

AFD Ep 376 Links and Notes - The Refined Sugar Trust (1887-1921) [Bill/Rachel/Kelley] - Recording May 23

- Intro / political influence of the industry: Cane sugar is an ancient food product from southeast Asia. By the late 1400s, before Columbus's expedition, it had become a popular and expensive luxury good in Europe, with cultivation beginning in the Atlantic islands belonging to Spain and Portugal. Columbus immediately expanded this into the Caribbean after his first voyage there, and both the Spanish and Portuguese made sugar one of the centerpieces of their colonial policies. The French and English followed suit with their own colonial activities in the Caribbean and North America, as well as in India and southeast Asia, where it had originated. Control of lucrative sugar production and also its refining became one of the major motivating forces in foreign policy and colonial policy for several centuries, from the European wars for control of Caribbean sugar hubs to the American imperialist policies for control of Cuban, Puerto Rican, and Hawaiian sugar plantations in the late 19th century. Raw sugar production in the modern age was generally closely associated with some of the most brutal slavery in the world. By the time of the industrial revolution, European consumers of all classes had come to expect cheap, plentiful sugar that was no longer a luxury. Americans did too, and due to the mercantilist policies that resulted in the Triangle Trade, they had found themselves the major hub of sugar refining – the process of turning raw cane sugar into higher-value trade goods and consumer goods like table sugar, molasses, and rum. While liberal economics gradually rolled back government interventions, interferences, subsidies, tariffs, and state monopolies in many trade goods during the 19th century, sugar remained (and does to present day) a heavily protected industry. The US government was also slow to act, as was true as well in other industries, to prevent a tendency in the Second Industrial Revolution for the sugar industry to consolidate toward a near-monopoly. By 1887, almost the entire production of refined sugar in the United States was controlled by a single sugar trust: The Sugar Refineries Company, later known as the American Sugar Refinery Company – the subject of today's episode. We're going to talk about the formation and breakup of the sugar trust in the late 19th and early 20th centuries, some of the personalities behind the sugar trust, some of the political impacts of the sugar industry on various countries, and some of the material processes and industrial history of this particular commodity.
- First, failed litigation / rise to power:
 - Rise to power: "The American Sugar Refinery Company, 1887-1914: The Story of a Monopoly" by Richard Zerbe, The Journal of Law and Economics Volume 12, Number 2 Oct., 1969
<https://www.journals.uchicago.edu/doi/abs/10.1086/466672?journalCode=jle&>
 - This author tends to argue in his various papers that the trust was not formed due to excessive competition and overproduction of refined sugar, which had been a prevailing view and is still the view in some analyses, but rather due to the beneficial economies of scale of the larger operations and their ability to adopt new and more profitable technologies faster because of their ability to muster more investment capital faster.
 - Most of the merger occurred before the passage of the Sherman Antitrust Act of 1890, which made it difficult for the government to step in at the end and block the expansions happening after, if they even understood the extent of the trust arrangements, which they didn't.
 - Claus Spreckles was the first major competitor to Havemeyer. He moved from the West Coast to build a refinery in Philadelphia. Both Havemeyer and American bought out the refinery. After this, Spreckles became

involved in the trust and was able to run West Coast operations for American-owned properties.

