Secrets of the Steel Trust

Following is a Washington dispatch to the New York World: The United States Steel corporation is a gigantic monopoly in restraint of trade, making fabulous profits and false reports of those profits, and two of its leading officials understated the magnitude of its control of the industry to President Roosevelt in 1907, according to the report of Farquhar J. Macrae, an expert accountant, made public recently by the Stanley committee, which has been investigating the trust.

J. P. Morgan & Co. made a cash profit of $69,300,000 out of the organizing of the trust, $62,500,000 for promotion and $6,800,000 commission for a bond conversion scheme.

The corporation earned $4,339,140, or 100 per cent in eight years through its subsidiary, the Union Supply company, which sells goods to employes, is the conclusion of an exhibit. Elbert H. Gary, chairman of the board of the corporation, testified last summer:

"Where the Steel corporation has stores, and we have not very many, we made it certain that the goods were sold to the men at prices less than they could purchase the same things elsewhere."

The trust refused to produce its books and the minutes of its meetings before the house committee but offered to let an expert go over them.

"The Gary dinner arrangement," says the report, "whereat the so-called independents are influenced to reduce their production conformably to their estimate of the reduction in the demand existing, and to maintain prices, is objectionable as far as it operates to exclude free competition. The arrangement is designed and intended to operate, and has operated admittedly, as to standard steel rails, although it is claimed that the so-called independent participants can cut prices without fear of penalty, except the dishonor of declaring in favor of a named price and then selling at some other price."

Stress is laid in the financial section of the report on the demonstration by figures that the corporation restrains competition by making the greater portion of its profits in raw materials and in plants producing semi-finished materials, while the finished product plants make very low profits. This operates to keep the price of raw materials, ore, coke and pig iron on a high plane, to the advantage of the corporation and disadvantage of the independent.

"During the nine years from Jan. 1, 1902, to Dec. 31, 1910," the report says, "the productions of the corporation in rolled and other finished steel amounted to 79,267,368 tons, and the adjusted net earnings for the same period amounted to $1,029,685,389 or an equivalent of approximately $13 per ton. In order that an idea may be had of the net earnings in dollars per ton of the several operating groups of the corporation, I have calculated these figures and find the approximate net earnings of $13 per ton of finished product to have been earned as follows:

"By manufacturing companies $8.01 per ton. By coal and coke companies $0.70 per ton. By iron mining companies $2.12 per ton. By transportation $1.81 per ton. By miscellaneous companies $0.36 per ton. Total $13.00."

In accounting for the discrepancy between the earnings claimed by the corporation, $980,000,311, and his estimate of $1,109,146,093, Mr. Macrae restored to net earnings what had been eliminated by the corporation in its accounting.

As showing the result of the policy of the corporation to make the bulk of its profits in the raw and semi-finished material, Mr. Macrae submitted a condensed statement of the dividends paid by the subsidiary companies to the Steel corporation and the interest paid by the Carnegie company on its collateral trust bonds, from April 1, 1901, to April 1, 1910, showing a total of $753,124,386.53.

"The income from the Carnegie company in dividends and bond interest amounted to $305,239,537.49 or about 40 per cent of the total. The American Bridge company paid the holding company dividends on its preferred stock during this period to the amount of $19,715,577.50, or 2 6-10 per cent of the total."

The table of dividends for the nine-year period follows:

The Carnegie Co.	$227,280,000.00
Federal Steel Co., common	114,816,182.00
Federal Steel Co., preferred	31,157,128.50
National Tube Co., common	29,783,905.50
National Tube Co., preferred	27,299,737.50
American Steel & Wire Co. of N. J. common	51,110,460.25
American Steel & Wire Co. of N. J. preferred	27,299,158.25
National Steel Co., common	6,400,000.00
National Steel Co., preferred	3,779,153.00
American Tin Plate Co., common	7,419,690.00
American Tin Plate Co., preferred	3,634,372.00
American Sheet Steel Co., common	3,184,948.00
American Sheet Steel Co., preferred	5,573,568.00
American Sheet & Tin Plate Co., preferred	25,540,833.00
American Sheet & Tin Plate Co., common	12,004;804.00
American Steel Hoop Co., common	1,330.000.00
American Steel Hoop Co., preferred	2,041.497.51
Amrican Bridge Co., preferred	19,715,577.50
Oliver Iron Mining Co.	2,400,000.00
Lake Superior Cons. Iron Min. Co.	66,689.969.03
Shelby Steel Tube Co., preferred	2,224,995.00
Pittsburg Steamship Co.	243,870.00
Clairton Steel Co.	4,235,000.00
	$675,164,849.04
Interest on the Carnegie Co. col. trust bonds	77,959,537.49
	$753,124,386.53

"Percentages of the business done by the United States Steel corporation," the report says, "are deceiving and misleading unless segregated with reference to particular products. For example, Mr. Roosevelt refers to an estimate that the United States Steel corporation did not have above 60 per cent 'of steel properties' or 'steel holdings,' and when he was asked if Gary and Frick (at the time of the purchase of the Tennessee Coal and Iron company) said anything about the ore properties that they were buying at that time he answered 'They did not go into details at all, and he also stated that he understood they were going to buy the Tennessee's company's 'plant.'

"If this estimate of 60 per cent refers to property and investment in the steel business it may be noted in that year (1907) that the total property of the Bethlehem, Cambria, Colorado, Lackawanna, Pennsylvania and Tennessee companies added to the capital stock of Jones & Laughlin (because statement of property is not available) amounted to $365,768,889, these companies being the only important concerns in the steel business in the United States outside of the United States Steel corporation. This amount added to that of the United States Steel corporation equals a grand total of $1,811,606,339, of which the property account of the United States Steel corporation amounts to $1,445,837,450, or about 80 per cent."

The report concludes:

"Competition between previously competing concerns was terminated by the concentration of the control of upward of 180 corporations into one security holding company known as the United States Steel corporation.

"The corporation is merely a holding company, engaging in no business except the control through stock ownership of the subsidiary companies.

"There were acquired a large number of 'major concerns' at much inflated valuations, succeeding several increases in the capitalization of preceding incorporations, due in some cases to the greater combination value or merger of the consolidation, in which, of course, the units combined were restrained of any competitive activity. Specific instances are given under this head relating to three processes of combination as follows:

"The original combination of major concerns to eliminate all possibility of competition.

"Other acquisitions in related lines of business for which no explanation has been offered and none appears except the visible consequence, the removal of such concerns from the independent field.

"The acquirement of a large number of plants which never were operated and some of them, dismantled, being removed from the competitive field."

"The great possibilities for competition possessed by the Tennessee company" are given by Mr. Macrae as his judgment of why it was acquired. The interlocking of directors of the steel corporation and the purchase of stocks and bonds of other companies and various outside transactions of enormous size, the report discusses at length in support of the claim of power of the corporation in restraining competition.

The control of ore by the Steel corporation, 76 per cent of competitive ore in Minnesota, 500,000,000 tons in the south, "in all 2,500,000 tons out of 4,462,940,000 tons of commercially available ore in the United States—is an ownership and a control which must interfere with competition."

A BLUNDERER

"What you need, madam, is oxygen. Come every afternoon for your inhalations. They will cost you $4 each."

"I knew that other doctor didn't understand my case," declared the fashionable patient. "He told me all I needed was plain fresh air."—Washington Herald.

NECESSITIES

Smith—"I didn't know you owned a motor-car; why these auto goggles?"

Smyth—"My wife has hatpins."—Puck.

ABSENT-MINDED

"I want a dog-collar, please."

"Yes'm. What size shirt does he wear?"—Life.