# Federal Trade Commission Scores Profiteers

A Washington, D. C., special to the Chicago Tribune, dated June 29, says: Extraordinary and indefensible profiteering in the necessities of life and materials necessary to the conduct of the war is the charge brought against nearly all the great industries of the country by the federal trade commission in a report made to the senate today.

The report was submitted in response to a resolution adopted by the senate following President Wilson's assertion that the government possesses ample evidence of profiteering which would warrant congress in increasing tremendously the war taxes on excess profits and individual and corporation incomes.

While congress is preparing to exact a heavy tribute from the profiteers in the forthcoming war revenue bill, the report of the trade commission and information derived from the income tax returns to the treasury may be made the basis of legislation to prevent further mulcting of consumers on the necessities of life and of the government on war munitions and their materials.

HITS CHICAGO PACKERS.

The findings of the trade commission on the profits of the principal industries may be summarized as follows:

Meat Packing—Profits of Armour, Swift, Morris, and Cudahy of war years 1915-1917 aggregated $104,000,000, of which $121,000,000 represents excess over any pre-war year's profits.

Flour Milling—Profits of 52 cents a barrel, or 38 per cent, on investment in first half of 1917 indefensible; many millers exceeding government maximum of 25 cents profit a barrel, profits running as high as 45 cents a barrel on 4,000,000 barrels investigated; many millers exceeded government maximum in hope of passing income and excess profit taxes to consumer.

Steel—Enriched by profits without precedent; net earnings of United States Steel reached 24.9 per cent on investment in 1917, net income reaching $478,204,343, and net profit after deducting income and excess profit taxes aggregated $244,738,908.

Leather and Leather Goods.—Unusual profits by large proportion of tanners; profits in 1916 being two, three, four, and five times as large as 1915, when they showed an increase from 30 to 100 per cent over profits in 1914, some of the big meat packers, notably Armour and Swift, sharing in these profits.

Salmon Canning—Average net profit of the industry for 1917 was 52.8 per cent on the investment, while some of the big packers allied with the meat packers made more than 200 per cent.

Canned Milk—Unusual profits, running in some cases as high as 65 per cent.

Copper—Very large earnings by high cost companies, reaching in some cases 107 per cent on the investment, with an average of 24.46 cents.

Sulphur—Two companies monopolizing industry have taken advantage of war situation to raise prices, profits in 1917 aggregating 236 per cent on the investment.

Petroleum and Products—Average profits of oil industry advanced to 21 per cent on the investment, as compared with 15 per cent in pre-war years.

Coal—Low cost producers of bituminous coal making very large margins under system of government fixed prices, while high cost producers made small margins, the bulk of production, however, enjoying the large margin; average margin on bituminous between the claimed f. o. b. mine cost and actual realization from sales being 54 cents a ton as against a pre-war average margin of from 10 to 15 cents.

Lumber—Southern pine companies in 1917 made a profit of 17 per cent, considered unusually large, as average for 1916 was 5.2 per cent, some profits running as high as 121 per cent.

The zinc, nickel, and west coast lumber industries were classed by the board as non-profiteering.

CHARGES BAREFACED FRAUD

"The commission has reason to know that profiteering exists," the report says. "Much of it is due to advantages taken of the necessities of the times, as evidenced in the war pressure for heavy production. Some of it is attributable to inordinate greed and barefaced fraud."

SOME OF THE REASONS FOR EXISTING HIGH PRICES

Four meat packers netted $140,000,000 profit in two war years, an excess of $121,000,000 over pre-war gains.

One steel mill's profit was 319.67 per cent. Others with furnaces averaged 100 per cent. The net income of the United States Steel Corporation for 1917, after deducting federal income and excess profit taxes, was $244,738,908.

The average profit in the copper industry was 24.4 per cent, against 11.7 per cent in 1913. The International Nickel Company's 1916 profits were $13,567,000, or 40 per cent.

Margins of profit in the coal industry were, in a number of cases, "two or three times normal." The leather industry's normal profits were multiplied by four or five.

Flour mills averaged 38 per cent profit.

The Borden Company and the Helvetia Company influenced canned milk companies, the average profit being 65 per cent on investment.

The salmon industry's profit was 52.8 per cent.—New York World.

The commission calls special attention to:

"The heavy profit made by the low cost concern under a governmental fixed price for the whole country.

"The heavy profit made by the meat packers and by those allied with them, and by the flour millers.

"The trade tendency to increase and maintain prices against the forces of competition."

HARDSHIPS FOR CONSUMERS.

Summing up one phase of the situation, the commission says:

"The experience with steel, flour and coal shows that a high stimulating fixed price, while stabilizing an ascending market, produces an economic situation which is fraught with hardship to the consuming public and with ultimate peril to the high cost companies through increasing the power of their low cost competitors."

