

vent the enforcement of any penalty for reducing prices or exceeding one's share of the business. Previous pool agreements may have been broken and penalties inflicted by the members themselves, although this was soon discontinued. It will be assumed, even if a fund had not been deposited, that the men in the old pool would have paid their fines. If this be assumed, it can also be assumed that the word of the participants in the Gary dinners is ample security for the professions of co-operation in the policy almost unanimously subscribed to at the dinners."

The McRae report reaches the conclusion that the steel corporation operates in restraint of trade and prevents competition through a manipulation of prices, through the influence of the so-called "Gary dinners," by control of raw materials, and through a system of interlocking directors in various companies. It also tends to contradict some of the testimony given by steel trust officials.

Some of the figures dealt with in the report are startling. It is shown that J. P. Morgan & Co. received approximately \$70,000,000 in cash profits for organizing the big steel combine, and that the net profits of the concern for the first nine years of its existence were more than a billion dollars. McRae finds:

That J. P. Morgan & Co., heading the syndicate which organized the steel corporation, received a cash profit of \$69,300,000, of which \$62,500,000 was for promotion, with an additional commission of \$6,800,000 for a bond conversion scheme.

That the net earnings of the corporation for a period of nine years were \$1,029,685,389, or an equivalent of approximately \$13 a ton on finished product, instead of \$980,000, 311, as claimed by the corporation in its report.

That the steel corporation, contrary to the statement made by Judge Gary and H. C. Frick to President Roosevelt in 1907, that it did not control more than 60 per cent of steel properties in the country, controls about 80 per cent.

The approximate net earnings, the report says, are equivalent to an earning of 40 per cent on cost.

In accounting for the discrepancy between the earnings claimed by the steel corporation, \$980,000,311, and his estimate of \$1,109,146,093, Mc-

Rae restored to net earnings what had been eliminated by the steel corporation in its accounting, including such things as "interest on bonds of subsidiary companies, the locked-up inter-company profits in inventories, special depreciation admittedly charged to construction, employees' bonus funds and special compensations, account of preferred stock subscriptions, which have been treated as dividends from earnings and not in the nature of additional wages to employees, and, lastly, interest on bonds, mortgages and purchase money obligations of subsidiary companies.

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

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

The policy of the corporation resulted in enhancing the prices of raw and finished material, of which the report says: "The steel corporation officers openly declared the policy of buying all the available supply in order to keep up the price."

"The result," the report says, "of enforcing these resolutions and arrangements is that materials for export must be bought from the United States Steel Products company, and buyers in the United States who wish to buy goods for export are compelled to pay an additional profit to the United States Steel Products company."

That the United States Steel corporation has earned \$4,339,140 in eight years through its subsidiary, the Union Supply company, which sells goods to employees, is the conclusion of an exhibit submitted with the report. The expert includes in his report the following quotation from the testimony from E. H. Gary, chairman of the board of steel corporation, before the steel committee 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 report also refers to the statement made before the committee recently by Percival Roberts, jr., a director of the steel corporation, to the effect that the corporation "had done more for laborers than any other agency in the United States."

Then the report sets forth facts and figures tending to show that through the Union Supply company the steel corporation had made 100 per cent on its investment.

The exhibit represents that the capital stock of the Union Supply company, Ltd., was \$75,000 and that it was increased to \$500,000 in April, 1902, when the company was incorporated; that 366 2-3 per cent dividends were paid by the Union Supply company, Ltd., from January 1 to October 1, 1898, before the steel corporation was formed, these data being supplemented with extracts from minutes of directors' meetings of the H. C. Frick Coke company, taken over later by the steel corporation that 200 per cent dividends were paid by the company for the year 1900, 100 per cent dividends paid in 1901, and that the dividends on 1902, after the reorganization of the company amounted to \$413,066.66.

The total earnings of the Union Supply company from 1902 to 1910, inclusive, were \$4,339,140, and the dividends in that period \$3,550,000. The cost of the Union Supply company the report shows to have been \$274,000, while the corporation claims interest on \$1,398,873.53,

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NATURE'S BLUNDER

Even the greatest actor-managers do not know all there is to be known about stagecraft, to judge from a curious story concerning Sir Herbert Beerbohm Tree, in the London Times. It appears that at the rehearsal of a certain play at his Majesty's theater a wonderful climax had been reached, which was to be heightened by the effective use of the usual thunder and lightning. The stage-carpenter was given the order. The

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words were spoken, and instantly a noise which resembled a succession of pistol-shots was heard off the wings. "What on earth are you doing, man?" shouted Sir Herbert, rushing behind the scenes. "Do you call that thunder? It's not a bit like it." "Awfully sorry, sir," responded the carpenter; "but the fact is, sir, I couldn't hear you because of the storm. That was real thunder, sir!"