the Indian trappers. Thus, the American Fur Company established factories[1] on all the main trails stretching way across the continent. Their market was, therefore, neither local nor metropolitan, but was of a national or semi-national character. Under one management, goods would thus be distributed all the way from New York to Astoria at the other side of the continent. After the white settlers penetrated the country, the trading posts were superseded by villages and towns. In the village, the general merchandise[2] retailer was independent, and was not affiliated with any large organization, as were the factors of the trading posts.

1. Trading posts were very often called factories.

2. The general merchandise store is distinctly an American institution. England has had no establishments corresponding to it; there specialty shops carrying affiliated lines of goods first arose; then later in the metropolis, department stores were also put into operation.

The former had only a local trade area, centered about the village. In the towns, specialty shops were established, in addition to general merchandise stores. A wider market, centered about the town area, brought forth more diversified demands, which could not be supplied by the general merchant alone. When large cities took the place of towns, the retailing process became more complicated. Not only had the concentrated population of the city to be served but also, more or less generally, the consumers of the city's metropolitan area. Consequently, a greater number and larger retailing establishments had to be created. Thus, we find that the department store is a product of the metropolis. But the metropolitan retailer, in turn, may give place to the national merchant of the present century.

3. Types of Present-day Retailers.

"When considering the distributing mechanism of the twentieth century, it is worth while keeping in mind (the) picture of the way the distributing activities were carried on two hundred years ago. The units of production were small, and the radius of distributing activity was restricted by the difficulties of transportation.-------- The new forms (in the marketing system) are mainly the efforts to adjust the device more accurately to the task, as it is modified by social and economic changes."[1] Betterment of transportation and communication facilities, and the establishment of settlements in every section of the country, have opened enormous possibilities, not only for the manufacturer, but also for the retailer in the establishment of a national market.

The expansion of the market has led, according to Cherrington, to two

1. Cherrington, The Elements of Marketing, p. 70 (1920).

distinct types of retailers classified as follows:

1. The regular retailer.

2. The new types of retailers.

   a. Department stores.
   b. Chain stores.
   c. Mail-order houses.
   d. Cooperative enterprises.

The regular retailer[1] is the one who buys his goods from jobbers or wholesalers. We find the largest number of this group in the smaller towns. His market is confined to a limited area, and therefore his turnover of goods will not be very great; consequently, he finds it more convenient to buy from the wholesaler, who can furnish either large or small orders. But we need to pay little attention to this group of retailers, since they are not members of the national distributive system. They are only mentioned, so that the reader may gain an idea of the relation between the two distinct groups of retailers.

The second group contains the new type of retailers, who do very little or no buying from jobbers or wholesalers. These establishments, department stores, chain stores, mail-order houses, and cooperative enterprises have, in many instances, a wide marketing area. Many of these establishments have extended their distribution beyond the metropolitan areas, and have acquired, in reality, a national market. A study of the various types will be made, and typical examples of retailing firms will be given to illustrate how their distribution has approached that of a national market.

4. <u>The Department Store and its Relation to the National Market</u>

A department store is a retailing institution that deals in several lines of goods, which are departmentalized, both in location within the building, and in the concern's accounting and management systems. Thus, under one roof, we may find anywhere from twenty to two hundred fifty different departments, which

1. In the small town areas alone, these retailers cater in all to about 40,000,000 people. Thus we can realize their important place in the distributive process. Louis, Getting the Dealer Back of the Goods, <u>System</u>, vol. XXII, p. 275 (1912).

can supply almost every want of any human being.

The Jordan, Marsh Company of Boston, established in 1875, is credited by some as being the first department store in America.[1] Shortly afterwards, similar concerns were established by different companies in New York City,[2] Philadelphia, Chicago, St.Louis, and New Orleans. Today department stores are a fundamental part of the retailing system of any metropolis.

So far the marketing of the department store is largely confined to the city itself, and the latter's metropolitan area. Such stores, then, serve first the concentrated population of the city. But in almost every case, they also supply demands of a large number of people in the metropolitan region. Thus, the Donaldson Company may have customers from Faribault or Bemidji, Minn., from Eau Claire, Wis., or from Billings, Mont.

Although department stores belong fundamentally to the metropolitan market, there are some firms that have a trade which tends toward national distribution. Of course, we must admit that they do not have an actual national market; yet it is entirely probable that such widening trade may eventually lead to a nation-wide business of one firm. A few examples may be cited to show how various firms have enlarged their trade, so as to reach out over a wider area.

Franklin, Simon and Company, of New York City, operate a department store which caters to the people of that city.[3] In addition they have established

1. This store, perhaps, borrowed the idea from the Bon Marché, a large retail store in Paris, and the first department store of which anything is known anywhere. Nystrom, <u>Economics of Retailing</u>, p. 248 (1919).

2. New York City has nearly a hundred department stores, doing a business of more than $300,000,000 per year. In New York the sales of some of the largest stores are in excess of $20,000,000 per year. One store in Philadelphia probably sells $30,000,000 per year. The largest store in Chicago has sales amounting to $35,000,000. <u>Ibid</u>., p. 249.

3. Information obtained from the 1920 Catalogue of Franklin, Simon & Co.

a large mail order department, whereby they receive trade from almost every section of the United States. They advertise extensively in popular magazines. Their advertisements suggest that the reader send for a catalogue,[1] illustrating their goods; by this means, a large area of demand is established. Thus, by establishing a mail order department, and advertising it nationally, a retail establishment may effect a wide distribution of its products.

Then there are also examples of stores, which have not established mail order departments, but which have effected a larger business by combinations of several stores under one management. In this group, the May Department Stores Company[2] furnishes an example. This Company has amalgamated into one management, department stores in Denver, Colo., Cleveland and Akron, Ohio, St.Louis, Mo., and Pittsburgh, Pa. Thus we have one Company, operating stores in widely scattered cities. It may be argued that such is, in its essentials, only a metropolitan marketing organization, operating through the most profitable centers. On the other hand, it may be surmised that such enterprise may eventually broaden so as to include all the metropolitan centers of the United States.

The H. B. Claflin Company[3] of New York City also illustrates how one management may operate stores in cities located in different parts of the country. The Claflin interests control the following large retail establishments: Lord and Taylor Co., of New York City; the Tefft Weller Companies of New York City; James McCreery Co., of New York City; Stewart & Co., of Baltimore; C. G. Gunther, of New York; J. N. Adam & Co., of Buffalo; Hahne & Co., of Newark; Powers Mercantile Company of Minneapolis; William Hengerer Company,

1. Many people in the larger cities (for instance, Minneapolis) receive these catalogues. The high quality of the Company's goods attracts customers.

2. Moodys, <u>Manual of Industrials</u>, pp. 1074-1076 (1920).

3. Lambert, in <u>Printers' Ink</u>, July 21, 1910, p. 32.

of Buffalo; and Stewart Dry Goods Company of Louisville. This indicates that one corporation, radiating from New York, has extended its control as far west as Minneapolis. May this not indicate a drift toward a truly national market?

Although department stores have shown relatively little tendency toward an invasion of the national field, there are, on the other hand, some firms which have considerably extended their trade areas. By establishing a subsidiary mail order department (in the one case), and by the combination of several stores under one management, large retailing establishments have attained a (sort of) potential national market. Whether there will ever be a grand national combination into one chain of department stores, will be left for the future to determine.[1] Since department stores still occupy a more or less obscure place in the national distributive system, we may more profitably pass on to a consideration of chain stores, which have already established, in many instances, an actual national market.

5. The Chain Store System and its Place in the National Marketing Field

A chain store system, as we all know, consists of a number of stores, operating under one management. Many such organizations have existed for a long time, but it is only during the last thirty years that there has been such a marked increase both in their size and number.[2]

When chain stores were first established in the third quarter of the 19th century, their trade areas were chiefly local. Stores under one management

1. It is argued that a group of department stores could not be united into one national chain; individuality, which is essential for such establishments to fit into their sectional regions, might thereby be lost. On the other hand, such individuality might be maintained by retaining the old firm names and managers; combination would only need to be evident on the accounting side of the organization.

2. Successful retailers established chains of stores, located in different sections of the city. Thereby, they enlarged their buying capacity and eliminated their purchasing from the independent wholesaler. The elimination of the wholesalers' profits tended to lower prices to the consumers. A large trade would then be gained, and due to such success, stores would be added to the system. Managers, who often held shares in the organization, were selected for the various stores in the chain.

were established in only one large city, or in neighboring cities. In the 20th century, however, the chain stores have advanced most rapidly so as to include not only metropolitan marketing areas, but the whole national area as well. During the last decade, there are instances where retailers have added more than one thousand stores to their management; such stores have been widely scattered over the whole nation, whereby the organization attains a national market. To illustrate specifically the position of the chain stores in the national marketing field, we may center our attention on some typical firms, the Great Atlantic & Pacific Tea Co., the United Cigar Stores Co., the F. W. Woolworth Co., and the J. C. Penney Co.

The Great Atlantic and Pacific Tea Company[1]

The Great Atlantic and Pacific Tea Company was founded in 1859. The idea at the beginning was to effect an organization which could eliminate buying from independent middlemen. By bringing producer and consumer nearer together, it was thought that both parties would benefit.

Before 1900, the stores were confined to certain local regions in the East, but in the last decade, expansion into a wider trade area has been very marked. In 1910, the Company had 360, but at that time, one store per week was being added.[2] In 1918 the number of stores had been raised to over 2340.

The Company's stores are located in only twenty-six states of the Union, hence only a potential national market may be claimed by the organization. Its distribution is chiefly confined to states east of the Mississippi, where the population is densest. However, officials of the Company affirm the statement that stores will eventually be established in every state, and then, of course, they will have an actual national market.

1. Information submitted by Dunn, Advertising Manager of the Company, New York City.

2. Lambert, in Printer's Ink, June 23, 1910, p. 18.

The executive offices are located in New York City. Distributing houses are located in New York City, Philadelphia, Boston, Chicago, Detroit, Buffalo, and Pittsburgh. This indicates that the Company has no distributing centers west of Chicago. But Chicago takes care of the considerable number of stores located in some of the western states; hence, goods sold in the Minneapolis store receive shipments from Chicago. Judging from the fact that the Company has opened almost two thousand stores since 1910, it is not improbable to surmise that a large number of distributing houses will also eventually be established in the larger western cities, to serve the new stores in operation in adjacent territories.

The Company has been a public benefactor, because high quality goods are sold at such low prices, that poor people may purchase them. An organization that can truthfully raise the purchasing value of the dollar, should be welcomed in every section of the country. If it continues to serve the populace, we may hopefully predict that its antennae will at length spread out over all of the forty-eight states.[1]

The United Cigar Stores Co.[2]

The United Cigar Stores Company is one of the most prosperous and progressive chain store systems in this country. The first store was opened in Syracuse in 1901, and the number was at a later time increased to eight. Subsequently, new stores have been established in towns according to the basis

1. The Company maintains low prices by various methods. In the first place, it manufactures 110 of the products sold. Then, too, consolidated buying makes it possible for the Company to eliminate wholesalers, and to buy high quality goods cheaper. Coffees and teas are imported by the shipload, and often the entire crop of a country-side is purchased. No money is spent on elaborate fixtures and furnishings in the various stores. Soaps, canned goods, teas, etc., are often sold direct from the boxes in which they were packed. Thus, often a saving of one dollar may be gained in an order that can easily be carried home by one person.