- What led to the formation of the trust? Concentration of companies involved in sugar refining fell from 52 to 24 from 1867 to 1887.
- Tariffs made forming the trust a less risky proposition. Henry Havemeyer in an 1899 Congressional hearing: *Without the tariff I doubt if we should have dared to take the risk of forming the trust. It could have been done but I certainly should not have risked all I had, which was embarked in the sugar business, in a trust unless the business had been protected as it was by the tariff.*
- The pattern of forming the trust was very similar to the pattern followed in the series we did on the formation of Standard Oil a decade or so earlier where a group of refiners, led by one particular man and his family members, approached other refiners and gradually bought them out with stock in the new trust or brought them into a unified entity to be able to better control prices and production levels. In this case, H.O. Havemeyer, who we will discuss further later in this episode, was the Rockefeller of sugar refiners. They didn't apparently go about it quite as aggressively as some of Rockefeller's original schemes, perhaps with the benefit of more experience, although Havemeyer was personally regarded to be such a jerk that some refiners were reluctant to join, but could not really avoid joining because of how much refining capacity the Havemeyer family already owned on their own. Generally people were quite well rewarded for participating in the merger. One difference in the sugar industry vs the oil industry was that there was very little risk of competition against the refined product from abroad due to import tariffs on the refined result, but that the raw cane sugar was being imported in many cases ([except Hawaii, depending on how you define that relationship after 1875](#)), which wasn't true for unrefined oil at the time. (1890 tariff revisions made raw sugar exempt from import tariffs. The end of this exemption in 1898 boosted the small sugar beets industry, which American Sugar Refinery Company began buying up too.) Another difference is that despite accusations that American was receiving favorable railroad shipping rates similar to the accusations against Standard Oil, there was never much evidence uncovered that the railroads were giving American any special deals not available to others.
- Sometimes people scammed the trust by building new refineries that didn't actually work and then sold them immediately to the trust so it wouldn't act as competition, even though it turned out they couldn't. There was a contractor basically set up to do this multiple times.
- Havemeyer was able to wield the threat of price wars to buy refiners, but he didn't often have to follow through. This was enough to secure a buyout in most cases. In a contrast to oil, those that didn't accept the offer weren't ruined, and stock buyouts happened at market prices.
- After Havemeyer's and Spreckel's deaths in 1907, the trust was weakened and competition sprung up. National started acting in opposition to American once the strong personality of Havemeyer was no longer around to bully people. This was further exacerbated by WWI.
- During World War I, wartime emergency regulations put the government in charge of prices and other aspects of the industry. These were repealed after the war but relatively quickly followed by the wrap-up of the

antitrust litigation pending since 1910, resulting in the 1921/1922 breakup of American Sugar.

- (Note for readers, not discussed in the episode: The article linked at the end of this bullet follows up on the previous article and argues against certain interpretations made in a book published around the same time: “Monopoly, the Emergence of Oligopoly and the Case of Sugar Refining” by Richard Zerbe, *The Journal of Law & Economics*, Oct., 1970, Vol. 13, No. 2 <https://www.jstor.org/stable/725034?seq=1>)
- Super good article with contextual overview and info on the first case: <https://origins.osu.edu/milestones/january-2019-us-sugar-monopoly-E.C.Knight-Sherman-Act-Spreckels-court>
 - United States v. E.C. Knight, et.al decreed on February 2, 1894
 - Case was about ASR’s purchase of four sugar refineries in PA
 - Gov’t filed suit because they believed the purchases violated the Sherman Antitrust Act of 1890 since ASR would own 98% of all refineries in the US
 - There were 22 defendants, but interestingly not ASR’s president
 - “During this period, ASR and Spreckels had been fierce competitors. By 1891, however, evidence indicates that they had started to collude. ASR had purchased Spreckels’s Philadelphia refinery and were collaborating in the formation of the Western Sugar Refining Company (Western). In exchange for Spreckels operating Western, he sold shares of his Philadelphia refinery to Havemeyer and Searles.

Including these facts would have proven collusion by Spreckels and ASR—a violation of the Sherman Act—but this evidence and testimony was never included in the lawsuit due to the absence of key individuals like Havemeyer in the proceedings.”

 - The judge issued an opinion that all contracts took place in Philadelphia, so did not violate interstate commerce laws.
 - (Here is another legal source on the case: <https://law.jrank.org/pages/25490/United-States-v-E-C-Knight-Age-Monopolies.html>)
- Second, successful litigation and downfall:
- <https://www.justice.gov/atr/legacy-antitrust-judgment-the-american-sugar-refining-company-et-al> May 1922 consent decree ending antitrust litigation pending since 1910 (see first link for the decree PDF, which isn't very long)
 - Gov’t had begun suit for ASR’s dissolution in 1910
 - This was terminated in 1922 by consent decree after Domino Sugar announced that it’s effective control of refined sugar from 72% to 24%
 - The consent decree stipulated that significant divestments of stockholdings by American had occurred and American agreed that they would no longer be controlling the decisions of the major companies from which they had divested or attempting to collude with them. The other companies also could not do the same to each other or to American.
 - According to the *Encyclopedia of New York City*, "the struggle ended with a settlement in 1922 that allowed the firm to remain intact but forced it to refrain from unfair business practices, and as competition revived, the firm ceased to dominate the industry."

