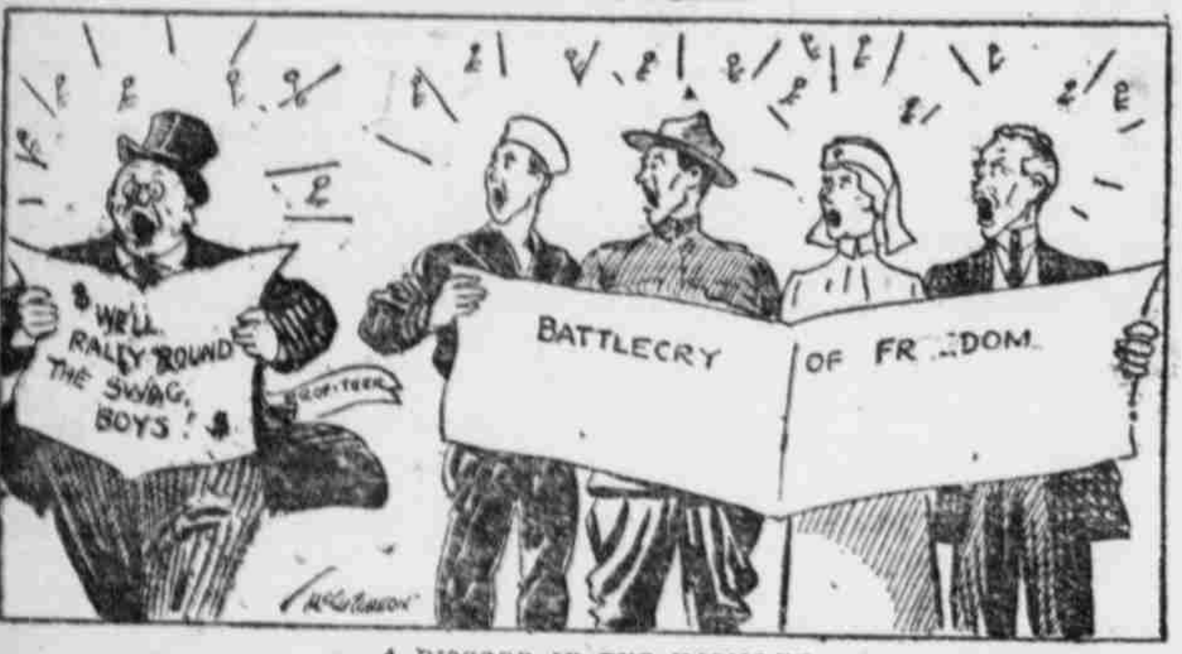
PROFITEERS

TAPPING THE BARREL.



A DISCORD IN THE HARMONY.

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profits in the period prior to the government price fixing policy, and a number have continued to make unusually heavy profits since that policy was inaugurated. The United States Steel corporation's range of profits, expressed in terms of the total amount invested in the business follows:

1912, 4.7 per cent; 1913, 5.7. per cent; 1914, 2.8 per cent; 1915, 5.2 per cent; 1916, 15.6 per cent; 1917, 24.9 per cent.

The net income of the Steel corporation before deducting federal income and excess profits tax in 1917 shows this range:

1912, $77,075,217; 1913, $105,-320,691; 1914, $46,520,407; 1915, $97,967,962; 1916, $294,026,564; 1917, $478,204,343.

The federal income and excess profit taxes of the Steel corporation for 1917 were $223,465,435, which leaves for net income $244,738,903, of which about one-tenth was applicable to interest on bonds of the corporation, and the rest available for dividends and surplus.

Recently some smaller mills made objection that the government prices were too low for them. A special examination of their profits by the trade commission "showed that in almost every case these objecting mills were enjoying unusual returns."

Hits T. D. Jones Concern.

The only beneficiary of unsual profits in zinc the commission finds to be the New Jersey Zinc company, the affairs of which were aired in the senate in 1914, when one of its principal owners, Thomas D. Jones of Chicago, was refused confirmation for member of the federal reserve board.

Of the profits of the condensed milk companies in 1917 the commission says that Helvetia made more than 20 per cent on cost and more than 65 per cent on investment. The Borden company made approximately 18 per cent on cost, with costs relatively high.

The Helvetia company, in a letter to the commission, under date of March 19, 1918, says:

"We desire to say, however, in connection with the total earnings of the company and the margin of profit shown during the year that it was our judgment at all times during the year that we were making a larger profit on our goods than we were entitled to make.

"Most of the price advances during the year were made by us in self-protection and in an effort to keep orders from piling up on us beyond our capacity to fill."

PACKERS DENY PROFITEERING

[From the Chicago Tribune, June 30.]