In submitting the memoranda on profits the commission expresses the opinion that general trade is in a high state of prosperity, that with some exceptions has continued for several years.

"Many of the industries are making unusual profits, some are showing outrageous ones," the report continues. "In an hour of national service and self-sacrifice, profiteering may be defined not only as the taking of an exorbitant profit, but should include a refusal to share in bearing the burdens of war in the form of a reduction in profits when the profits have been large in pre-war times."

CLAIMS PACKERS HAVE MONOPOLY.

The commission is particularly severe in its discussion of the profits of the Chicago packers.

"The power of dominant factors in a given industry in maintaining prices and harvesting unprecedented profits is shown in a survey of the meat packing situation," the report says.

"Five meat packers, Armour, Swift, Morris, Wilson, and Cudahy and their subsidiary and affiliated companies, have monopolized the control of the meat industries and are reaching for like domination in other products. Their manipulations of the market embrace every device that is useful to them without regard to law. Their reward, expressed in terms of profit, reveals that four of these concerns have pocketed in 1915, 1916, 1917, $140,000,000.

"HAVE PREYED ON PEOPLE."

"Comparisons between their present profits and those in the pre-war period are given below. However delicate a definition is framed for 'profiteering,' these packers have preyed upon the people unconscionably. They are soon to come under further governmental regulation approved by executive order.

"An exposition of the excess profits of four of the big meat packers (Armour, Swift, Morris, Cudahy, omitting Wilson as not comparable) is given in the fact that their aggregate average pre-war profit (1912, 1913, 1914) was $19,000,000; that in 1915 they earned $17,000,000 excess profits over the pre-war period; in 1916, $36,000,000 more profit than in the pre-war period, and in 1917, $68,000,000 more profit than in the pre-war period. In the three war years from 1915 to 1917 their total profits have reached the astounding figure of $140,000,000, of which $121,000,000 represents excess over their pre-war profits."

ADMITS JUGGLING FIGURES.

[A member of the trade commission admitted tonight that the report compares the aggregate profits of the packers, $140,000,000, for the war years of 1915, 1916, and 1917 with the average annual profit of the packers combined, $19,000,000 for the pre-war years of 1912, 1913 and 1914, in order to show an excess of $121,000,000 over pre-war profits. He did not think it unfair to compare the total profits for three years with the profit for one year. From the figures given in the report it is inferred that the aggregate profits of the packers in the three pre-war years were $57,000,000. If, then, their profits in the last three years aggregated $140,000,000, the three years netted the packers $83,000,000 more, instead of $121,000,000 more, than the three pre-war years.]

PROFITS JUMP 400 PER CENT.

"These great increases in profits are not due solely to increased volume of business," the report continues. "The sales of these companies in this period increased 150 per cent, much of this increase being due to higher prices rather than to increased volume by weight, but the return of profit increased 400 per cent, or two and one-half times as much as the sales.

"The profit taken by Morris & Co. for the fiscal year ended Nov. 1, 1917, is equal to a rate of 18.6 per cent on the net worth of the company (capital and surplus) and 263.7 per cent on the $3,000,000 of capital stock outstanding. In the case of the four other companies the earned rate on common capital stock is much lower — from 27 per cent to 47 per cent—but the reason for this is that these companies have from time to time declared stock dividends and in other ways capitalized their growing surpluses.

"Thus Armour in 1916 raised its capital stock from $20,000,000 to $100,000,000 without receiving a dollar more of cash. If Swift, Wilson, Cudahy, and Armour had followed the practice of Morris in not capitalizing their surpluses (accumulated from excessive profits) they, too, would show an enormous rate of profit on their original capital.

"Rates of profit earned by these five companies in war years compared with the pre-war average, based on net worth (capital and surplus) and on common stock as follows:

"Actual profit on net worth, pre-war average 1912, 1913, 1914: Armour, 6.2; Swift, 8.3; Morris, 6.8; Cudahy, 7.3.

"War average 1915, 1916, 1917: Armour, 14.6; Swift, 21; Morris, 13.5; Cudahy, 14.1.

"Year 1917: Armour, 16.8*; Swift, 26.7; Morris, 18.6; Wilson, 23.8; Cudahy, 18.7.

"Rate on common stock 1917: Armour, 27.1*; Swift, 47.2; Morris, 263.7; Wilson, 42.5; Cudahy, 47.

["*Foreign business not included, would undoubtedly raise percentages.]

BOOST LEATHER PRICES.

"The independent packers, as measured by results compiled for sixty-five of the largest of them, earned during 1914, 1915, and 1916 a rate of profits as high, or slightly higher, than that earned by the big packers in those years. The profits of these independent companies for 1917 are not as yet available."

The commission also accuses the packers of

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