2. Information submitted by Hagan, Assistant Vice President of the Company, New York City.

of their population and general business health. By carefully studying the market, the Company has achieved eminent success.[1]

The Company has distinctly a national market. Stores stretch across the continent from New York City to San Francisco, and from the Great Lakes to the Gulf of Mexico. It has a representation in every state of the Union, in practically every city of any considerable size. The Company has 1100 stores in its chain at present. But stores are not located in 1100 cities or towns, because in many cities, a large number of stores in the chain are established. Thus, New York City alone has 300 of the stores.[2] The Company also extends its market into smaller towns through agencies given to retailers. There are now 600 agencies which act as sales representatives, in a retail way, in the communities in which they are located. So its national market is greatly strengthened, because it also reaches the small towns, and thereby supplies an immense number of "nationals". In 1910, no stores had been established in the southern states, but in 1920 every state had been included. This indicates how rapidly a chain store organization may extend its market, so as to include the whole marketing area of the nation.

The executive offices are located in New York City. Depots, which serve as feeders to the stores and agencies in the territory adjacent and nearest to them, are located in New York City, Chicago, and San Francisco. Thus New

1. Mr. Whelan, President of the Company, has collected figures showing the cigar buying ability of different centers. In his investigation he found the following figures per capita: New York City, \$1.74 yearly; Chicago 63¢; St.Louis, \$1.21; Rochester, 99¢; Spokane, 60¢; San Francisco, \$4.06; Milwaukee, 22¢; Atlantic City, \$2.55. Lambert, in Printer's Ink, June 23, 1910, p. 18.

2. The number of retail cigar stores in New York City is 12,000. Thus, it is evident that the Company has a large share of the business in that city. But the proportion of business in other cities is considerably less, hence the Company maintains that it does not have a monopoly of the retail cigar trade. Whelan, in Printer's Ink, Dec. 28, 1911, p. 67.

York serves the eastern territory, Chicago the central, and San Francisco the western country.[1]

The national market of this Company is then evidenced by its many stores and agencies, and by the location of its depots. The head buying and accounting departments, located in New York City, thus reach out and serve over 1,000,000 customers daily.

The J. C. Penney Co.[2]

The first store of this company was opened in 1901 in Kemmerer, Wyo., by Mr. Penney. His success as a retailer led him to open stores in other towns, and accordingly, he extended his business into Utah and Idaho. From those beginnings, the business has been extended to 312 stores[3] located in the following twenty-six states: Arizona, California, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Washington, Wyoming and Wisconsin. The majority of states included in the Company's marketing area are, as evidenced by the above tabulation, located west of the Mississippi. Based on expansion of the past, the President of the Company, Mr. Penney, maintains that stores will eventually be established in every state.

1. Goods are shipped by manufacturers to these depots on requisition. From there, they are reshipped or transferred to the subsidiary stores and agencies. The managers of these branch houses send in order for as many goods as they find it necessary to carry. The Company manufactures none of its products, but it controls the entire output of cigar factories located in different parts of the United States, and in some of the isles of the West Indies.

2. Information submitted by Penney, President of the Company, New York City.

3. If managers of the various stores prove eminently successful, they are admitted as partners into the organization. Thereby, personality and stability are gained.

The executive offices, from which all buying and selling are engineered, are located in New York City. Branch offices are located in St.Paul and in St.Louis. Most of the merchandise is purchased directly from the manufacturer. As yet,[1] the Company manufactures none of its own products, and in only one instance does it control the entire output of a factory.

Unlike the preceding chains, the Penney Company's stores are located in towns of from 5,000 to 50,000 inhabitants. Thus, they come in closer contact with the consumer. Thus, also, possibilities for a greater national market are in view, since chain stores can successfully operate in small towns. The Company has adopted the following trade phrase, "a nation-wide institution" - evidently inferring that their organization will eventually capture every state.

The F. W. Woolworth Co.[2]

Woolworth opened his first five- and ten-cent store in Utica, N. Y., in 1879.[3] Although this enterprise was a failure, he opened another store in Lancaster, Pa., which was successful. Stores established in York and Harrisburg, however, proved unsuccessful. Thenceforth, Woolworth and his partners realized that they had to study the market to search out the most profitable spots. Thereupon, succeeding enterprises were successful, and stores were rapidly added to the five- and ten-cent family. Woolworth's partners, however, either bought out the old establishment, or else set up independent stores in new locations; but they always located in places where competition would not be hurtful to the original Company.

In 1912, Woolworth had acquired 318 stores. In that year, however, a

1. The laws of incorporation provide for the establishment of their own manufactories, if they so desire.

2. Information gathered from Fortieth Anniversary Souvenir, 1919.

3. With a capital of $350, Woolworth started his first store.

noteworthy consolidation was effected. The former partners, Knox with 112 stores, Kirby with 96, Charlton with 53, C. S. Woolworth with 15, and Moore with 2 stores, formed a combination with the Woolworth Company, and the several companies were amalgamated into one tremendous retailing organization.[1] Thus 596 stores were united under one management, and thereby a wider range of five- and ten-cent goods was created and bigger values received for the money. Here, too, were stores located all over the nation, some extending from Maine to California, others from Florida to Oregon.

Since the consolidation of 1912, the number of stores has increased to 1100. They are located in every state of the Union. Of course, the largest number are found in the areas of greatest population, and New York City alone has twenty-three stores. Nevertheless, the Woolworth Company has a strong grip on the whole marketing area of the United States.

The executive offices, which were moved to New York City in 1888, are now located in the famous Woolworth building[2] in that city. In addition, ten administrative offices are scattered throughout the country as follows: Boston, Manhattan, Wilkes-Barre, Atlanta, Buffalo, Chicago, Minneapolis, St.Louis, Dallas, and San Francisco. These cities are so located as to wield their total influence over the whole national trade area. District managers, traveling superintendents, and accountants in these branch houses keep the machinery of buying and selling for the adjacent territory in good running order. Foreign offices are also located in Toronto, London, Paris and Calais; thus, the Company is active in international, as well as intra-national, trade.

1. Benefits accruing from consolidation are as follows:
    1. Stronger financial organization.
    2. Multiplied efficiency in operation.
    3. Greater buying power.
    4. Higher standardized selling system.

2. Sometimes called the "Tower of Nickels and Dimes". Hearst's Magazine, vol. XXII, Oct. 1912, p. 17.

This Company has become one of the nation's greatest forces in increasing the purchasing power of the people's money. The populace has been attracted by the many values offered for nickels and dimes. In 1918, it is estimated that more than a billion people entered the Woolworth stores, and that approximately nine hundred million sales were made. The Company[1] has developed such an extensive national market, that scarcely a person in the United States is unacquainted with Woolworth five- and ten-cent store.

It might be interesting to study additional chain-store systems, but we must also consider another vital retailing system, namely, mail order houses.

6. Mail Order Houses and their Position in National Trade

Mail order houses are retailing institutions that receive orders for their goods through the mail. Such "stores" were first established in the 1870's. Since that time many of the firms have increased their trade so immensely that they now receive orders for goods from all sections of the country. There are at present 2500 mail order houses in the country, 850 of which have a business of over $100,000 a year.[2] Many mail order firms advertise extensively in the most popular magazines that enter a large number of homes in every part of the nation. Thus, many firms have attained a national distribution,[3] and among the most prominent are Sears, Roebuck, & Co.,

1. The Company buys goods in immense quantities in the most favorable markets. About 87% of the goods are bought on the home market, and the remainder are procured from foreign marts. 60,000 gross of rings are purchased in one order.

2. Nystrom, Economics of Retailing, p. 290 (1919).

3. The causes attributing to the extensive trade of the mail order houses in the United States are:

1. The independence and lack of community spirit of the American farmer.
2. The general circulation of periodical advertising among all classes of people.
3. The increased earning power of many classes of people.
4. The backwardness of many small town merchants.
5. The lower priced goods offered.

Montgomery, Ward & Co., National Cloak & Suit Co., and the Bellas Hess Co. Our discussion will take into account the first two of these firms.

Sears, Roebuck & Co.[1]

Richard Sears, formerly a telegraph operator at Redwood Falls, Minn., in conjunction with Roebuck, founded the present firm of Sears, Roebuck, & Co. in 1895. Selling direct to retailers, by mail orders, was adopted and consistently maintained. Catalogues were sent out, chiefly to farmers,[2] to advertise the firm. Goods were prices so low that a large trade was rapidly developed.

In 1906, the firm was sold to Rosenwald & Co., who now control the business, although the old name is retained.

The executive offices and main plant are located in Chicago. But the widening of the market has led to erection of large branches in Dallas, Seattle, and Philadelphia; and a site has also been purchased for the erection of a large house in St.Paul. Chicago takes care of mail orders received from the middle western, and southeastern states; Philadelphia supplies the New England and other eastern states; Dallas takes care of trade from the southern and southwestern states; and Seattle fills the orders of the far west. Such a dispersion indicates that the Company has a national market, although trade from the remoter regions, as Florida, may be relatively slight. The major part of the business transacted by the Chicago house comes from Illinois and the adjoining states; most of the business of the Seattle branch is from Washington and Oregon. In spite of the former fact, orders are received from customers in every state of the Union.

1. Information submitted by Sears, Roebuck & Co.

2. In the 80's and 90's, the Farmer's Alliance and Populist movements were favorable to the development of mail order houses. Farmers, adverse to urban establishments, sent for their goods, thus offered at lower prices.

In 1919, the firm had 6,000,000 customers who purchased goods mostly for family use. Estimating that the average family contains five persons, we may say that perhaps 30,000,000 people were consumers of the goods of the Company.[1] Since eighty per cent of these patrons were farmers, we can judge for ourselves the extensive trade area involved. Then, too, the Company is continually enlarging its selling capacities, so that the national market may be more adequately provided for in the future.[2]

Approximately 8,000,000 general catalogues[3] of 1400 pages each, are sent out each year. In addition, 30,000,000 or more special catalogues are mailed to people in all sections of the country. Advertisements are also inserted

1. Rosenwald, "What we have learned from 6,000,000 Customers, _American Magazine_, July, 1920, p. 34.

2. The firm owns many manufacturing plants. They have shoe factories in Massachusetts, vehicle and fence factories in Indiana, stove works and mill work factories in Ohio, furniture factories in Michigan, and agricultural implement factories in Illinois. A large number of smaller factories are also maintained. Thus, in a paint factory, 3,000,000 gallons of paint are made each year; and the average daily capacity of the coffee roaster is 40,000 pounds. Then, too, they also handle the entire output of other factories. Elimination of middlemen, large-scale production, and large-scale buying offer great advantages. High grade goods can be sold at a lower price, which, in turn, opens up a more extensive market.

3. Since standards of living grow better every year, new items are continually added to lists in the catalogue. To substantiate the aforesaid, Rosenwald, the President of the Company, states as follows: "The American standard of living is the highest in the world. The American people have the best taste of any people in the world. And America has the greatest buying power of any nation on the globe. We Americans eat better food, wear better clothes, live in more attractive homes, and have more comforts, conveniences, and luxuries than anybody else on God's earth."

in popular magazines, which are read in millions of homes - thereby, the attention of a large number of "nationals", is attracted to the Company's goods.