- Monopoly tendency?
 - Sugar seems like one of those pre-capitalist trade monopolies a crown would issue except that it was a bit more controlled by the merchants of certain cities like Venice & Antwerp in the late middle ages just before the colonial age. In the pre-industrial colonial era, crown monopolies attempted to restrict sugar trade between colonies of the rival empires, with not much success https://en.wikipedia.org/wiki/Colonial_molasses_trade Things like the Molasses Act of 1733 and Sugar Act of 1764 contributed to the American independence movement. https://en.wikipedia.org/wiki/Sugar_Act
 - There are a lot of sugar monopolies around the world either presently or in the recent past
 - It is beyond the scope of this week's episode to talk about the present-day web of complicated governmental subsidies around the world for sugar, but it is extremely not free-market, probably because it's expensive to produce with anything approaching reasonable labor conditions but people expect it to be a cheap, widespread commodity for centuries now

- Additional background https://en.wikipedia.org/wiki/American_Sugar_Refining_Company
 - "Domino" is the recognizable brand but the company was ASR
 - Became "Domino" in 1900.
 - Expanded horizontally for it's first 20 years before focusing on vertical integration - from harvesting sugar cane to the sugar product that appears in our kitchens.
- The Havemeyers were rich people and also crazy
 - https://en.wikipedia.org/wiki/Henry_Osborne_Havemeyer "The Sugar King"
 - Ended his formal schooling at 8.
 - For 12 years until they divorced, he was married to Louise Elder, the sister of his older sister's husband and part of the Elder family that took him into business and also helped raise him. The year after they divorced he married 28-year-old Lousine Elder, another member of the Elder clan.
 - <https://www.brooklynpaper.com/sugar-storys-grand-finale/>
 - *The union of H.O. and Lousine took place in the context of an inbred family situation typical of the American WASP elite. The Elders and the Havemeyers were New York sugar families that performed a complicated merger both at the altar and in the boardroom. From age 15, H.O. was raised by Lousine's parents and later married Lousine's aunt. H.O.'s older sister married Lousine's uncle. Finally, in 1883 H.O. divorced his first wife and married her much younger niece, Lousine.*
 - One of the attorneys who helped Havemeyer reorganize the sugar trust in 1891 was Elihu Root, the future US Secretary of War and Secretary of State, also a future US Senator for New York, who at the time had recently been the US Attorney for the Southern District of New York, with jurisdiction over Wall Street.
 - After warring with Spreckels, he also got into a price war with John Arbuckle who had innovated a better way of packaging coffee beans and hoped to break into sugar packaging. Arbuckle then tried to expand into refining. Havemeyer retaliated by buying a coffee company, then undercutting Arbuckle's prices. Arbuckle cut his sugar prices. They both

sustained heavy costs for 3 years until they came to an agreement in 1901.

- This price war also weakened more of Havemeyer's competitors, and he picked up 3 more independent firms. These became the National Sugar Refining Company of New Jersey. Although they were separate from the Sugar Trust, Havemeyer owned 50% of their stock and National received preferential treatment.
- He also expanded west into the sugar beet industry of the west in 1902. He acquired Amalgamated Sugar Company and the Great Western Sugar Company. He became the largest shareholder of Mormon-operated Utah-Idaho Sugar Company.
- He also expanded south into Cuba in 1906, forming the Cuban American Sugar Company.
- Was an avid collector of art and musical instruments. Mary Cassatt influenced the Havemeyers' art collection, leading them towards impressionist artists, such as Degas, Manet, Monet, and Pissaro.
- Also engaged in philanthropy like his fellow industrialists. He was a trustee of the American Museum of Natural History, and he and his brothers paid for Havemeyer Hall for a School of Mines to Columbia University, where their father studied. He also paid for a school for Greenwich, CT, where he built one of his homes.
- *Throughout the first two decades of the 20th century, the Havemeyers assembled an astonishing art collection. Pursuing European treasures with the same aggressiveness that he employed in swallowing up business competitors, H.O. became furious when the Italian government prevented him from exporting Botticelli's Birth of Venus. Nevertheless, besides numerous Degas, the pair was able to buy hundreds, if not thousands, of works by Veronese, Rubens, Rembrandt, El Greco, Goya, Corot, Cezanne, Renoir, Monet and Manet.*
<https://www.brooklynpaper.com/sugar-storys-grand-finale/>
- Died of acute indigestion December 4, 1907, five days after being stricken on Thanksgiving.
- https://en.wikipedia.org/wiki/Louisine_Havemeyer
 - As well as collecting art under the guidance of Mary Cassatt, also was involved in the Suffrage Movement after H.O.'s death.
 - She used her art collection, exhibiting in galleries, to financially back suffragist Alice Paul, who agitated for women's suffrage, even causing a riot before Wilson's first inauguration and picketing the White House during WWI.
 - Havemeyer attempted to burn an effigy of Wilson in 1919, which drew national attention. She refused to pay a \$5 fine, and spent 3 days in jail.
 - <https://www.brooklynpaper.com/sugar-storys-grand-finale/> *The story of Louisine Havemeyer ends with a staggering act of philanthropy and humility. When she died at 73 in 1929, she left more than 1,000 paintings and sculptures to the Metropolitan Museum of Art. The Havemeyer collection remains the biggest single part of the Met. Unlike most benefactors, however, Louisine gave her gift with no requirements that her name be attached or that the works be exhibited in a certain way.*
 - Louisine Havemeyer's second daughter, Electra, married a Vanderbilt grandson, and became in her own right an eccentric collector of

