The ABC Trust: A Chapter in the History of Capitalism in the Sporting Goods Industry

Lawrence W. Fielding
Indiana University

Lori K. Miller
Wichita State University

If a private investor had purchased $1,000 of ABC bonds in 1899, by 1913 he would have an investment worth two dollars. If he had placed this same amount in his savings account in 1899, he would have accumulated a sum of $1600 by 1913.1

The American Bicycle Company (ABC), the first trust in the American sporting goods industry, was organized in 1899 and went into receivership in September 1902. The failure of the ABC and the circumstances surrounding its formation and development form an important chapter in the history of American capitalism in the sporting goods industry. An analysis of the short, troubled life of the ABC provides a succinct study of the exploitative methods used by sporting goods men in the development of American sport and American capitalism.2 The ABC scenario is an early example of exploitation in the sport industry by capitalists whose only real interest was making money and whose guiding principle was "anything is possible to he who dares."3 The leaders in the formation of the ABC trust, A.G. Spalding (Spalding & Brothers), George and Albert Pope (of The Pope Manufacturing Company), R. Lindsey Coleman (Western Wheel Works), Philip Gurmully (Gurmully & Jeffery), A.L. Garford (Garford Manufacturing Company), and J. E. Bromley (Hartford Rubber Works), were successful and respected sporting goods men. They and their partners understood that the day of the bicycle was over and that the automobile was the vehicle of the future. They used ABC resources and their own financial expertise, however, to exploit opportunities offered by the decline of the bicycle to increase their individual fortunes and to expedite the rise of the new form of transportation.

This paper, divided into five parts, examines the formation and development of the ABC trust. We first briefly discuss the impact of the bicycle craze

Lawrence Fielding is with the Kinesiology Department at Indiana University, Bloomington, IN 47405. Lori Miller is with the Health and P.E. Department at Wichita State University, Wichita, KS 67260.
upon the bicycle industry, connecting the craze to reasons for the industry's demise. We then examine the part played by A.G. Spalding in the formation of the ABC, contending that a profit motive more accurately explains Spalding's actions than does a long-term commitment to the bicycle industry that is frequently attributed to him. Turning to financial developments within ABC during 1900 and 1901, we highlight the chicanery surrounding the trust's early actions and emphasize how ABC decision makers were more interested in the automobile than the bicycle. We then examine the causes and effects of ABC's move to receivership and explore the methods trust organizers used to protect themselves from financial failure. Finally, we interpret the evidence, suggesting implications for the part played by American sporting goods capitalists.

The Impact of the Bicycle Craze on the Bicycle Industry

The bicycle craze motivated many firms to enter the bicycle industry. In 1890 there were only 27 manufacturers of bicycles and bicycle accessories in the United States. The total value of the product amounted to $2,568,326. According to Dunham, output in 1890 was some forty thousand bicycles. By 1898 there were 312 bicycle manufacturers producing more than 1.2 million bicycles with a total product value of $31,915,908. This massive change resulted from an increased demand for bicycles and the profits that ensued. Perceptive observers of the bicycle industry realized as early as 1892 that the demand for bicycles was running ahead of supply. This permitted high profits for manufacturers. In 1894 top-grade bicycles captured prices of $140, while medium- and low-grade bicycles could command prices of $120 and $100 respectively. Production and selling costs were relatively low.

The perceived boom in bicycle demand attracted new competitors, such as A.G. Spalding & Brothers and the Remington Arms Company. Low entry barriers permitted smaller firms to access the industry. Subsidiary industries also boomed: tire manufacturers, bicycle sundries, clothing, shoes, tourist industries, and mapmakers benefited from the demand for bicycles and bicycle products. Retailers also joined the burgeoning industry in large numbers, selling bicycles and bicycle sundries at newsstands and tobacco shops, department stores, mail-order houses, sporting-goods stores, and bicycle emporiums. In 1896 Isaac Potter, president of the League of American Wheelemen, told readers of Century Magazine, that the country contained more than 30,000 bicycle sellers.

The new competitors, intent on capturing a piece of the market, soon saturated the bicycle industry.

This saturation increased the intensity of competition and lowered industry profits. When the demand for bicycles declined, profits plummeted. According to the testimony of George Pope, who reported in 1901 to the Industrial Commission on Trusts and Industrial Combinations, demand continued to exceed supply until 1897. Bicycle prices changed little and profits were high through 1896, with 1895 being the banner year for profits, even though the years that followed saw increased production. The immediate cause of falling profits after 1895 was the intensity of competition, which increased exponentially