With its immense parent plant and subsidiary houses, with its large number of customers from every part of the nation, and with its extensive advertising, this Company has established for itself a national market.[1] But in addition, an active foreign trade is also carried on, and large numbers of orders are received from the most remote countries.

Montgomery Ward, & Co.[2]

The Montgomery Ward and Company was established in Chicago in 1872. This city was an advantageous place for the marketing of goods by mail. Farmers, who were the primary customers, were most numerous in and about the state of Illinois. But as the market expanded and trade flourished, the original plant in Chicago could not conveniently supply the extensive demand. Therefore, subsidiary plants have been established in Kansas City, Fort Worth, and Portland. Just recently a mammoth plant has been completed in St.Paul. We noticed that Sears, Roebuck & Co., have a branch in Philadelphia; but Montgomery Ward & Co. have no branch east of Chicago. From this, we might infer that the former has a brisker trade in the East; on the other hand, the Chicago plant is, perhaps, able to take care of the orders coming from all the various states of the East.

This firm claims to have 6,000,000 or more customers yearly in the United States. Although the most intensive business comes from the central and western states, orders are received from people in every state of the Union.

1. It might be predicted that the extensive use of motor cars in the agrarian communities, will tend to lessen the trade of the general mail order houses. But as long as the low prices of such firms are maintained, the trade will not languish.

2. Information gathered from pamphlet, "Some Interesting Facts about the Mail Order Business, Montgomery Ward & Co.

The Company may then be said to distribute its goods nationally.[1]

A whole section of the Company's business is given over to the management of the large export business. Thus goods are sent to Sidney, Sitka, Singapore, Tsingtao, Rangoon, San Juan, Opia, and Bandjermasin. Shipments weighing thousands of pounds have been sent to mission hospitals in Korea. An extensive inter- as well as intra-national trade is thereby maintained.

7. Cooperative Retailing Enterprises

The tendency to establish cooperative retailing firms, wherein buyers by means of holding shares divide the profits of the sales, has been strongest in agrarian communities. But so far, such stores have been purely local. Therefore, the place that such enterprises may attain in the national marketing system is not yet known.

At present schemes are pending of establishing an immense farmers' organization, whereby grain might be marketed under the farmers' guidance.[2] By this plan, farmers would contract to sell all their surplus grain to the National Marketing Association for a period of five years and to contribute $10.00 for membership. On this basis, 1,000,000 farmers at $10.00 each would make a pool of $10,000,000 to be handled by the marketing committee. Branch sales agencies would be established at important terminal markets in each grain district, and terminal warehouses and elevator facilities would be provided. Of course, the whole idea seems one grand conjecture; but things are developing so rapidly in the retailing field, that it is not entirely

1. To create, extend, and maintain the market, Mr. Schott, director of sales and publicity, says that the firm has the following policy: "We desire so to conduct our affairs that the rights of others shall be respected, that we will be considered fair and just in all matters, and will be free from adverse criticism; that all who deal with us will feel satisfied with their trade, will be pleased with our methods, and retain a feeling of friendliness for us."

2. Minneapolis Journal, March 18, 1921, p. 16.

improbable to surmise that such an organization might be successful in establishing a national market.

Summary

We have noted that the department store belongs primarily to the metropolitan market. It has been discussed here, simply because of indications, found in several instances, of combination of several stores under one management, so as to control a larger market. Then, too, Franklin, Simon & Company should have a claim to a national market, because of their extensive national advertising. We have noticed that the various chain store systems were real factors in the national marketing field. Through rapid expansion into new territory, and through consolidation of various companies, the F. W. Woolworth Company is, in its totality, one big national store with customers from the whole nation. By establishing stores in all the large cities, and placing agencies in the smaller towns, the United Cigar Stores Company has a place in the roll call of national marketing concerns. Although the Great Atlantic and Pacific Tea Co., and the Penney Company have not spread their tentacles into every state, they have broken down metropolitan borders, and are rapidly approaching the actual national market.[1] Mail order houses also occupy a place in the national marketing field. We noted how two large firms have a national selling power, which entitles them to the role of national marketing firms. We have also noted an attempt on the part of a cooperative

1. Justice Clarke, a member of the United States Supreme Court bar, states the following concerning competition between chain and department stores: "It appears to me that ultimately the chain stores will drive the department stores out of business, and will leave the manufacturing and distributing fields in the hands of the enormous system controlling the sources of production as well as the sources of distribution." He over-emphasized, however, the fact that such stores would become essentially monopolistic. He should also have considered that consolidation of various chains might bring about lower prices. Then, if such stores could effect lower prices, they would continue to grow and to thrive. <u>Printer's Ink</u>, Sept. 10, 1914, pp. 4, 6.

enterprise, the National Marketing Association in grain, to form a marketing organization national in its scope.

Just as there has been concentration on the part of manufacturers, so that has also been in recent years, a marked concentration in the retail field. But since the operation has been amongst so many individuals, and since the market is so immense, the concentration has largely escaped attention.[1] Numerous retailers, like many manufacturers, have and are effecting, under one management, a national market. In such a broad field, it is evident that many evil practices arise. We will then leave our national market as considered from the business man's standpoint, and take up the question of national regulation of marketing.

1. Ingersoll, In Printer's Ink, Sept. 17, 1914, p. 64.

C H A P T E R   V

NATIONAL REGULATION OF MARKETING, 1887-1920.

CHAPTER V

NATIONAL REGULATION OF MARKETING, 1887-1920.

1. Popular Opinion and Trade

There has existed from earliest times, an inevitable distrust in those engaged in buying and selling. Among the Greeks, Hermes, the god of theft and trickeries, was the god of trade; to those classical people, marketing was a necessary evil. Merchants were regarded as hoarders of wealth through dishonest bargaining. By employing clerks of the market, who acted as a check upon deceitful transactions of middlemen, the state sought to protect the consumers.

Down through the centuries, suspicions of fraudulent practices in the marketing process, have strengthened rather than weakened. In medieval England there existed laws forbidding evil practices in marketing. Corn laws, recorded as early as the twelfth century, give evidences of legislation against engrossing, forestalling, and regrating.[1] On the Continent, corn prices were often fixed by the government. In Germany the words, tauschen and täuschen,[2] were used interchangeably.

Thus we may note an analogy between primitive and modern opinions in regard to trade. Because the public does not know the whole of the merchant's business, fraud may easily be exercised. We are all prone, therefore, to look askance upon the commercial class, and regard them as often obtaining their livelihood by dishonest means. But modern business

1. Gras, The Evolution of the English Corn Market, pp. 130-132. "Engrossing referred to monopolizing the supply of a commodity in any way, whether by forestalling or by regrating." By forestalling was meant the purchase of the goods before they entered the market,- such a practice was prohibited in order to prevent the undermining of the open market and fluctuation of prices. Regrating involved the purchase of goods on the market for sale in the same or nearby town.

2. Tauschen - to barter or exchange; täuschen - to deceive. Bücher, Industrial Evolution, p. 90.

is more complex than that of former times. Intra- and inter-national marketing, with the accompanying large-scale production, cannot proceed entirely unharnessed. Public opinion demands that some regulation be placed over trade to ensure fairer prices and chances to the consumers. Legislators must take the matter in hand, and ultimately laws result as a crystallization of popular opinion. Then, when such statutes are enacted, the government becomes the agency for enforcing them. When the market has widened into a national scope, a state or group of states cannot carry on the regulation; it then becomes necessary for the Federal Government to act as chaperone. Consequently, national regulation of industry and trade becomes a vital factor in the governing process. In this thesis, then, the task is to trace the growth of federal supervision over marketing in the United States.

2. Government Intervention in the National Distributive Process.

Among the powers, relating to marketing, which the Constitution of the United States gives to Congress, are the following:[1] to lay and collect duties, imposts, and excises which shall be uniform throughout the United States; to regulate commerce with foreign nations and among the several states and with the Indian tribes; to coin money, regulate the value thereof, and of foreign coin, and to fix the standard of weights and measures. These provisions are especially significant, because they give economic unity to the nation, and consequently, marketing operations within the country may be more easily facilitated. In this thesis, however, the study will be confined to the period after 1887, because, since that time, national regulation of interstate commerce or marketing has been a vital problem for legislation.

The industrial revolution, with its corresponding accompaniments of large industries and extensive trade, was not effective in the United States until

1. Macdonald, Documentary Source Book of American History, 1606-1913, p. 22 (1920).

after the Civil War. Since that time local marketing has gradually been superseded by more intensive national trade. In the score of years following the war, the Government was whole-heartedly encouraging private enterprise, in order to build up a strong nation. To open new lands and markets, land grants were made to railroads, and protective tariffs guarded "infant industries." Thus a vital friendship existed between the industrial and governing bodies.

In the course of time, however, industrial and commercial corporations began to take advantage of their free positions. Railroads began to discriminate between shippers and shipping points. Low rates were granted to the largest shippers and the longest hauls. Thus, the man who gained the lowest transportation rate, could successfully extend his market at the expense of his feebler competitors.[1] Pools and rebates created inequality of rates. Since all shippers were not given like advantages, popular wrath was kindled against the discriminating practices of the railroads. In order to establish a uniform national marketing system, uniform rates must be granted by the common carriers. The problem was intra-national, hence federal action was necessary. We pass then to the first attempt of the national government to regulate private business in the United States.

3. <u>The Interstate Commerce Act of 1887</u>.[2]

The Interstate Commerce Act of 1887 vests authority in a commission of five

1. Taussig, <u>Principles of Economics</u>, vol. II, p. 377 (1916).

2. <u>U. S. Statutes at Large, 49th Cong., 1885-1887</u>, vol. 24, pp. 379-387. The Act applies to common carriers engaged in the transportation of passengers or property wholly by railroad or partly by railroad and partly by water, when both are used. It is not applicable to traffic wholly within one state. Common carriers must print and post schedules of rates, otherwise all goods will be subject to customs duties. Although reductions in rates may be made without notice, advances cannot be made until after ten days' notice. Deviations from schedule rates are prohibited. The Commissioners are appointed by the President by and with the advice and consent of the Senate. They are appointed for six years with an annual salary of $7,000. Not more than three commissioners shall be from the same political party. No person interested in common carriers is eligible for the commission. The Commissioners may not engage in any other business or vocation during their term of office.

members to regulate railroads engaged in interstate commerce. Undue preferences to persons, localities, and traffic are forbidden. No sections of the country can be discriminated against. Under similar circumstances, rates must not be higher for the shorter distances than for the longer. Combinations to prevent the continuous carriage of freight to its destination is prohibited.[1] It is evident that regulations to protect both local and more extensive (metropolitan and national) marketing are protected in this act. The fact that all localities must be put on similar terms is conducive to national marketing; on the other hand, protection for short hauls guards local commerce. But we can consider regulation of railroads, only in as far as it is correlated with marketing, and can, therefore, give no more attention to the act of 1887.

4. The Federal Trade Act of 1914.[2]

Between 1887 and 1914, the legislations of Congress on corporations related almost wholly to the side of production. The Sherman Law of 1890 and its enforcement hinged largely on the productive power of gigantic trusts. After 1900, however, people began to realize that the process of distribution of products was playing a large part. The public learned that evil practices in distribution must be curbed, as well as abuses in the field of production.