Americana, eventually establishing the Shelburne Museum in Vermont, which is great: https://en.wikipedia.org/wiki/Shelburne_Museum

- Material history/industrial processes:
 - [This link has some history but is mostly about modern industrial processes for sugar...not sure what technology was in the 2nd industrial revolution <http://www.madehow.com/Volume-1/Sugar.html>]
 - One of the earlier technologies of the industrial revolution in the mid-to-late 18th century and the very early 19th century was figuring out how to mechanize sugar production (https://en.wikipedia.org/wiki/History_of_sugar#Mechanization). Much like with the cotton gin (covered recently on [episode #358](#)), while industrial mechanization might have allowed sugar plantations to reduce their reliance on horrifically brutal forced labor by slaves, instead it merely allowed early adopters in agri-capitalism to extract more profits per worker. Obviously sugar was an integral part of the transatlantic triangle trade (https://en.wikipedia.org/wiki/Colonial_molasses_trade) since the start of the 1500s and relied heavily on some of the most intolerable slave conditions in the world, and that unfortunately continued in various countries. This included in the end Cuba as late as the 1880s, over two decades after even the United States had abolished slavery. Cuba's sugar elite was noted for its enthusiastic adoption of new sugar technologies to get more profit out of its slave workforce. They also benefited as the other countries one by one abolished slavery either voluntarily or through revolutions and civil wars. https://en.wikipedia.org/wiki/History_of_sugar#Sugar_cultivation_in_the_New_World Critically, it must be emphasized that after the abolition of slavery in the various sugar-producing countries of the world, slave labor on sugar plantations was generally immediately replaced by harsh indentured servitude that probably only barely qualifies as not being slavery and assumes a level of genuine understanding of contracts that many workers, especially colonized or subjugated populations, probably lacked when they signed.
 - http://www.raggedsoldier.com/sugar_history.pdf (interesting info on sugar refining process)
 - Sugar refining process was largely the same from 14th century to mid 19th century
 - Sugar was converted from cane to cane juice near the sugar cane field within 24 hours of harvesting
 - Then sugar was converted into “loafs” at the sugar refinery.
 - At the corner store, somebody would cut you off a corner of the loaf with “sugar nippers” and you would have to go home and break it apart yourself, often with a hammer.
 - Granulated sugar was introduced by the Boston Sugar Company in 1853 and by 1873, many sugar refineries were using large centrifuges to dry the sugar and create granulated sugar.
 - Granulated sugar was sold in barrels. Individually packaged sugar was not introduced until the 1890s.
- Miscellaneous:
 - Trade wars between Spain and the US in the decades leading up to the Spanish-American War of 1898 had severely hurt the Puerto Rican sugar plantations, but the acquisition of Puerto Rico after the war put it in a similar

position to the recently seized Hawaiian islands as an internal (not foreign) producer of raw sugar cane. American investors pounced on the opportunity and poured capital into reviving the sugarcane plantations of Puerto Rico:

<https://caribbeantrading.com/puerto-rico-sugar-plantations-history-sugar-mills/>

Many of the sugar workers moved from the plantations to the mainland refineries in places like New York City after the plantations started closing down as the mid-20th century approached

<https://www.brooklynpaper.com/sugar-storys-grand-finale/>

- <https://www.smithsonianmag.com/history/photos-abandoned-domino-sugar-refinery-document-sticky-history-180967578/>
 - Refinery in Brooklyn getting torn down for luxury apartments and/or office space