J. Ogden Armour issued the following statement in reply to the government charges last night:

"These charges, like the previous ones of this same body, are designed to impress the headline readers; they will not stand up under honest investigation. Profits are large or small only when considered in relation to the magnitude of the business transacted and the service rendered. Profits which seem huge when described by the commission appear in their true light when brought down to the basis of a dollar's worth of business or a pound of product.

"It is a fact known to government auditors who have constant access to our books that our company's profits on each pound of product in the meat food lines is only one-fourth of 1 cent. We have developed our business to a point where these quarters of pennies are brought in fast enough to make millions of dollars. Even so the return on the investment is not unreasonable. In fact it is now less than 9 per cent.

"If a profit of a quarter of a cent per pound of product is profiteering, as charged by the federal trade commission, then there is no business in the world that is honest, for there is no successful business in the world which makes a smaller profit per unit of product than does the packing industry.

"The charge of monopoly is simply the old cry against a business because it is big. We do not need to apologize for our business because it is big. It is our size and our industrial efficiency which has enabled us to meet the demands of a hungry world and today we stand alone as the one industry which has fully measured up to war needs, day in and day out.

"This is an unfortunate time for one branch of the government to come out with such a report as this when another branch, between January 1 and June 1, has called on Armour & Co. to supply to our forces abroad and those of our allies food products if a value of over $100,-000,000. The enormity of these orders compelled us to find new working capital to care for our business.

"The recent increased demand upon the packers for capital has been so enormous that in the last three years, out of the earnings, amounting to $52,000,000, our company was compelled to reinvest in the business $42,000,000. History will show that in order to feed the American people the packers have had to find $3 of outside capital for every $1 provided from the earnings of the business itself."

Swift & Co.'s Statement.

L. F. Swift, president of Swift & Co., issued the following statement:

"Swift & Co. absolutely denies the sensational charges again made by the federal trade commission, wherein this company, together with the other large packers, is accused of manipulating prices without regard to law and of unconscionably preying upon the people by exacting unfair profits. We hope that the public will at least reserve judgment until the complete facts of the situation are put forth and until those accused have had a chance to explain these facts in their true light.

"To accuse essential industries of manipulating prices and of using illegal devices is a serious charge and one that should not be carelessly made by a government department. Swift & Co. stands ready to convince any unprejudiced person that it is in active competition with all other packers, that it has no power over prices, that it could not manipulate prices even if it desired to do so, and that it has carefully observed the law in every respect.

"As for the accusation that the large packers have been profiteering, Swift & Co. admits that its profit has been much greater during the last two or three years than previous to the war, but it is ready to defend those profits as not only fair and reasonable but as absolutely essential to the proper and efficient conduct of the packing business. A distinction should be made between industries which make a clear cash profit that can be distributed in the form of dividends and an industry that pays only reasonable cash dividends and has to put the rest of its profit back into the business.

"There might be some justice in saying that the packers had preyed upon the people unconscionably if it could be shown their profits had raised prices of meats to consumers or lowered the prices of live stock to producers. Swift & Company marketed over five billion pounds of all kinds of products in 1917 at a net profit of a fraction of a cent a pound. If this profit had been eliminated altogether there would have been practically no effect on prices, and since only reasonable dividends were paid out of this profit and the rest remained in the business, we do not feel that we can be accused of profiteering.

"The insinuation that the packers have made enormous profits in hides and have manipulated the price of leather is also misleading and untrue.

"Swift & Company deeply resents the spirit and the manner in which this report has been issued. It was issued for release at noon Saturday, a time when the officials in many businesses have closed their desks for the week and are usually not on hand to answer sensational and unfounded charges. It tended to throw suspicion about an essential industry which it is publicly recognized has fulfilled tremendous war demands from the beginning perhaps better than any other industry in the country. It is not fair to harass an honestly conducted industry that is straining every effort to meet these tremendous obligations to our own and allied governments."

Morris & Co. Statement.

Edward Morris, Jr., president of Morris & Co., said:

"Referring to the statement of the federal trade commission as to the profits of Morris & Co., the figures given are misleading and are absolutely incorrect.

"The profits of 263.7 per cent for the three-year war period is evidently figured on a nominal capital of $3,000,000, while the pre-war profit of 8.6 per cent was figured on the total investment.

"During 1917 our investment was in excess of $38,000,000 and our profit was 14¼ per cent on this investment, and not 263.7 per cent as stated. The average profit on investment for the last three years was 10.9 per cent.

"I don't know of any business with so small a percentage of profit, especially when it is considered that we are handling highly perishable products, and have to reinvest so much of our profits in the business."