1. Hitherto, railroads had pooled their tonnage at different points, whereby freight was often delayed for a considerable length of time.

2. U. S. Statutes at Large, 63rd Cong., 1913-1915, vol. 38, part I, pp. 717-724. Five commissioners are appointed by the President, by and with the advice and consent of the Senate. They hold office for a term of seven years, with an annual salary of $10,000. Congress is authorized to appropriate money for the employment of attorneys, special experts, examiners, and clerks needed from time to time for the proper performance of the Commission's duties. The principal office of the Commission is in Washington, but it may meet and exercise all of its powers at any other place, and may by one or more of its members or such members as it may designate, prosecute any inquiries necessary to its duties in the United States.

In 1914, then, the Federal Trade Act, a law which relates to commerce or marketing, was enacted to create a Federal Trade Commission. "The legislative purpose appears to have been that the Commission should accumulate experience, formulate precedents, maintain continuity and consistency of governmental policy toward business, and gradually bring about an evolutionary growth of regulation of industrial corporations engaged in interstate commerce.[1]"

In order to ascertain the Commission's regulation over national trade, we may investigate its powers, regulatory, investigative, and advisory.

By its regulatory power, the Commission may require detailed reports from corporations, and it may publish such reports to the public, unless otherwise specified. It may formulate decrees in anti-trust cases, and compel the appearance of persons and the production of documentary evidence in court. Thus, firms engaged in intra-national commerce or marketing are subject to the regulation of the Commission. But corporations engaged in inter-national trade are also within its jurisdiction.

By its advisory powers, the Commission, upon the request of the President, Congress, or the Attorney General, may make recommendations for the readjustment of the business of any corporation alleged to be violating the anti-trust laws, in order that the same may thereafter abide by law. It may also prepare special reports to Congress with recommendations for additional legislation. Such information as the Commission may deem expedient for public interest, may be published.

The Commission has the power to investigate the organization, business, conduct, practices, and management of any corporation engaged in commerce, except banks and common carriers. It also has authority to investigate the relationship of a corporation to other corporations, and to individuals,

1. Harlan and McCandless, <u>Federal Trade Commission</u>, pp. 3-4 (1916).

associations, and partnerships. Such investigative power is enforced by "requiring the proper governmental authorities to institute criminal prosecutions, actions for penalties, contempt proceedings and proceedings in mandamus in case the exercise of its investigative power shall be obstructed or resisted." By its "quasi-judicial" power, the Federal Trade Commission may institute effective regulation.

Since each and every section of the country is no longer sufficient unto itself, since each locality exists largely through intra- and inter-national marketing, it was necessary to establish a Federal Trade Commission to regulate, as far as possible, national trade. The enforcement of such regulation depends upon sound interpretation of the statutes. It is necessary, therefore, to employ open-minded, intelligent, practical commissioners, who will consistently carry on their work in the interest of the general welfare of the national public.

5. The Clayton Anti-trust Law of 1914.[1]

In order to secure a tangible provision for the regulation of trade, Congress passed the Clayton anti-trust law of 1914. The law defines trade as commerce among the several states and with foreign nations. Competition made in good faith may be allowed, but differences in prices to purchasers to lessen competition is forbidden. Such a clause would apply especially to national marketing, where chances for discrimination between various sections might be extremely tempting. Manufacturers with a national distribution, who have been consulted by the present writer, all stress the fact that they maintain one price for the same product in all sections of their marketing

1. U. S. Statutes at Large, 63rd Congress, 1913-1915, vol. 38, part I, pp. 730-740. United States Circuit Court of Appeals is agency for enforcing the order. Interlocking directorates in corporations and several banks are forbidden. The law does not apply to combinations of labor. Labor unions are not forbidden, because labor is not considered a commodity.

area. The authority of enforcement of the various clauses of the Clayton act is vested in the Federal Trade Commission, the Interstate Commerce Commission, and the Federal Reserve Board.

6. The Federal Trade Commission in Operation.

While the Sherman act of 1890 was interpreted almost wholly in the light of production, the Federal Trade and Clayton acts are stressed more from the side of distribution. Federal Trade Commission reports on investigations relate to the wholesale marketing of foods, commercial wheat flour-milling, flour-jobbing, marketing of farm implements, and many others. The Commission makes a special study of manufacturers who have a national distribution of their products, in an attempt to regulate such marketing for the welfare of the general public.

The most comprehensive work expedited is that of the food investigation in connection with the packing industry of the country. In February, 1917, President Wilson directed the Federal Trade Commission, within the scope of its powers to investigate and report the facts relating to the production, ownership, manufacture, storage, and distribution of food-stuffs, and to question whether there were trusts or combinations out of harmony with the law or public interest. Production of cereals and meats had not kept pace with the growing population, but much had already been done to better that situation. Hence, the more difficult problem of distribution must be considered. Obviously there would be no incentive to enlarge production, unless an economical system of distribution was also in operation. Public opinion clamored that trade in foodstuffs was restricted by illegal and artificial means. Therefore, investigation was necessary to determine the truth of such suspicions. If the fears were unfounded, such information must be published in order to allay dissatisfaction.[1]

1. Federal Trade Commission, Report on the Meat Packing Industry, part I, pp. 391-393 (1919).

On July 1, 1917, after Congress had made appropriations, the Commission began the food investigation. Letters were sent out to the "Big Five" and also to local packers.[1] The former were chosen, because of their dominant control in the national distribution of food-stuffs. Through analogy with the small packers, the investigators found that the "Big Five" have attained such a dominant position, that they control the buying of their supplies and the selling of their products so completely, that all competitors are at their mercy. Not only do the packers sell meat and its by-products, but they have also entered into the marketing of provisions (eggs, butter, cheese), cereals, canned goods, condiments, etc.[2] Their large turn-over, because of their national market, threatens the life of wholesale grocers. It is not so much the means of production that gives the big packers the advantage, but it is their monopolistic control of market-places all over the United States.

1. Federal Trade Commission, Report on the Meat Packing Industry, part I, p. 409 (1919).

Questions asked in Commissioner Davies' letter to packers:

1. "As you are aware, there is widespread complaint among consumers as to the prices of all meats and other animal food products. The Commission would like your views as to the cause of present high prices, to what extent they are justified, and if in your judgment there is not complete justification for them, what factor or factors in the production and distribution of meat animals and their products can be justly criticized?"

2. "The meat packer stands between the producers of meat animals on the one hand, and the retail distributor of their products on the other. In what respect, if any, does either of these three agencies, in your opinion, fail to perform its proper function in serving the ultimate consumer?"

3. "In your opinion, is the present vast system of conducting the meat business, from the raising of the animals on the farm and range through all the steps to the table of the consumer, the result of the operation of healthy, natural laws, or is it in part the result of efforts, either conscious or unconscious, to interfere with the operation of such laws?"

4. "What, if any, are the economic weaknesses of the existing system, and what remedies do you suggest for any existing evils?"

2. Ibid., p. 24 (1919). Armour began to handle rice in 1917, and in that year sold 16,000,000 lbs., thus becoming the greatest rice merchant in the world. (p. 36.)

It will be remembered that Swift and Armour each have four hundred branch-houses scattered all over the nation. By ownership of stockyards, private refrigerator lines, cold storage plants, branch-houses, and car line routes, the Big Five have the control of food distribution in all the strategic cities and towns of the United States, and also in many foreign countries.[1] The smaller concerns, therefore, are confined either to pork-packing or to slaughter for local consumption. It was ascertained that the wholesale distribution by means of branch houses and car line routes, was the bulwark of monopoly. There is virtually no limit to the possible expansion of their wholesale merchandising short of the complete monopolization of the primary distribution of the nation's food - such was the contention of the investigators.[2]

73.3 per cent of the live weight of the meat trade of interstate slaughterers is in the hands of the Big Five.[3] To maintain such a large percentage, the investigators contended that a mutual combination and agreement existed between those large companies. Thus, the Commission concluded that the producer of live stock is at the mercy of the big packers, because of their ownership of stock yards and market papers, and that competitors suffer, because of their opponents' control of the market. Since their distribution is nation-wide, consumers in all parts of the country are also held under the abeyance of high prices by the packers. Because of the foregoing conclusions, the Federal Trade Commission recommended the following readjustments in the

1. Federal Trade Commission, <u>Report on Meat Packing Industry</u>, part I, p. 38 (1919).

2. <u>Ibid</u>., p. 42 (1919). The Armour interests reach 24,681 towns of the United States, and Swift 23,376.

3. <u>Ibid</u>., p. 116.

meat packing industry:[1]

1. That the government should acquire, through the Railroad Administration, all rolling stock used for the transportation of meat animals, and that such ownership should be declared a government monopoly.

2. That the government should acquire, through the Railroad Administration, all privately owned refrigerator cars and all necessary equipment for their proper operation, and that such ownership should be declared a government monopoly.

3. That the government should acquire, through the Railroad Administration, the principal and necessary stock yards of the country to be treated as freight depots, and to be operated under such conditions as would insure open, competitive markets, with a uniform scale of charges for all services performed, and the acquisition or establishment of such additional yards from time to time as the future development of live stock production may require.

4. The Federal government should acquire such of the branch houses, cold-storage plants, and ware houses as are necessary to provide facilities for the competitive marketing and storage of food products in the principal centers of distribution and consumption. Such public markets would afford outlets to all manufacturers on equal terms.

The Commission believed that such suggestions, if put into operation, would root out monopoly and adequately solve the grave problem. If we study the plans, we perceive that they involve drastic changes in the industry. The investigation was conducted during war times, and government control would then have been more readily accepted. But now when railroads have returned to private ownership, it would be a complicated problem to take ownership of cars, and refrigerator lines away from the packers. The Commission would evidently re-establish the local system of distribution:- but it is a question whether the dissolution of the large packers would materially benefit the public, for it might mean the establishment of subsidiaries under practically the same control as hitherto. Furthermore, government branch

1. Federal Trade Commission, Report on Meat Packing Industry, part I, pp. 25-26 (1919).

houses would also offer difficulties in operation. Manufacturers would vie with each other for the market, and eventually the stronger would win out over the weaker. However, the publicity given to the packers was regulation in itself, for they would have to root out their darkest practices by force of public agitation. Government intervention and regulation of trade offer perplexing problems that can only be solved gradually.

In this connection, it is interesting to note the rejoinder of Swift & Co., published in answer to the charges of the Federal Trade Commission.[1] The Company maintains that the investigation was prejudiced and one-sided, and that the packers were never given a hearing. Only bits of correspondence were published, and they were given a wrong meaning, because of their detachment. They maintain that the competition between the Big Five is real, and not a sham, as the Commission charged. That the packers were under the Lever law at the time was not mentioned by the Commission; that the packers divide the live stock receipts could not be conclusively proven by the Commission. They also maintained that establishment of government branch-houses would result in hopeless inefficiency. They contended that present marketing methods, which involve a national distribution, are a natural outgrowth of changing economic life, and such being the case, the local butcher can not adequately supply the nation with food.

The controversy ended in a compromise, not altogether void of satisfactory results for the public. In December, 1919, Armour & Co. agreed to discontinue grocery lines, such as canned fruits, vegetables, fish, rice, condiments, etc.; they also agreed to sell all interests in stock yards and their railroad terminals, market newspapers, public cold storage warehouses, and all similar

1. Swift & Company, Rejoinder to the Statement of the Federal Trade Commission, No. 4 (1918).

interests. Other packers have also discontinued their grocery lines. Such concessions are claimed to have been made in answer to the public wish, rather than as an acknowledgment of combination in restraint of trade. The big packers' national distribution of meats, however, remains intact.

7. The Federal Bureau of Markets.

The Bureau of Markets is often closely related in its work with that of the Federal Trade Commission, hence we direct our attention to it at this time. It is a branch of the Department of Agriculture, and its purpose is to better and further the marketing of farm products in the United States. It was first known as the Office of Markets and was provided for in an amendment to the appropriation bill for 1914, which reads as follows:

> "To enable the Secretary of Agriculture to acquire and to diffuse, among the people of the United States, useful information on subjects connected with the marketing and distributing of farm products and for the employment of persons and means necessary in the city of Washington and elsewhere, there is hereby appropriated the sum of $50,000, of which sum $10,000 shall be immediately available." [1]

In 1918, the office became the Bureau of Markets. In addition to the force in Washington, permanent stations are maintained in the principal producing sections of the United States. Investigational, service, and regulatory duties are carried on.[2]

Under its investigational powers, the Bureau may conduct food investigations, and in this capacity, it is closely correlated with the Federal Trade Commission.[3] Cooperative purchasing and marketing are studied. Grades and standards for vegetables and fruits are established, in order to facilitate

1. U. S. Statutes at Large, 62nd Cong., 1911-1913, vol. 37, part I, p. 854.

2. Report of the Chief of the Bureau of Markets, Oct. 1, 1918, p. 3.

3. Federal Trade Commission, Report on Meat Packing Industry, part I, pp. 391-393 (1919). The President's letter was also directed to the Department of Agriculture.

marketing operations. Direct marketing from producer to consumer is also experimented upon, and urged where it may successfully be operated. The preservation of fruits and vegetables in transit and storage is also experimented upon. By decreasing the perishability, food can be distributed all over the nation, whereas it formerly could be marketed only locally; thus, the national marketing of products is facilitated.

The fundamental work of the service department is the dissemination of market news, which is given out daily to all who desire it. Stations are distributed throughout the country to gather quotations for fruits and vegetables,[1] live stock and meats, etc. Such market information is placed on a nation-wide basis, and is designed to lessen glut in markets by diverting the supply to places where scarcity exists.

In its regulatory work, the Bureau enforces a grain standards act, whereby the grade placed upon the product at the coast must be the same as that which was used in the interior. Likewise certain regulations are placed upon the sale of cotton for the future, and consistent standards must be maintained. It is necessary to establish uniformity, in cases where the marketing is on a nation-wide scale.

The Federal government has taken up the problem of marketing of farm products, because the matter cannot be handled by one state or even a group of states. Although fruits and vegetables may be perishable, a potential national market exists for them. The oranges of California are widely marketed, perhaps, in every state of the Union.

We have thus far considered those national agencies which exercise a direct control over and an immediate contact with certain phases of marketing. There

1. Report of Chief of Bureau of Markets, Oct. 1, 1918, p. 24.
From January to June, 1918, more than 10,000,000 reports were distributed for fruits and vegetables.

remains, however, another factor, the Federal Reserve System, which cannot be considered strictly conjunctive with distribution, but which, on the other hand, facilitates the operations of intra-national trade.

8. Federal Reserve Act of 1913.[1]

The Federal Reserve act made provision for a rearrangement of the United States banking system. The country is divided into twelve districts with as many regional centers where Federal reserve banks are located. Formerly there were only three reserve cities, New York, Chicago, and St.Louis. At that time the larger share of reserves and currency migrated to the New York banks. But by establishing more financial centers, money is scattered more uniformly over the country. Thus, exchange of goods can be more readily carried on in every center of the country.

If we study the map of the Reserve districts, we will, perhaps, realize that district number one may carry on trade with all the other regions. Thus, Boston may send its manufactured products into all the other regions, and, in turn, receive fruit from San Francisco, hides from Kansas City, cotton from Dallas, flour from Minneapolis, furs from St.Louis, meats from Chicago, cotton from Atlanta, tobacco from Richmond, coal from Philadelphia, steel from Cleveland, and women's garments from New York. We might continue such an enumeration, but one illustration may, perhaps, suffice to show the exchange between areas. Each city carries on its marketing with all other sections,

1. U. S. Statutes at Large, 63rd Cong., (1913-1915), vol. 38, part I, pp. 251-275.

A Federal reserve board of seven members is employed in Washington to coordinate the banking system. National banks were required to subscribe stock to the reserve bank in their district. No Federal reserve bank could begin business with a capital less than $4,000,000. A 35% gold reserve must be held for deposits, and a 40% gold reserve for the note issues. Reserve districts were apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any state or states.

FEDERAL RESERVE DISTRICTS AND REGIONAL CENTERS.[1]

1. BARRON, THE FEDERAL RESERVE ACT, FRONTISEPIECE.

which leads to one solid inter-relation. It may be that a national market, as it may actually evolve, will consist of such interlocking trade between the regional centers, without any dominant marketing center.

Such extensive trade between the districts is facilitated, because money is made available to producers, manufacturers, and merchants in every section, whereby goods may be more readily distributed from one locality to another. Since Federal reserve banks are promoters of such commerce, they serve to strengthen the potentiality of the national market, i. e., the organization in its making.

Summary

The process of marketing involves bargaining which often has dishonest accompaniments. When public opinion becomes aware of frauds and deceits, demands are made for some measure of regulation. Economists, who study the situation formulate such sentiments into theory. Then legislators pick up the theory and pass laws, whereby regulation may be effected. Aside from some provisions in the Constitution, it was not until 1887, when the Interstate Commerce Act was passed, that the Federal government attempted to forcefully regulate interstate commerce. Until that time, industry and trade had been largely sectional, and could be regulated by local authorities. Later, however, large-scale factory production and the widening of the market called for large-scale legislation. The whole country was opened for settlement, and marketing was becoming more national in its scope. States could no longer adequately care for the situation. The whole group of nationals created a comprehensive public opinion that demanded federal attention. Thus, we have enactments, relating directly to marketing in the Trade and Clayton Acts of 1914, the Office and the Bureau of Markets in 1913 and 1918, and, in addition, the Federal Reserve Act of 1913, which indirectly affects the distribution process. The national market, although only in its initial stage, has developed new relations between government and "big business." The principle of laissez faire has been superseded by the government's attempts to regulate production and marketing. The operation of the processes of production and distribution under the same management may lead to more arbitrary control of prices on the part of the dominant industrials. How, then, shall Congress legislate? Shall it enact laws in opposition to the more powerful producers, and in favor of a certain class, or vice versa? We have no definite rule with which to measure, so can draw no conclusion. Perhaps, time with its changing economic conditions, will bring forth the gauge for legislation. We have now considered the question of national regulation, which some of the older economists thought to be the key to national economy or marketing. In the next chapter, we take up the question of localization of industry as it forms a basis for marketing. We shall also consider some important marketing conditions, and shall try to determine if there is any one dominant center at the present time.

C H A P T E R V I

NATIONAL MARKETING CENTERS

CHAPTER VI

NATIONAL MARKETING CENTERS

1. Localization of Industry

Localization is the term applied to the geographic distribution of industries. One locality does not manufacture everything for its own demands, but concentrates its production on the articles for which it is best suited. Thus, in order to supply their wants, cities, states, and nations exchange their wares. In an ever-widening market, a simultaneous increase in localization also occurs.

Up to 1860, great districts in our nation were largely self-subsisting.[1] Sparse population and imperfect means of communication prevented rapid growth of industry and brisk trade.[2] Supplies were brought from the older regions once or twice during the year; in the meantime, trade between such districts and outlying regions was at a standstill. But just as important changes have taken place in the organization of industry and marketing,[3] and as a new relation has been established between government and business,[4] so localization has also increased after 1860.[5] Development of railroads and the growth of population with the resulting widening of markets, have promoted the movement of geographic concentration.

Clark, who has made a study of manufactures in the United States, contends that the geographic distribution of industries has both a national and a neighborhood aspect. In the latter would be included such factors as

1. Excludes, of course, the colonies where considerable localization in shipbuilding, lumbering, production of salt, etc., occurred at an early date.

2. Clark, History of Manufactures in the United States, p. 355 (1910).

3. See Chapter III, p. 28.

4. See Chapter V, p. 78.

5. Lippincott, Economic Development of the United States, p. 416 (1920).

nearness to water power and raw materials, density of population, supply of labor and capital; in the former, facilities of transportation so as to reach all the favorable markets of the nation, would be included.

Since communication has been so greatly extended and improved, the national aspect might obliterate the local, because proximity to water power, raw materials, and capital does not figure so strongly as hitherto. However, some localities will indefinitely maintain their position, due to their early start in the industry. Capital invested in plants, the movement of labor to industrial centers, and the efficient organization of markets in such centers, tend to perpetuate industry in a given locality.[1]

The density of manufactures in given localities must be considered, because without such knowledge, the marketing mechanism of the country can not be clearly comprehended. At the present time, the greatest bulk of manufacturing is carried on in the district north of the Ohio and the Potomac, and east of the Mississippi. In that district itself the greatest concentration occurs in the narrow strip parallel to the coast from Lowell to Wilmington.[2] We find that industry, dating back to colonial times, has centered most strongly in that section. Water power, easily derived from the many swift rivers of New England, gave an incentive to the rise of factories. The large population in that region afforded an ample market for the manufactured products. Capital, too, was relatively abundant in the Middle Atlantic and New England states. Because the sheep raising districts, in earlier times, were in and about this region, the woolen industry was concentrated here.[3] Although the grazing districts have moved to the Rocky

1. Lippincott, <u>Economic Development of the United States</u>, p. 461 (1920). To such a situation is applied the term, "momentum of an early start".

2. <u>Ibid</u>., p. 438.

3. The manufacture of cotton goods also developed in this section, although the raw material was not near at hand. But the New Englanders had a well developed coasting trade which supplied transportation facilities.

Mountain district, the industry still remains in the East, because of the momentum of an early start. Thus the mills of Lawrence, Philadelphia, Providence, and Lowell supply the whole nation with woolen goods.

Not all manufactures, however, are localized in the East. Since 1860 there has been a marked tendency for manufactures to move westward.[1] The agricultural West gave rise to meat packing, agricultural implement, and flour millingindustries, in particular. Then, too, the far West brought forth mining, lumbering, and fruit industries. Thus, we find centers like Detroit, Chicago, Minneapolis, Omaha, and Kansas City coming forth to gain first rank in particular industries. Trunk and transcontinental railroads and a denser population afforded an ever extending market for their products (until they have reached the potentially national of the present day). Out of this increasing localization has resulted a brisk trade between all sections of the nation.

A definite relation exists between localization and the national market. Lippincott says that the principles of localization lie at the basis of trading not only among the various sections of one nation, but also among the various nations themselves. If each community produced all its needs, we could have no national market. Since each region makes its own specialization, it must exchange wares with other districts, which follow the same rule. Thus, we find one locality supplying the rest of the nation with its wares;- to illustrate, New York City, the leader in ladies' ready-to-wear clothing, distributes such goods to all parts of the United States. The East produces textiles for the rest of the nation, but in turn it receives food and other productsfrom other sections. Thus, Paterson, N. J., supplies the nation with silks, while Detroit, Mich., produces automobiles for practically the whole country. Regional specialization, then, promotes a national market.

1. Pioneers in meat packing and agricultural implement industries, in particular, migrated from the East to the West.

2. Notable Centers of Industry and Marketing

For our purpose, we need discuss only a few of the important centers of manufactures. Since these cities are so important industrially, they are also in the foreground of the marketing field. If no market existed for the products, the industries would soon be obliterated. The cities chosen play an important part in national marketing, for their products are distributed into every state, and also to many foreign countries.

(a) Boston

In reading the early commercial history of Boston, we may realize her struggle for supremacy over New York. But because no navigable rivers led from the port to the hinterland, and because railroads later concentrated in New York, Boston had to give up the attempt. Nevertheless, the city has become the commercial nucleus of a great manufacturing district, and as such commands the attention of the other cities of the country. In 1914, Boston has 2,787 industrial establishments, 104,187 workers employed in industry, and the value of the products equalled $360,479,860.[1] Boston has long been famous for its boot and shoe industry, and is today as the "Shoe Man's Mecca". There the industry has developed from the handicraft to the present mammoth factory system. The famous Walk-Over Company is located in Boston, and in our study, we have learned that it markets shoes not only in every state of the Union, but also in many foreign countries. Forty per cent of the total value of shoes produced in the United States are manufactured in Massachusetts,[2] the principal centers being Lynn, Brockton, Boston, and Haverhill. However, it must be stated that the industry is moving westward,

1. U. S. Census of Manufactures, 1914, vol. I, pp. 646-647.

2. Federal Trade Commission, Report on Leather and Shoe Industries, p. 166 (1919).

for St.Louis has become an important shoe manufacturing center. Nevertheless, Lynn, Brockton, and Boston still receive orders from merchants in all parts of the country, and doubtlessly will continue to do so. The following table is interesting as a means of comparison of the shoe industry[1] in the above mentioned cities:

City	Number of Establishments.	Workers	Value of Products
Brockton	84	15,129	$44,122,125 [2]
Lynn	194	15,462	43,891,058 [3]
Boston	51	6,935	27,162,708 [4]
St.Louis	27	10,260	31,048,945 [5]

We note that St.Louis ranks ahead of Boston, but the general concept of the public, combines Lynn and Brockton with the latter, so we may say that it holds the leading place in the industry.

(b) Philadelphia

Before the Erie Canal was completed in 1825, Philadelphia was, perhaps, more important commercially than New York. At the present time, it ranks about third in industry and in finance. In 1914, it had 8,454 industrial establishments, and 294,643 workers, and the value of the products was approximately $787,500,000.[6]

Since the early part of the 19th century, Philadelphia has centered its

1. Includes boots and shoes, cut stock, and findings.

2. U. S. Census of Manufactures, 1914, vol. I, pp. 650-651.

3. Ibid., pp. 658-659.

4. Ibid., pp. 646-647.

5. Ibid., pp. 814-815.

6. Ibid., pp. 1348-1349.

attention on the woolen industry. Today it ranks foremost in the manufacture of woolen and worsted hosiery and knit goods, and carpets.[1] To note its importance, we may compare the figures with those of the other most important woolen centers.

City	Industry	Number of Establishments.	Workers	Value of Products
Philadelphia	Woolen and worsted goods	123	17,815	$45,608,227 [2]
Philadelphia	Hosiery and knit goods	200	19,110	31,350,085 [3]
Philadelphia	Carpets and rugs	59	8,890	20,586,553 [4]
Lawrence	Woolen and worsted goods	11	21,037	51,584,497 [5]
Providence	Woolen and worsted goods	18	8,990	20,846,996 [6]
Lowell	Woolen and worsted goods	9	1,985	3,923,754 [7]

It should, perhaps, be noted in passing that the woolen industry is also developing considerably in Wisconsin and Minnesota. But the value of products for those states cannot rank with that of Lowell, the last in importance in the given table. Nevertheless, the firm of Patrick & Company in Duluth has woolen spinning and weaving factories, and has a national market for its mackinaws. How much more intensive must be the national market of the larger firms in the East!

1. Clark, in his History of Manufactures, says that Philadelphia owes its carpet industry to the immigration of British carpet weavers to that city.

2. U. S. Census of Manufactures, 1914, vol. I, pp. 1356-1357.

3. Ibid., pp. 1352-1353.

4. Ibid., pp. 1350-1351.

5. Ibid., pp. 656-657.

6. Ibid., pp. 1396-1397.

7. Ibid., pp. 656-657.

(c) Pittsburgh

We must take note of Pittsburgh, because of its noted leadership in the iron and steel industries. Even during colonial times, it was prominent in the making of pig iron, nails, rivets, etc. Situated in the heart of iron and coal mines, it has taken first place in its industry, and has become especially powerful under the dominance of the United States Steel Corporation. With the opening of new mines in Michigan and Minnesota, other cities are also becoming important in the industry, but the value of their products, (excepting Chicago), does not yet begin to compare with those of Pittsburgh. The following figures may help to form an estimate of this city's importance[1] as a national distributing center for iron and steel:

City	Industry	Number of Establishments.	Workers	Value of Products
Pittsburgh	Iron and steel blast furnaces	4	1,629	$16,982,402
Pittsburgh	Steel rolling mills	25	21,376	61,007,875
Pittsburgh	Bolts, washers, rivets, etc.	6	1,039	2,215,599
Pittsburgh	Forgings	5	118	248,910 [2]
Chicago	Steel rolling mills	7	5,356	27,001,775
Chicago	Forgings	10	515	1,289,046

(d) Detroit

Since Michigan has abundant iron resources, and since it has ready access to the coal fields, it has become the leading state in the manufacture of automobiles, producing 62.9 per cent of the total value of the product in the United States in 1914.[3] In that state, Detroit, with its suburbs, is the

1. U. S. Census of Manufactures, 1914, vol. I, pp. 1358-1359.

2. Ibid., pp. 356-357.

3. Ibid., p. 670.

center of the industry. In that city are located most of the prominent automobile companies, such as the Ford, Buick, Reo, Oldsmobile, Studebaker, Packard, etc., all of which have a national distribution or market. From a relatively insignificant position in 1895, Detroit has gained national repute through the automobile industry. To note Detroit's importance, we may compare its figures with those of the cities of second and third rank in the United States:

City	Industry	Number of Establish-ments.	Workers	Value of Product	
Detroit	Automobile bodies and parts	90	14,270	$ 38,468,974	1
"	Automobiles	32	23,640	125,606,970	
Cleveland	Automobile bodies and parts	28	1,800	4,372,867	2
"	Automobiles	8	6,177	22,743,728	
New York	Automobile bodies and parts	129	2,841	5,967,412	3
"	Automobiles	6	893	3,516,802	

(e) Minneapolis

Situated in the heart of a heavy wheat growing area, and near abundant water power supply, Minneapolis has become the leading milling center in the country. As early as 1880, its mills had attracted attention, but it was not until after 1890 that such rapid advancement was made. Washburn Crosby, Pillsbury, and the Northwestern Consolidated Companies are located in this city, and because of their extensive market, they enjoy both a national and foreign reputation. It is estimated that half of the flour milled in the

1. U. S. Census of Manufactures, 1914, vol. I, pp. 708-709.

2. Ibid., pp. 1212-1213.

3. Ibid., pp. 1068-1069.

United States is sold in more distant markets or exported. And seventy-five per cent of the flour entering the competitive market is produced by mills located in or near the three largest milling centers, Minneapolis, Buffalo, and Kansas.[1] Their rank may be determined by the following statistics:

City	Number of Establishments.	Workers	Value of Products
Minneapolis	19	4,220	$85,132,444[2]
Buffalo	11	1,032	28,068,796[3]
Kansas City	7	233	5,552,901[4]

(f) St.Louis

St.Louis, of all cities, lies nearest to the country's center of population. Thus, if location were to count, it should be the logical center of the national marketing system of the country. But, on the other hand, it is unfavorably situated with respect to foreign trade. Then, too, more potent factors than mere location must be taken into account in judging as to which city should be *the* national marketing center of the country.

We mention St.Louis here, because of its importance in the raw fur trade of the country. In the early 19th century, this city was a great river port, and thus it became a center for fur traders and trappers. It is estimated that the annual value of fur business from 1808 to 1847 was from $200,000 to $300,000. Fur trading now constitutes one of its greatest enterprises, and sales run into millions of dollars yearly. Furs are received from almost every state of the Union and from foreign countries as well.[5] It is evident,

1. Federal Trade Commission, *Report on Flour Milling and Jobbing*, p. 12 (1918).
2. *U. S. Census of Manufactures, 1914*, vol. I, pp. 750-751.
3. *Ibid.*, pp. 1066-1067.
4. *Ibid.*, pp. 468-469.
5. Lippincott, *Economic Development of the United States*, pp. 260-261 (1920). For St.Louis's rank in the shoe industry, see p.96.

then, that St. Louis holds an important position in the national marketing of furs.

(g) Chicago

Chicago has grown from a small lake port in 1850 to a city, second in importance in the United States. With the development of the surrounding fertile plains, and with the coming of railroads, the city rapidly came to the front. As New York is to the whole nation, so Chicago is the commercial, industrial, and financial focus of the Middle West. Thirty-eight railway lines terminate in the city, furnishing adequate connections with all the commercial centers of the nation. Its trust companies and banks bring the city next in capitalization, and the value of its industrial products rank second to New York.[1]

In 1914 the industrial establishments of the city numbered 10,115, the workers numbered 387,319, and the value of the products equalled $1,483,498,416 plus $581,565,002 added by manufacture.[2] In 1865 Chicago had superseded Cincinnati as a slaughtering and meat packing center, and today it leads all others, producing 24.9%[3] of the total value of the product in the United States. Chicago is the largest live stock market in the country, and it is interesting to note that the largest packing companies, Swift, Armour, Morris, and Wilson, have their parent plants in this city. We have previously noted how these packers operate a thoroughly national marketing system. The following statistics will indicate Chicago's preeminent position in the

1. U. S. Census of Manufactures, 1914, vol. I, p. 316.
2. Ibid., pp. 354-355.
3. Lippincott, Economic Development of the United States, p. 465 (1920).

slaughtering and meat packing industry:

City	Number of Establishments	Workers	Value of Product
Chicago	37	33,468	$406,983,267 [1]
Kansas City	11	10,546	133,826,338 [2]
New York	126	5,192	107,959,229 [3]

Chicago also holds a high position in the manufacturing of agricultural implements. The general offices and parent plant of the International Harvester Company, the largest and farthest reaching corporation of its kind in the world, are located in this city. Then, too, we must mention that Chicago ranks second in the manufacture of men's clothing.

Chicago[4] is, then, in many respects a worthy competitor of New York City. Nevertheless, it has a long distance to go, before it can equal that metropolis, if such should ever occur.

3. <u>New York City as the National Marketing Center of the United States</u>

We know that in metropolitan marketing there must be one center or nucleus for the market area. Might it then not be safe to assume that there should be one dominant city in the national marketing system, which might serve as the nucleus of the system? According to the United States Census statistics, the

1. <u>U. S. Census of Manufactures, 1914</u>, vol. I, pp. 358-359.

2. <u>Ibid</u>., pp. 466-469.

3. <u>Ibid</u>., pp. 1076-1077. In 1914, St.Paul, which is becoming prominent in the packing industry, produced only $2,165,695 worth of meat products.

4. Conditions aiding the growth of Chicago:
   1. Development of surrounding country.
   2. Banking facilities.
   3. Fairly reliable knowledge of distant markets.
   4. Transportation. According to Barron, who has made a study of the twelve reserve centers of the United States, 42% of the railroad mileage of the country terminates in Chicago.

city which leads all others, industrially, commercially, and financially, is New York. In order to justify naming it <u>the</u> national marketing center, we must investigate New York's position of supremacy.

In the early 19th century, Boston, Philadelphia, and New York were all coping with one another to gain the first place, industrially and commercially. The latter, however, won the race, and has been the city supreme since that time. New York had a good harbor, and navigable rivers led directly to the fertile back lands. To gain a direct route to the Great Lakes, and thereby open western markets, the Erie Canal was constructed. After its completion in 1825, New York rapidly gained first place in the American commercial world. Later, when railroads were being built, New York was the chief promoter, and the main lines terminated in that city. From 1853 to 1858, the New York Central amalgamated, into its corporation, sixteen roads.[1] By gaining control of lines leading to Boston, New York diverted trade from that city, and thereby entrenched its position more firmly.[2]

New York is <u>the</u> industrial metropolis of the United States, holding first place in the value of all manufactured products, as well as in many individual industries.[3] To illustrate New York's industrial supremacy, the following statistics may serve as a means of comparison:

City	Number of Establishments	Workers	Value of Products
New York	29,621	732,790	$2,292,831,693 [4]
Chicago	10,115	387,319	1,483,498,416 [5]
Philadelphia	8,454	294,643	784,499,633 [6]
Detroit	2,036	120,075	400,347,912 [7]
St.Louis	2,787	104,187	360,479,868 [8]
Boston	3,138	96,913	284,802,479 [9]

1. Lippincott, <u>Economic Development of the United States</u>, p. 527 (1920).
2. Shippee, Lecture in American History, University of Minnesota.
3. <u>U. S. Census of Manufactures, 1914</u>, vol. I, p. 985.
4. <u>Ibid</u>., pp. 1068-1069.
5. <u>Ibid</u>., pp. 354-355.
6. <u>Ibid</u>., pp. 1348-1349.
7. <u>Ibid</u>., pp. 708-709.
8. <u>Ibid</u>., pp. 814-815.
9. <u>Ibid</u>., pp. 646-647.

In 1914, New York produced 72 per cent of the total value of women's clothing in the United States, the amount equalling approximately $339,843,000.[1] Philadelphia, holding second place, produced 7 per cent of the total amount or $34,142,000.[2] Chicago, holding third place, produced 4 per cent or $19,211,000.[3] The figures indicate how far New York is above the others. Garments made in that city are marketed not only over the whole nation, but in many foreign countries as well.

In the manufacture of men's clothing, New York also leads all other cities. In 1914, 34.7 per cent of the total value of the product was produced in that city, the amount equalling $192,112,000.[4] Chicago, which held second place, produced only about half as much, or $84,339,000, Baltimore, with third place, produced an amount of $38,485,000, and Philadelphia, with fourth place, produced an amount of $29,153,000.[4] Although New York[5] is now far ahead of Chicago in production of men's clothing, the latter is coming rapidly to the front. Both of them distribute their products over the whole nation.

There are many other industries in which New York holds a leading place,

1. U. S. Census of Manufactures, 1914, vol. I, p. 1038.

2. Ibid., pp. 1350-1351.

3. Ibid., p. 317.

4. Ibid., vol. II, p. 178. The four cities together produced 75 per cent of the total product in the country.

5. The wholesale manufacture of medium grade goods was begun in a small way in New York in 1835. After 1860, great impetus was given to the industry, because of the invention of the sewing machine, war demands, growth of textile industries, new marketing methods, and supply of cheap labor.

as the figures will indicate:[1]

Fur goods,	73.8% of total product in U. S.
Millinery, laces,	60.7% " " " " "
Artificial flowers, feathers, etc.,	88.2% " " " " "
Printing and publishing,	23.9% " " " " "

In the line of jewelry, pianos and organs, and foundry products, New York holds an enviable position. It would be tedious to enumerate more figures, because those given will indicate the city's leadership in industry.

We will, then, consider New York's commercial supremacy. It is natural that this city should be an important marketing center today, because America's main connections to Europe by travel and by trade lie through New York City. It also occupies strategic ground as a transit way between the East and the West. The East and West trunk lines, originating north of Philadelphia and south of the St. Lawrence, have their termini in New York,[2] and so the New England states are united with the rest of the nation almost exclusively through this city. Although New York is far from many of the commercial regions of the United States, ample railroad facilities establish rapid connections. Thus, a continuous chain of marketing, both in intra- and inter-national trade, has been established in this city.

New York is the leading shipping port of the western world. The imports for the year ending June 30, 1918, were valued at $1,251,790,300, and the exports passing through its wharves equalled $2,616,850,600.[3] No other city in the United States begins to equal such a volume in foreign trade.

1. Lippincott, Economic Development of the United States, p. 437 (1920).
2. Barron, Federal Reserve Act, p. 107 (1914).
3. Statesman's Year Book, 1920, p. 579.

New York is one of the principal distributing points for domestic trade. In fact, the report of the United States Census of Manufactures for 1909 states that this city is the commercial center of the country.[1] Efficient marketing organizations, which study distribution for the whole nation, were early established in New York. In 1854, four mercantile agencies were established to give credit information to merchants of the entire country. The widening of markets deprived commercial men of intimate knowledge, hence information agencies were necessary. At the present time there are at least two such agencies, which render nation-wide service.[2] Then, too, the New York Chamber of Commerce is vitally concerned about national affairs.[3] The city is so closely linked with the trade of the nation, that it must give attention to matters in all the principal markets of the country. Then, too, many commercial papers review, in detail, the commercial condition of markets all over the nation. Bradstreet's Journal of Trade, Finance, and Public Economy affords an ample illustration. In that magazine, a weekly review of the trade in all the important cities, is reported. In addition, an astonishing number of leading industrial and commercial firms have their head offices located in New York, though the business may be far from the city. A glance through Moodys' Manual of Industrials will substantiate this fact.

New York's marketing mechanism is so efficiently organized that merchants can fill, with greatest care, the minutest orders from all parts of the country. Ladies' garments made in New York are doubtlessly sold in every state of the Union, as is also men's clothing. In hats, laces, and novelties, New York

1. U. S. Census, 1909, Manufactures, vol. IX, p. 815.

2. Lippincott, Economic Development of the United States, p. 605 (1920).

3. Ibid., p. 585. In 1849, this organization pushed the transcontinental railroad project. In 1860, it was interested in establishing mail facilities from San Francisco to Shanghai.

sets the fashion for the whole nation, and consequently those articles are demanded from all sections of the country. Then, too, redistribution of imports to inland regions takes place largely through New York. It must be stated, however, that a great deal of foreign trade is now done directly, by firms all over the country.

Without liquid capital, marketing would cease, or would simmer down to barter. So we find that as New York is the commercial center of the United States, it is also the financial metropolis. Wall Street has been, since 1791, the money market of the United States. At that time speculation began in stocks of the United States banks.[1] Money has always migrated and is still migrating to New York.

Federal reserve banks were established in an attempt to curb New York's financial supremacy. But, according to Barron, who has made a study of the Federal Reserve System, this city still represents about one-quarter of the financial and banking power of the country, including foreign banks, private banks, and state banks.[2] The basic banking facts about the New York district in connection with the Reserve system can be indicated by the following table:[3]

	New York District	All other Districts	Percentage
Number of banks,	478	7,475	6.40
Population,	9,113,000	89,045,000	10.23
Area square miles	49,170	3,016,630	1.63
6% subscribers	$ 20,621,000	$107,147,000	19.20
Cash in vaults	$359,715,000	967,339,000	37.17
Capital and surplus	343,693,000	1,785,791,000	19.20
Total deposits	2,061,858,000	8,676,121,000	23.80
Specie holdings	254,099,000	780,490,000	32.60

1. Lippincott, Economic Development of the United States, p. 592 (1920).

2. Barron, Federal Reserve Act, p. 12 (1914).

3. Ibid., p. 106.

Of course, these figures take in the whole state of New York, but the greatest concentration is in the regional center, so one is justified in using the table in this connection. We note the small percentage in area, but the large percentage of the cash in vaults, and specie holdings of the New York district as compared with the others. These facts alone should disclose "the preponderant position of the nation's chief commercial and financial center."[1]

But the Federal Reserve system does not include all the banks. To make the comparison complete, we may enumerate the clearings for all the banks in the United States in 1917 as follows:[2]

Bank clearings for United States,	$304,398,648,746
Bank clearings for New York City,	177,404,965,589
Bank clearings outside of New York City,	126,993,683,157

Thus we note that more than half of the total clearings were made in New York. The weekly bank clearings for New York are over $3,000,000,000.

Another potent factor in establishing New York's financial supremacy is the Stock Exchange. Organized in 1817, it has grown most rapidly after 1860. It is in its essentials a market place where stocks and bonds of industrial corporations from the whole nation, railroads, and where also some government bonds are sold. It is only one of a number in the United States, but in volume of business it outranks all others.[3]

It is interesting also to note the activity of New York in the sale of government Liberty bonds. A money committee, composed of heads of New York banking institutions, was chosen to administer the funds subscribed by the

1. Barron, Federal Reserve Act, p. 106 (1914).

2. Bradstreet's, Journal of Trade, Finance, and Public Economy, vol. XLVI, 1918, p. 2.

3. Lippincott, Economic Development of the United States, pp. 592-593 (1920).

banks and to make call loans to stock markets.[1] The subscription by institutions and individuals under the supervision of the New York state banking department, to the third Liberty Loan bond issue totalled $599,522,500. Subscriptions to the three Liberty Loans by these institutions equalled $1,707,661,073, or over one-sixth of the total amount subscribed by the entire country.[2] The weekly sale of Liberty bonds in 1918 ranged from $12,000,000 to $97,000,000 a week.[3]

In addition to its preeminent position as a national money market, New York is also active in foreign banking activities. As an international gold market, the country's combined imports and exports, in the year ending with April, 1914, were $128,837,700, of which practically all passed through the port of New York.[4] "When monetary stringency arises in Europe from war-scare, overtrading, or other causes, the liquidation of tens of millions of American securities records its main impact on the New York security market. The capacity of this market to meet such a situation, makes of it an international shock absorber of the first magnitude. Competent authorities estimate that in the European liquidation of securities, in the past two years, from $250,000,000 to $300,000,000 have been disposed of through the New York market."[5]

Thus we note that, although cities like Chicago, which figures very highly in domestic trade, Philadelphia, Boston, Detroit, St.Louis, and Minneapolis may reign supreme in certain industries, the most potent of all, industrially, commercially, and financially, is New York. May we, then, not term New York as <u>the</u> national marketing center of the United States?

1. Bradstreet's, Journal of Trade, Finance, and Public Economy, vol. XLVI, 1918, p. 460. The money committee also aimed to prevent speculation, so as to save the credit for Liberty bonds.
2. Ibid., p. 440.
3. The Annalist, 1918, p. 640.
4. Barron, Federal Reserve Act, p. 108 (1914).
5. Ibid., p. 107.

4. Conclusion

In this study, the various theories of the national market as held by economists and business men have been discussed. A definition of a national market was drawn up as follows: A national market is a group of nationals organized for the supply and demand of labor and goods, somewhat limited by national boundaries, and operating through a national center both in intra- and inter-national trade.

In Chapter II, the rise of wholesalers has been discussed, with emphasis on their full-fledged existence in metropolitan economy. It was concluded that independent wholesalers are not, perhaps, a part of the national marketing organization, for large manufacturers with national distribution have taken the wholesaling function into their own hands. In Chapter III, we have seen how large manufacturers claim a national market through the distribution of their products in every section of the nation. Then, in Chapter III, new types of retailers, department stores, chain stores, mail order houses, and cooperative enterprises, have been considered, for they are also, in many instances, stretching their tentacles of trade over the whole nation.

Chapter V has been devoted to the problem of the national regulation of marketing. Because of the ever widening market, Federal legislation has been necessary, notably since 1887. The Interstate Commerce Act, the Federal Trade Commission, the Clayton Act, the Federal Bureau of Markets, and the Federal Reserve Act are illustrative of Federal control over distribution.

The last chapter has been devoted to a study of national marketing centers. It was noted that localization of industry forms a basis for the interrelation of areas. Boston, Philadelphia, Detroit, Minneapolis, and others were included, since they are notable centers of particular industries. In the light of commercial, industrial, and financial supremacy, New York was presented as a probable national marketing center. In internal commerce, however, Chicago may be equal to New York, although the latter is far in the lead in foreign trade. In the future, there may be a race between the two for the dominant position in the national marketing organization.

The thesis upheld in this work is that, while the metropolitan marketing system is dominant in America today, there are recent developments that strongly point to the ultimate formation of a national market.

BIBLIOGRAPHY

I. PRIMARY SOURCES:

1. Letters and Manuscripts from the following:

Baker, F. M., Butler Bros. Co., Minneapolis, 1921.
Barrett, O. S., Studebaker Motor Car Co., South Bend, Ind., 1921.
Brown, A., Moline Plow Co., Moline, Ill., 1921.
Brownell, C. H., Ford Motor Co., Detroit, 1920.
Campbell, E. C., J. R. Watkins Co., Winona, 1920.
Dunn, J. A., The Great Atlantic and Pacific Tea Co., New York, 1921.
Evans, P. T., Kresgo Co., Detroit, 1920.
Goess, O. W., Montgomery Ward & Co., Chicago, 1920.
Hagan, J. F., United Cigar Stores Co., New York, 1920.
Hart, Schaffner & Marx, Chicago, 1920.
Hawkins, E. W., United Drug Co., Boston, 1920.
Ingersoll, R. H., Ingersoll Watch Co., New York, 1920.
Kennedy, R. O., Cluett, Peabody & Co., Troy, N. Y., 1920.
Keith, Geo. E., Co., Boston, 1920.
Logan, J. F., United Shoe Machinery Corporation, Boston, 1920.
Morris, Wm., Munsing Wear Corporation, Minneapolis, 1920.
Neff, B. P., Patrick Co., Duluth, 1920.
Nettleton, A. E., Co., Syracuse, 1921.
O'Brien, F. X., Holters Co., Cincinnati, 1921.
Olmacher, H. H., Borroughs Adding Machine Co., Detroit, 1920.
Orear, L., Armour and Co., Chicago, 1920.
Parson, H. T., F. W. Woolworth Co., New York, 1920.
Penney, J. C., J. C. Penney Co., New York, 1921.
Rogan, R. F., Procter & Gamble Co., Cincinnati, 1920.
Sears, Roebuck & Co., Chicago, 1920.
Seyfarth, A. C., International Harvester Co., Chicago, 1920.
Stechert, G. E., & Co., New York, 1921.
Steffey, C. E., National Cash Register Co., Dayton, Ohio, 1920.
Van Wie, S., Beechnut Packing Co., Canajoharie, N. Y., 1920.
Weld, L. D. H., Swift & Co., Chicago, 1920.
"X" Motor Car Co., 1921.

2. House Organs and Pamphlets:

Armour & Co., The Livestock Producer and Armour. Chicago, 1920.
" " " Seeing Armour's. Chicago, 1920.
" " " Year Book. Chicago, 1920.
Cluett, Peabody & Co., Catalogue. Troy, 1920.
" " " " Haberdasher, (supplement). Troy, March, 1900.
" " " " The Making of Arrow Collars. Troy, 1920.
Ely & Walker, Merchandise News. St.Louis, Sept. 1920.
Ford Motor Co., A Business Utility. Detroit, 1919-1920.
" " " The Universal Car. Detroit, 1920.
" " " Facts from Ford. Detroit, 1920.
International Harvester Co., Annual Report. Chicago, 1919.
" " " For Better Farm Profits. Chicago, 1920.

2. House Organs and Pamphlets (Continued):

Keith, Geo. E., Co., Book of Instruction and General Information. Brockton, 1920.

" " " " Walk-Over Shoe Prints. Brockton, July-August, 1919, September-October, 1919, November-December, 1919, March-April, 1920, May-June, 1920.

" " " " Reprints from the Shoe Retailer. Brockton, Dec. 13, 1919, to June 26, 1920.

Montgomery Ward & Co., Interesting Facts about the Mail Order Business. Chicago, 1920.

Patrick & Co., Wool Products. Duluth, 1920.

Procter & Gamble Co., Moonbeams. Cincinnati, January, 1920.

" " " " " " June, 1920.

" " " " " " July, 1920.

" " " " " " August, 1920.

" " " " " " September, 1920.

" " " " " " October, 1920.

Swift & Co., A Big, Vital American Industry. Chicago, 1920.

" " " Copies of Advertising Appearing in Newspaper of the United, March 10, 1919, to Dec. 31, 1919.

" " " Copies of Advertising Appearing in Newspapers of the United States, March 4, 1918, to March 3, 1919.

" " " Rejoinders to Federal Trade Commission, numbers 2, 3, 4, and 5. Chicago, 1918-1919.

" " " The Meat Packing Industry. Chicago, 1920.

" " " Year Book. Chicago, 1919.

" " " " " " 1920.

Watkins, J. R., Co., Cooperation. Winona, 1920.

" " " " The Cooperator. Winona, May, 1920.

" " " " Roll of Honor, Winona, April, 1920.

" " " " " " " " September, 1920.

" " " " Territory List. Winona, 1920.

Woolworth, F. W., Co., Fortieth Anniversary Souvenir. New York, 1919.

3. Government Documents:

Federal Trade Commission Reports:

Causes of High Prices of Farm Implements. Washington, 1920.
Commercial Wheat Flour Milling. Washington, 1920.
Flour Milling and Jobbing. Washington, 1918.
Private Car Lines. Washington, 1919.
The Meat Packing Industry, vols. I-V. Washington, 1919-20.
Wholesale Marketing of Food. Washington, 1920.

Report of the Chief, Bureau of Markets. Washington, Oct. 1, 1918.

Thirteenth Census of the United States, Manufactures, vol. IX. Washington, 1912.

United States Census of Manufactures, 1914, vol. I. Washington, 1918.

" " " " " " " II. " 1919.

United States Statutes at Large, 49th Congress, 1885-1887, vol. XXIV, Washington, 1887.

United States Statutes at Large, 62nd Congress, 1911-1913, vol. XXXVII, part I. Washington, 1913.

United States Statutes at Large, 63rd Congress, 1913-1915, vol. XXXVIII, part I. Washington, 1915.

II. SECONDARY SOURCES:

1. Journals:

Adams, S. H., The Department Store, in Scribner's Magazine, vol. XXI, 1897. New York.
Annalist, A Magazine of Finance, Commerce, and Economics, vols. XI and XII, 1918. New York.
Bradstreet's Journal of Trade, Finance, and Public Economy, vol. XLVI, 1918. New York.
Hazard, B., Organization of the Boot and Shoe Industry before 1875, in Quarterly Journal of Economics, vol. XXVII, 1913. Cambridge.
Hurd and Zimmerman, Series of Articles on Chain Stores, in Printers' Ink, Sept. 10, 1914, to Dec. 23, 1914. New York.
Lambert, S. C., The Development of the Chain Store Idea, in Printers' Ink, June 23 and July 21, 1910. New York.
Louis, G. L., The Dealer's Part in Distribution, in System, vol. XXI, 1912. Chicago.
Louis, G. L., Getting the Dealer Back of the Goods, in System, vol. XXII, 1912. Chicago.
Rosenwald, J., What we Have Learned from 6,000,000 Customers, in American Magazine, July, 1920. New York.
Shaw, A. W., Some Problems in Market Distribution, in Quarterly Journal of Economics, vol. XXVI, 1912. Cambridge.
Whelan, G. J., United Cigar Stores, in Printers' Ink, Dec. 14 to Dec. 28, 1911. New York.
Woolley, E. M., The Tower of Nickels and Dimes, in Hearst's Magazine, vol. XXII, 1912. New York.

2. Books:

Barron, C. W., The Federal Reserve Act. Boston, 1914.
Bücher, C., Industrial Evolution (1893). New York, 1901.
Chicago Daily News Almanac. Chicago, 1920.
Clark, V. S., History of Manufactures in the United States up to 1860. Washington, 1910.
Cherrington, P. T., Advertising as a Business Force. Garden City (N. Y.), 1919.
" " Elements of Marketing. New York, 1920.
Fish, C. R., The Development of American Nationality. New York, 1919.
Gras, N. S. B., The Early English Customs System. Cambridge (Mass.), 1918.
Gras, N. S. B., The Evolution of the English Corn Market. Cambridge (Mass.), 1915.
Harlan, J. M., and McCandless, L. W., The Federal Trade Commission. Chicago, 1916.
Harms, B., Probleme der Weltwirtschaft, Heft VI, Volkswirtschaft und Weltwirtschaft. Jena, 1912.
Lippincott, I., The Economic Development of the United States. New York, 1921.
MacDonald, W., Documentary Source Book of American History, New York, 1920.

2. <u>Books</u> (Continued):

Marshall, A., Industry and Trade. New York, 1919.
Marshall, L. C., Readings in Industrial Society. Chicago, 1918.
Moody's Manual of Industrials, 1919. New York.
Moody's Manual of Industrials, 1920. New York.
Nystrom, P. H., The Economics of Retailing. New York, 1919.
Schmoller, G., The Mercantile System, 1884. New York, 1910.
Statesman's Year Book, 1916. London.
Statesman's Year Book, 1920. London.
Taussig, F. W., Principles of Economics, vol. II. New York, 1916.
Weeden, W. B., Economic and Social History of New England, 1620-1789, vols. I and II. Boston, 1891.
Weld, L. D. H., The Marketing of Farm Products. New York, 1917.
Wright, C. W., Wool-Growing and the Tariff. Boston, 1910.